



Department of Energy

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Washington Utilities and Transportation Commission
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Re: Docket UE-191023, Comments of the Bonneville Power Administration to the UTC's preliminary interpretation of RCW 19.405.040(1)(a)(ii), Clean Energy Transformation Act Statutory Interpretation and Compliance Structure

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the Washington Utilities and Transportation Commission's (UTC) request for issue discussion pertaining to UTC staff's preliminary interpretation of RCW 19.405.040(1)(a)(ii), 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, 63 of which are consumer-owned utilities in Washington, and sells power to privately owned utilities as well. Additionally, the Residential Exchange Program, enacted under the Pacific Northwest Electric Power Planning and Conservation Act, provides residential and small 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 submitting these comments because it disagrees with the UTC staff's preliminary interpretation that "use" in RCW 19.405(1)(a)(ii) means the carbon-free power is *delivered* to a specific Washington retail electric load. BPA believes this interpretation leads to inefficiencies in organized power markets and could result in costly overbuild of renewable resources and transmission. BPA welcomes further discussion on this important topic and believes this issue is appropriately related to the work that the Markets Working Group was intended to address.

BPA's disagreement with UTC staff's interpretation of "use" is based, first, on the plain language of the statute. CETA states that to achieve compliance a utility must "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) (emphasis added). Hence, the utility must use an amount of renewables that is “equal to” the utility’s loads - the statute does not say the renewables must be “delivered to” those loads. Similarly, CETA defines retail electric load as “the amount of megawatt-hours of *electricity* delivered in a given calendar year by an electric utility to its Washington retail electric customers.” RCW 19.405.020 (36) (emphasis added). Here again, the statute only specifies that “electricity” is delivered - it does not speak to specific sources of electricity such as renewable or nonemitting resources.

BPA interprets these two statutory provisions to provide the equation for the calculation of whether a utility is in compliance; not to require a strict requirement that the renewable and nonemitting generation must be demonstrably delivered directly to retail load. In other words, at the end of the multiyear compliance period, the fuel mix reporting along with the documentation of retired RECs for renewable power after 2030 provided by the utility would provide demonstration of the renewable and non-emitting generation that was “used”, which would be compared to the amount of electricity “delivered” to retail load. In fact, a strict requirement that renewable and nonemitting generation be demonstrably delivered to a Washington retail load would frustrate the intent of the multiyear compliance period by eliminating any flexibility for utilities to average out the inherent variability of renewable resources.

Beyond the problem of conflicting with the statutory language, the UTC staff’s interpretation of the word “use” could lead to unintended consequences by hindering the efficiencies of organized markets. Organized markets, like the Western Energy Imbalance Market (EIM), efficiently dispatch resources on a least-cost basis across a vast footprint of loads and are not able to easily accommodate identifying which resources were dispatched and delivered to a specific state or load serving entity. These markets provide valuable benefits. They enable utilities to increase the efficient use of generation and transmission across multiple states to serve broad geographic regions of diverse loads at lower costs to ratepayers. They also enable greater integration of renewable resources, which will become even more important as more variable renewable resources are added to the grid, displacing dispatchable fossil fuel generation, in order to meet state renewable and clean energy procurement standards like CETA.

BPA signed an implementation agreement last year with the California Independent System Operator (CAISO) to join the EIM, and is also participating in the ongoing discussion around the CAISO’s proposed creation of an Expanded Day Ahead Market. For BPA, EIM participation will increase BPA’s efficiency and visibility into the dispatch and marketing of federal power and use of transmission assets. The increased visibility of conditions across the grid that the EIM provides is expected to enhance reliability. In addition, BPA estimates \$29 million in annual net benefits from joining the EIM, which translates into rate benefits for BPA’s preference customers.

A strict deliverability requirement as proposed by UTC staff could lead to all electricity purchased through an organized market being treated as unspecified under CETA thus requiring mitigation, in turn hindering participation in these markets and ultimately reducing the

efficiencies and benefits these markets provide. This strict interpretation could result in costly over-build of renewable resources and transmission and increase the cost of compliance with CETA. Instead, BPA suggests the UTC focus on defining the word “use” as procurement and utilize the fuel mix reporting, along with REC retirement requirements after 2030, to demonstrate the types of renewable and non-emitting resources procured by the utility to meet the standard in RCW 19.405.040(1)(a)(ii).

BPA appreciates the UTC staff’s work on developing CETA rulemaking language and appreciates 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,

A handwritten signature in black ink, appearing to read "Alisa Kaseweter", with a long horizontal flourish extending to the right.

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