



## Department of Energy

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UTC Docket UE-191023

Comments of the Bonneville Power Administration to the UTC's proposed draft rules for Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act

In reply refer to: DI-7

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Washington Utilities and Transportation Commission's (UTC) draft rule language pertaining to the Clean Energy Transformation Act (CETA), Docket UE-191023. BPA markets power from 31 federal hydroelectric projects, one nuclear plant, and some other small nonfederal power plants and owns about 75 percent of the region's high voltage transmission. BPA is statutorily-required to serve over 130 preference customers in the region, about 60 of which are consumer-owned utilities in Washington, and sells power to privately owned utilities as well. The Residential Exchange Program, enacted under the Pacific Northwest Electric Power Planning and Conservation Act, provides residential and farm customers of investor-owned utilities in the region a form of access to low-cost Federal power. BPA understands this rulemaking may have implications for CETA compliance for BPA's preference customers and investor-owned utilities that may purchase power from BPA in Washington.

BPA is providing comments on four areas: (1) the UTC's proposal to retire renewable energy credits (RECs) in documenting utility progress toward the interim pre-2030 targets (WAC 480-100-665 (3)(h)(i)); (2) the UTC's draft language regarding fuel mix reporting and GHG content calculations under the Clean Energy Compliance Reports (WAC 480-100-665(3)), specifically as it pertains to how BPA should provide fuel mix data for BPA's power system on behalf of investor-owned utilities that purchase electricity from BPA; (3) the inclusion of transmission costs in the incremental cost of compliance (WAC 480-100-675); and (4) considering any findings from the Markets Work Group in documenting utility performance on CETA's no coal requirement.

First, regarding utility documentation of progress toward the pre-2030 targets, BPA urges the UTC to adopt an approach that does not involve creating and retiring hydro RECs. BPA recognizes that CETA requires the retirement of hydropower RECs when the 2030 standard becomes effective, and BPA is preparing for that eventuality. However, CETA does not mandate—or even contemplate—the retirement of hydropower RECs *before* that time. During the development of E2SSB 5116, BPA was clear that its RECs (wind or incremental hydropower due to equipment efficiency improvements) have already been contractually

obligated through 2028. Any RECs that BPA produces before 2029 are either bundled with power in BPA's power sales contracts with preference customers or are obligated to the region's investor-owned utilities according to the Residential Exchange Settlement. These agreements were entered into before BPA or its customers anticipated the creation of hydropower RECs. Neither BPA nor its customers anticipated paying the significant costs of creating, transferring, or retiring RECs for the entire Federal hydropower system under these bundled contracts.

Accordingly, BPA proposes an alternative to the draft language in 194-40-400 (2). BPA requests the UTC create an option that permits a utility to demonstrate progress, prior to 2030, towards achieving RCW 19.405.040 by relying on the utility's fuel mix report that uses BPA fuel mix data provided to Commerce. Prior to 2030, BPA does not intend to register the entire Federal hydropower system with WREGIS nor create RECs for those megawatt-hours that could be sold separately prior to 2030. Therefore, BPA's customers in Washington – private or consumer-owned utilities – should be able to rely on the BPA fuel mix data to document the megawatt-hours of hydropower the utility is using to serve its retail loads.

Proposed language for WAC 480-100-665 (3)(h)(i):

“Prior to 2030, a utility can also demonstrate progress towards achieving RCW 19.405.040, relying on hydropower megawatt-hours reported in its fuel mix, when these hydropower megawatt-hours have not been reported to any REC tracking site, such as WREGIS, and no RECs have been created or sold separately for these megawatt-hours.”

Second, BPA asks that the UTC include language that clarifies the fuel mix and GHG emissions reporting role of an “aggregator” as defined in the Washington Department of Ecology's (Ecology) proposed rules regarding the calculation of the GHG emissions content in electricity (WAC 173-444). Ecology's concept recognizes that BPA sells power from a single system of resources to both preference customers and investor-owned utilities in the state. BPA has voluntarily reported its fuel mix to the Washington Department of Commerce for roughly twenty years on behalf of BPA's preference customers in the state, and that same fuel mix applies to BPA power sales to investor-owned utilities as well. A utility purchasing power from BPA (and other aggregators) as envisioned under Ecology's proposed rules will need to rely on the fuel mix reporting of the aggregator in order to calculate and report the utility's fuel mix and GHG emissions. To accommodate this, BPA asks that the UTC modify the utility reporting due date to July 1 since BPA has indicated it will not be able to compile and report its prior year fuel mix data until June 1. The utilities that buy power from BPA will need BPA's fuel mix percentage data before the utility can complete the other reporting requirements in WAC 480-100-665(3).

Third, BPA observes that multiple regional analyses indicate that geographic diversity of renewable resources will be needed to meet Washington's 100% carbon free standard and that need may include upgraded and new transmission lines to deliver the power. BPA requests that the UTC clarify in proposed WAC 480-100-675 how the UTC's methodology

to implement the incremental cost compliance path in RCW 19.405.060 includes the costs of upgrading existing transmission or building new transmission, necessary to support the state's transition to a carbon-free electricity system. These upgrades may be made by a utility, a third party, or a mix thereof with a collaborative funding agreement. It appears the UTC's proposed language in WAC 480-100-675 (1) provides the opportunity to include the cost of a future transmission build: "A utility may include in its documentation those expenditures and investments, including in transmission, that are not reflected in the portfolio optimization if it demonstrates that the investment or expenditure could not reasonably have been reflected in the portfolio optimization model." BPA requests that the UTC include some language in its rules that provides the opportunity to include the cost of future transmission upgrades or new transmission builds. There are other places where appropriate transmission costs could be addressed in the rules, such as WAC 480-100-675 (2)(c) or (2)(d) "Are directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and RCW 19.405.050, including transmission investments for these purposes."

Finally, BPA believes the Markets Work Group discussions may provide some insight to how a utility or a wholesale marketer selling from a single system of resources (i.e. an aggregator), may provide documentation that it meets the no coal requirement in law without relinquishing the benefits gained throughout the West of electricity market efficiencies. BPA suggests the UTC wait to finalize proposed rules related to the no coal provision until the Markets Work Group has the opportunity to provide this insight.

BPA appreciates the UTC staff's work on developing CETA rulemaking language and appreciate the opportunity to provide comments during the development of this language. Please feel free to contact myself at 503.230.4358 or Liz Klumpp at 360.943.0157 if you have any questions on these comments and suggested edits to the proposed rules.

Thank you,



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