

**EXH. TLF-7C
DOCKET UG-230968
WITNESS: TRICIA L. FISCHER**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

Docket UG-230968

PUGET SOUND ENERGY,

Respondent.

**SIXTH EXHIBIT (CONFIDENTIAL) TO THE
PREFILED DIRECT TESTIMONY OF**

TRICIA L. FISCHER

ON BEHALF OF PUGET SOUND ENERGY

**REDACTED
VERSION**

APRIL 25, 2024

Cap & Invest Program – Auction #2 Strategy

EMC Decisional
April 27, 2023

Tricia Fischer
Manager, Power Origination



Recommendation

[REDACTED]

REDACTED
VERSION

- [REDACTED]
- [REDACTED]
- [REDACTED]

• [REDACTED]

- [REDACTED]
- [REDACTED]



Updated gas LDC carbon position

REDACTED
VERSION

Gas Position	Units	2023 *	2024	2025	2026
F22 gas load forecast*	Dth				
Less: PSE large customer load	Dth				
Forecast used for position	Dth				
Est. carbon obligation **	mTCO2e				
Plus no-cost allowances	mTCO2e				
Preliminary carbon position	mTCO2e				
Less: allowances to be consigned	mTCO2e				
Plus: allowances purchased to date	mTCO2e				
Cumulative EOY carbon position	mTCO2e				

*3 months of actuals & 9 months forecast

** 5-year baseline updated 3/15/23 resulting in lower baseline and fewer no-cost allowances (see appendix for details)



[REDACTED]

- No-cost allowances must be received by June 16 in order to consign in Q3 auction due to 75-day transfer requirement

- No-cost allowances are currently scheduled to be received by July 1 (35% of allocation) and Sep. 1 (remaining allocation), delaying consignment to Q4 auction

- [REDACTED]

- [REDACTED]

- Auction settlement price above \$51.90 will trigger APCR auction; opportunity to purchase additional allowances

REDACTED
VERSION

[REDACTED]



Auction volumes informed by Energy GPS "The Emitters" paper

WCA Vintage 2023 market is rising

- High WCA secondary market indicates Auction #2 likely to settle higher than Auction Price Containment Reserve (APCR) Tier 1 price of \$51.90 triggering an APCR auction
- August 9 is set for *potential* APCR auction



Recommendation

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

REDACTED
VERSION



Appendix



Confidentiality

Pursuant to Chapter 173-446-317 WAC, an entity approved for auction participation shall not release any confidential information related to its auction participation including:

- Intent to participate or refrain from participating in an auction
- Auction approval status
- Intent to bid
- Bidding strategy
- Bid prices or bid quantity
- Information on the bid guarantee provided to the financial administrator

Standing delegations of authority are not recommended at this time

Mid-office would like to see the following commercial issues be resolved first:

- Holding limits for the general accounts result in restrictions at the business entity level
- Auction purchase limit allocated between gas and power books
- Strategy to purchase allowances for power system sales (not to use no-cost allowances)

Limitation of no standing delegation of authority

- Inability to opportunistically purchase WCAs in the bilateral/secondary market

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VERSION



Q2 2023 DOE Auction Schedule

Activities	Due Date	Time (PT)
Auction Notice released	Mar 31, 2023	12:00p
Deadline for entities intending to participate in auction to submit entity information changes & disclosures	Apr 21, 2023	8:59p
Auction application window closes	May 1, 2023	8:59p
Bid guarantees due to Financial Services Administrator (FSA)	May 19, 2023	No later than 3:00p
Auction participants approved; PAR and AARs notified	May 26, 2023	No later than 3:00p
Auction	May 31, 2023	Bidding window open 10:00a – 1:00p
Auction Summary Results Report released; Results available to bidders	Jun 7, 2023	12:00p
Financial settlement in cash due to FSA	Jun 7, 2023	No later than 3:00p
Earliest date for bid guarantee expiration	Jun 26, 2023	
Distribution of auction proceeds complete	Jun 28, 2023	
Transfer of allowances to CITSS accounts	Jun 28, 2023	
WA Auction Public Proceeds Report released	Jun 28, 2023	



Update on Gas LDC no-cost allowance baseline reduction

- In March 2023, DOE required PSE to adjust supply received at the gate
- 5-year (2015 – 2019) baseline decreased by 514,839 metric tons of CO₂e
 - From 5,850,373 to 5,335,534 tons
- Decrease of LDC no-cost allowances by 478,801
- 2023 no-cost allowance estimate: 4,962,046

Allocation of no-cost allowances

	Gas LDC	Electric
Allowance distribution	Based on 2015-2019 baseline. Starts at 93% of baseline & declines 7% per year	Based on CEIP forecasted supply/demand as approved by WUTC
Consignment (selling at auction)	<u>Required</u> . Starting in 2023, 65% of no-cost allowances, increasing by 5% annually	No requirement
Consignment revenues	Use of proceeds required to <i>eliminate</i> low income burden. Additionally, may invest in weatherization, decarbonization, conservation etc. or provide non-volumetric bill credits, prioritizing low-income customers	Proceeds must benefit ratepayers with priority to <i>mitigate</i> low-income customers



Background on Cap-and-Invest program

- The Climate Commitment Act (CCA) caps and reduces greenhouse gas (GHG) emissions in WA via a Cap-and-Invest market
 - 4-year compliance periods beginning 2023
 - Allowance retirement occurs in November of the year following the compliance year
 - Compliance based on reported GHG emissions
 - Covered entities receive no-cost allowances
 - Auctions conducted by the WA Department of Ecology (DOE)
 - Entities “consign” allowances to quarterly auctions (required for gas utilities)
 - Covered entities purchase allowances via auction or secondary market or use no-cost allowances for compliance
 - PSE will be both a seller and a purchaser of allowances in the DOE auctions
 - Proceeds from auctions must be used for the benefit of ratepayers as specified in the regulation (not as restrictive for electric utilities compared to gas utilities)