



# PUBLIC UTILITY DISTRICT NO. 1

Cowlitz County, Washington

961 12th Avenue

Longview, Washington

June 29, 2020

Washington Utilities and Transportation Commission  
Attn: Mark Johnson, Executive Director and Secretary  
621 Woodland Square Loop SE  
Lacey, WA 98503

*Filed via web portal*

## **Re: Docket UE-191023, Clean Energy Transformation Act Interpretation of Compliance and Demonstration of Use of Renewable and Nonemitting Generation Resources**

Cowlitz PUD appreciates the opportunity to respond to the questions distributed on June 12th by the Washington Utilities and Transportation Commission relating to its preliminary interpretation of the demonstration of use of renewable and nonemitting generation resources in compliance with the Clean Energy Transformation Act (CETA). The PUD provides electric service to 49,600 customers throughout Cowlitz County and delivered over 4.6 million megawatt hours of electricity through retail power sales in 2019. Cowlitz PUD is a member of both the Public Generating Pool and the Washington Public Utility Districts Association, and we fully support the responses submitted by both organizations.

### **Comment Synopsis**

As an active participant in the rulemaking process, the PUD supports general consistency, where appropriate, between Commerce's and the UTC's respective rules under development. We believe that the methodology developed for utilities to demonstrate compliance with CETA's renewable and nonemitting resource portfolio standards is one of those areas where consistency is appropriate. That said, Cowlitz PUD disagrees with the UTC's legal interpretation of RCW 19.405.040(1)(a)(ii) and its position that "use" requires delivery to retail customers of renewable and nonemitting electricity that is "bundled" with the non-power attributes. We see Commerce's draft rule language in WAC 194-40-320, however, as an effective compliance pathway that all Washington electric utilities could administer with the least financial and

Received  
Records Management  
06/29/20 11:22  
State Of WASH.  
UTIL. AND TRANSP.  
COMMISSION

administrative burden. The approach maintains consistency with both the policy objectives and intent of the statute, and maximizes the value of hydropower resources while facilitating the integration of variable renewable generation onto the grid.

***Cowlitz PUD recommends consideration of Commerce’s draft language for incorporation within the UTC’s CETA compliance rule.***

### **Responses to UTC questions:**

#### **Preliminary Interpretation (June 12<sup>th</sup> Notice)**

*“Staff’s preliminary interpretation of RCW 19.405.040(1)(a)(ii) is that “use” means delivery to retail customers of “bundled” renewable and nonemitting electricity. Staff bases its interpretation on the juxtaposition of requirements in RCW 19.405.040(1)(a) and RCW 19.405.040(1)(b). RCW 19.405.040(1)(b) allows a utility to satisfy up to twenty percent of its compliance obligation with alternative compliance options. RCW 19.405.040(1)(b)(ii) identifies unbundled renewable energy credits as an alternative compliance option, so long as the nonpower attributes associated with the renewable energy credit (REC) are not double counted. This implies that if unbundled RECs were sufficient to meet the eighty percent compliance obligation, they would not be considered “alternative” options within the law.”*

**Question 1. Do you agree with Staff’s preliminary interpretation? Please explain why or why not. Explain how the term “use” should be interpreted.**

Cowlitz PUD disagrees with the preliminary interpretation as it is inconsistent with the plain language of the statute and would require utilities to demonstrate compliance in subhourly, hourly, monthly or annual time increments—all of which are less than the multi-year periods explicitly provided for in statute (2030-33, 2034-37, 2038-41, 2042-44).

*...[t]o achieve compliance with this standard, an electric utility must... (ii) **use electricity from renewable resources and nonemitting electric generation in an amount equal to one hundred percent of the utility’s retail electric loads over each multiyear compliance period.***

*(RCW 19.405.040(1)(a)(ii))*

Electricity from renewable resources used to comply with the standards in RCW 19.405.040(1) must be verified by the retirement of **renewable energy credits**. The term “unbundled REC” is defined in the statute, whereas “bundled REC” is not mentioned in CETA. Unbundled REC’s are those “that are sold, delivered, or purchased separately from electricity.” The use of unbundled REC’s is understandably restricted by the statute and is meant for alternative compliance not to exceed 20% of a utility’s obligation toward meeting the GHG neutral standard. However, using the inverse of the specificity described for unbundled REC’s as an alternative compliance tool to conclude that the remaining 80% of the obligation must be demonstrated through the retirement of “bundled RECs”, even though the term is neither present nor defined in

the statute, unnecessarily and unfairly limits the possibilities of compliance pathways that are otherwise straightforward in their execution.

The term “use” in the context of RCW 19.405.040(1)(a) is appropriately demonstrated in Commerce’s draft WAC 194-40-320 where utilities generate or acquire renewable or nonemitting electricity, provide attestation of the ownership of the electricity and associated nonpower attributes, and demonstrate “use” through the retirement of REC’s (or documentation of nonpower attribute ownership in the case of nonemitting generation) in an amount equal to 100% of the utility’s retail electric loads over the relevant compliance period.

**QUESTION 2. If staff’s interpretation were memorialized in rule, how should utilities demonstrate delivery of “bundled electricity” to customers and ensure that nonpower attributes were not double counted either within Washington programs or in other jurisdictions, as required by RCW 19.405.040(1)(b)(ii)?**

Cowlitz PUD is unclear as to how an accurate demonstration of compliance could be achieved with a delivery standard or “bundled electricity” requirement. While utilities have control over the acquisition of electricity and the resources scheduled in the system, there is no way to verify actual physical transmission system flows of electricity between a generating source and the load to which the power is delivered.

Commerce’s draft rule appropriately addresses concerns with the double-counting of non-power attributes by requiring that electricity owned by the utility and sold through a market transaction must be labeled as an unspecified resource in order for the associated RECs to be retained and eligible for the demonstration of compliance with CETA standards.

**Summary**

The plain language of CETA neither contains nor contemplates a compliance structure requiring a “delivery” standard or the retirement of “bundled RECs” to meet the GHG Neutral obligation. Rather, the multi-year compliance period that is described in detail in RCW 19.405.040(1)(a) was intentionally included in the law to account for the weather-related variability of hydro generation in the Pacific Northwest. Cowlitz PUD appreciates the opportunity provided by the UTC to participate in this discussion. A consistent compliance framework that is supported by the statute can be achieved through Commerce’s draft rule language in WAC 194-40-320. We look forward to continuing the conversation.

Sincerely,

*Steve Taylor*

Steve Taylor  
Director of Regulatory & Regional Affairs