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January 6, 2023

Ms. Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

RE: Climate Solutions' comments on Docket UE-220770, Avista Corporation's Petition for an order approving its four-year demand and resource supply forecast pursuant to the Climate Commitment Act; Docket UE-220789, PacifiCorp's Petition of Requesting Approval of Forecasts pursuant to WAC 480-07-160; and Docket UE-220797, Puget Sound Energy's Petition for an Order Approving PSE's Forecasts Pursuant to RCW 70A.65.120.

Dear Ms. Amanda Maxwell,

Climate Solutions thanks you for the opportunity to submit comments regarding electric utilities' four-year demand and resource supply forecasts for compliance with the Climate Commitment Act and the process for reviewing these forecasts. Climate Solutions is a clean energy nonprofit organization working to accelerate clean energy solutions to the climate crisis. The Northwest has emerged as a hub of climate action, and Climate Solutions is at the center of the movement as a catalyst, advocate, and campaign hub.

The Climate Commitment Act (CCA) is a transformational law that will drive down emissions from the state's top polluters, protect communities from the impacts of local air pollution, and generate billions of dollars to invest in climate action. The Utilities and Transportation Commission (Commission) will play a critical role in overseeing utilities' compliance with the CCA's cap and invest program, while also considering the requirements for electric investor owned utilities (IOUs) under Washington's Clean Energy Transformation Act (CETA).

Critically, the Commission will determine the number of no-cost allowances to be allocated to electric IOUs in recognition of the fact that utilities are already required to achieve 100% clean energy under CETA, and the potential cost burden of both laws on ratepayers – particularly low-income households. We recognize the importance of limiting costs for customers through offering free allowances. However, we are concerned with the means by which the Commission will review these forecasts, the lack of evidence that these forecasts incorporate a carbon price in their resource dispatch, and the potential for leakage. We respectfully offer recommendations in light of these concerns, as well as recommendations around ensuring the elimination of cost burdens on utility customers.

I. Utilize IOUs' approved Clean Energy Implementation Plans to review and confirm demand and resource supply forecasts.

It is critical that the Commission consider forecasts in the context of CETA requirements for electric utilities. Recognizing that electric utilities are already subject to the requirements under CETA to decarbonize by 2045, the CCA provides electric utilities with no-cost allowances to mitigate the cost burden on electricity customers by avoiding duplicative cost impacts of both laws.

We generally support the use of utilities' Clean Energy Implementation Plans (CEIP) to develop and confirm forecasts for the allocation of no-cost allowances to electric IOUs. CEIPs include interim goals for meeting requirements under CETA, including targets for energy efficiency, renewable energy usage, and demand response, all through a transparent, public process. Importantly, CEIPs are also approved by the Commission to provide oversight for CETA compliance. However, as of January 6, 2023, only one of three IOU CEIPs have been approved and we are concerned that without approval, CEIPs will not have the oversight required to serve as a basis for no-cost allowance allocation.

Similarly, we also want to underscore that using electric utilities' integrated resource plans (IRPs) as means for reviewing emissions forecasts is insufficient. Although IOUs develop IRPs as roadmaps for their resource use and dispatch, the Commission has yet to acknowledge any utilities' IRPs and has no formal approval requirements. Thus, we recommend using CEIPs to review and confirm demand and resource supply forecasts and encourage timely review and approval of the remaining CEIPs.

II. Ensure that electric utilities incorporate the price of carbon into dispatch and operations to encourage mandated emissions reductions.

As noted above, the CCA provides electric utilities with no-cost allowances to account for their existing compliance obligation under CETA. However, it is critical that electric utilities incorporate the price of carbon, as determined by the cost of an allowance (worth one metric ton of carbon dioxide equivalent) into their resource dispatch. It is especially critical considering that Ecology allows for a true-up in no-cost allowances as they relate to electric utilities' actual annual emissions, whereby a utility can exceed or go below their forecasted emissions and receive subsequently fewer or more allowances in the following year to make up for this difference. This true-up mechanism eliminates any incentive to reduce greenhouse gas emissions or penalty for increasing emissions, and thus diminishes the CCA's overall effectiveness and efficiency in ensuring economy-wide emissions reductions through changing the dispatch of fossil resources.

Thus, we encourage the Commission to direct and offer guidance to electric IOUs on incorporating the actual cost of allowances into planning, operations, and, subsequently, their forecasts. The Commission should also require that each petition include a written explanation of where and how this price is incorporated into resource dispatch as part of the approval process, as this justification is not yet evident based on current documents provided by the three IOUs.[1]

III. Consider the impact of the CCA on leakage driven by electric IOUs and their resource dispatch.

We are concerned that certain utilities may be redistributing their high-emitting resources out-of-state, rather than closing them down altogether. This possible shuffling of resources could result in emissions leakage. Leakage occurs when entities relocate or shift their polluting resources to areas with weaker environmental protections, rather than reducing them, resulting in a net neutral or net positive change in global greenhouse gas emissions. When designing the CCA, the Legislature intended to avoid leakage, wherein "a reduction in emissions of greenhouse gases within the state…is offset by a directly attributable increase in greenhouse gas emissions outside of the state and outside the geography of another jurisdiction with a linkage agreement with Washington."[2] The Legislature's commitment to avoiding leakage led them to offer Emissions Intensive Trade Exposed (EITEs) with free allowances to account for the high cost of decarbonizing and potential of leakage in these highly competitive industries.

Where leakage becomes relevant in these demand and resource supply forecasts is through Avista and PacifiCorp's partial ownership of Colstrip units 3 and 4, for which they have not disclosed ownership after 2025. Although both of their forecasts remove coal from Washington rates by this point, we have no evidence that they plan on selling their ownership post-2025, suggesting that the coal resource would be fed into other states' energy supply, rather than eliminated altogether.[3] We encourage the Commission to consider the implications of leakage on our global greenhouse gas emissions and continue to closely monitor utilities' resource planning.

IV. Seek public input in mitigating costs for ratepayers.

We want to highlight an important opportunity that the Commission has to ensure that electric IOUs adequately mitigate costs for customers and especially for low-income households. WAC 173-446-300 notes that electric IOUs must use the revenue from the consignment of allowances to auction for the purpose of mitigating costs for ratepayers, with priority given to low-income

[1] Docket UE-220789; Docket UE-220797; Docket UE-220797.
[2] RCW 70A.65.005.
[3] Docket UE-220789; Docket UE-220797.

households. Furthermore, WAC 173-446-300 notes that how this revenue is actually *used* to benefit ratepayers will be determined by the Commission. We encourage the Commission to seek public input on the best ways to consign this revenue for the benefit of ratepayers and the best mechanism for prioritizing low-income households.

Conclusion

We thank you for your consideration of our comments and efforts to ensure the CCA most effectively reduces emissions, while also limiting the cost burden on electric IOU customers. As you review the IOUs four-year demand and resource supply forecasts, we encourage the continued use of the CEIP approval process, integration of a price of carbon in dispatch, and considerations around leakage. We look forward to working with you as you continue to play a leading role in implementing Washington's landmark climate policies.

Sincerely,

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Climate Solutions

Kelly Hall
Washington Director
Climate Solutions