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TACOMA PUBLIC UTILITIES

June 29, 2020

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

Filed Via Web Portal www.utc.wa.gov/e-filing

Re: Docket UE-191023, Comments of Tacoma Power Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act

Dear Mr. Johnson:

Tacoma Power appreciates the opportunity to provide input to the Washington Utilities and Transportation Commission (Commission) on Rules Relating to Clean Energy Implementation Plans and Compliance with the Clean Energy Transformation Act (CETA).

Tacoma Power is a municipally-owned electric utility that serves approximately 350,000 residents in the City of Tacoma, several surrounding cities, Joint Base Lewis McChord and parts of unincorporated Pierce County. We serve our customers with carbon-free electricity from our own hydroelectric projects, through contract hydropower from the Bonneville Power Administration, and market purchases (calculated to be 98% carbon-free overall).

As a member of the Public Generating Pool (PGP), Tacoma Power has been very involved with and fully supports the legal interpretation and technical analysis articulated in PGP's detailed comments as submitted to the Commission in UE-191023, regarding the statutory framework for demonstrating the use of renewable resources and nonemitting electric generation to comply with the Clean Energy Transformation Act (CETA).

In its comments, PGP disagrees with Staff's preliminary interpretation that, "use" means delivery to retail customers of "bundled" renewable and non-emitting electricity" for the following reasons: (1) It is inconsistent with legislative intent and the statute's plain language because it would require demonstrating compliance over a time increment less than a multiyear compliance period; and (2) It creates a delivery or "bundled" renewable requirement that is not in the statute. As an alternative to Staff's

interpretation, PGP's legal interpretation aligns with the April 28 draft rules in WAC 194-40-320 by the Department of Commerce (Commerce):

194-40-320 – Use of electricity from renewable resources and nonemitting electric generation [19.405.040(1)]

- (1) For the purposes of RCW 19.405.040(1)(a)(ii), a utility uses electricity if it generated the electricity using its own generating facility or if it acquired, in a single transaction, ownership of the electricity and the nonpower attributes of that electricity. If the source of the electricity is outside the Western Interconnection, the utility must have had the capability to provide for delivery of that electricity to the utility's distribution system.
- (2) If a utility using electricity as provided in subsection (1) sells or transfers ownership of the electricity to any entity that is not its Washington retail customer, it may not use the nonpower attributes of that electricity for compliance with the GHG Neutral Standard unless the electricity transaction identified the electricity as unspecified electricity and the utility retained ownership of the nonpower attributes.

We respectfully recommend that the Commission consider Commerce's draft rule language as the most appropriate approach to demonstrate compliance for the following reasons: (1) it is compatible with centralized market transactions and supportive of evolving market structures that will be important to meeting the CETA's clean energy goals in a reliable and cost-effective manner. This approach offers more compliance flexibility and is far less administratively burdensome. Finally, this approach to compliance is similar to the approach taken in other states with clean energy standards, enabling Washington to harmonize, rather than developing a new structure that has no similarities and creates seams issues.

Of particular importance to Tacoma Power is an approach that is compatible with the Western Energy Imbalance Market (EIM) and the further development of new market structures and products. Our interest in organized markets is to maintain our investments in renewable energy and maximize their value to our ratepayers, which has ultimately resulted in our decision to join the Energy Imbalance Market in March 2022. As an EIM participating entity, we are also participating in further development of organized power markets in the West, including the Extended Day-ahead Market (EDAM).

Greater linkage of markets across the region helps diversify market participants and resources, integrate renewables efficiently, and ideally reduce carbon emissions. It is important that accounting of renewable attributes functions in a way that meets the needs of the CETA without impairing market functionality. One central tenet of organized markets is the treatment of generating resources and loads as separate in order to best optimize the dispatch of resources in the entire market footprint. Dispatch is optimized

from a multifaceted perspective, and the market operator compensates generators at the marginal cost of power, with load paying for said marginal cost. Matching of specific generators to loads via rigid direct schedules de-optimizes market outcomes, and increases costs to customers.

We are concerned that the Staff's preliminary interpretation of RCW 19.405.050(1)(a) (ii) of "use" will create a highly granular compliance structure requiring extremely burdensome power flow reconciliation. This will likely result in the sort of direct or "self-scheduling" behavior that organized markets seek to avoid, as they restrict the ability of the market to function in a liquid, least-cost manner.

In conclusion, we would like to see the Commission's proposed language align with Commerce's interpretation of "use". Tacoma Power believes that this policy decision is critical to electric utilities' success in meeting the CETA standards. Furthermore, it will play an integral role in the evolution of centralized markets and Washington state's ability to participate.

Thank you for the opportunity to offer comments on the Staff's preliminary interpretation of use. Tacoma Power looks forward to continued discussion and collaboration with the Commission and Commerce. If you should have questions, please do not hesitate to contact me.

Sincerely,

Lisa F Rennie

Lisa Rennie

Senior Advisor, Policy & Regulatory Affairs