U-230161

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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 U-230161, CCA Work Plan and Future CCA Workshops

Dear Ms. Amanda Maxwell,

Climate Solutions thanks the Washington Utilities and Transportation Commission (the Commission) for the opportunity to recommend topics for discussion in its future Climate Commitment Act (CCA) workshops. 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 we are at the center of the movement as a catalyst, advocate, and campaign hub.

The CCA (RCW 70A.65) is a landmark piece of legislation that will transform our state's energy landscape and put Washington on a path to achieve its greenhouse gas limits set by law. Beginning in 2023, CCA's cap-and-invest program requires polluting companies to pay for their greenhouse gas emissions and reinvests the revenue into low-income protections and climate pollution reduction programs. Gas and electric utilities must obtain allowances to account for their greenhouse gas emissions over a certain cap, receiving some or all at no-cost. Gas utilities must consign an increasing share of the allowances they receive at no-cost, and revenues from the sale of these allowances must be reinvested for the benefit of ratepayers. The CCA represents a massive transition for gas and electric utility company operations, and utilities will look to the Commission for guidance and support to comply with the CCA in a way that protects customers in both the short- and long-term.

One way the Commission will play a critical role in CCA implementation is through overseeing utilities' planning and compliance with the rapid greenhouse gas reductions required under the cap. Utilities' approaches to complying with the CCA, whether through investing in decarbonization or through continuing to pollute and purchasing allowances, will also have significant implications for ratepayers. The Commission's workshops can provide an important venue for collaboration and decision making to guide and implement the CCA and truly transition gas and electric utilities off fossil fuels.

As the Commission considers topics for future CCA workshops, of utmost importance is the use of gas and electric utilities' consigned allowances for the benefit of ratepayers. Utilities are actively making decisions on how to spend consigned revenue, and we recommend that the Commission prioritize guidance for how utilities designate low-income customers, as well as how utilities protect customers from the cost of rising fossil fuels through electrification and decarbonization programs. Longer term, we also recommend the Commission spend time evaluating potential unintended consequences of the true-up mechanism in Chapter 173-446 WAC, how utilities should incorporate the price of carbon into dispatch and operations, and guide utilities on the importance of fully integrating the CCA into long-term planning decisions. Finally, we ask that the Commission continue conversations around electricity imports.

I. Workshops should prioritize a consistent process for identifying low-income customers.

Under RCW 70A.65.130 gas utilities are required to, at minimum, *eliminate any additional cost burden* to low-income customers from the implementation of CCA. Based on existing low-income programs, utilities are enrolling and reaching only a small subset of "true" low-income customers. We encourage the Commission to implement a procedure for gas utilities to ensure they reach the highest possible number of low-income customers with cost assistance. Reaching a high percentage of low-income customers is crucial to the success of a cost assistance program and to fully eliminate the cost burden to low-income customers. Implementing a consistent procedure amongst gas utilities will both advance equity and benefit the most ratepayers.

II. Workshops should prioritize developing guidance on the use of consigned allowance revenue for the benefit of ratepayers.

We encourage the Commission to include discussions on potential options for gas utilities to invest in projects that help customers transition off fossil fuels using any remaining consigned allowance revenue after providing bill assistance for low-income customers. Gas utilities have several options to meet RCW 70A.65.130, and we are concerned that if they provide non-volumetric bill credits without investing in programs such as electrification and efficiency programs that transition customers off fossil fuels, customers will remain dependent on fossil fuels and therefore on the hook for rising CCA costs. This is in addition to prolonging – instead of abating – greenhouse gas emissions. We can already see these effects in action, with at least one utility planning to offer non-volumetric bill credits in the short term. Continuing to emit fossil fuels and provide customers with non-volumetric credits will put companies in discordance with statutory greenhouse gas limits and will expose ratepayers to rising fossil fuel costs.

Alternatively, investing in electrification and decarbonization projects will reduce greenhouse gas emissions, as is the spirit of the law. Transitioning customers off fossil fuels will also shield ratepayers from the cost impact of CCA as fossil fuels costs rise, thus better for customers in the long run. We encourage the Commission to give ample time to discuss electrification and high efficiency upgrade projects in workshops, and to offer guidance on potential methods for reaching and prioritizing low-income customers.

The use of consigned revenue is also pertinent for electric utilities and WAC 173-446-300 charges the Commission with determining this revenue is invested accordingly, a clear indication that this should be included as a topic for an upcoming workshop. WAC 173-446-300 notes that electric utilities must use any revenue from the consignment of allowances to auction for the purpose of *mitigating* costs for ratepayers, with *priority* given to low-income households, as opposed to gas utility requirements to *eliminate* the cost burden for low-income households. We want to reiterate that one of the best ways to mitigate the burden of the rising cost of gas is to fund electrification and high efficiency upgrades measures and encourage future workshops to center around potential project investments.

III. Workshops should identify potential unintended consequences of the true-up mechanism for electric utility allowance allocation.

During the rulemaking process, the Department of Ecology determined that it would allow for a true-up mechanism to align electric utilities' no-cost allowance allocations with their actual annual emissions. This means that an electric utility can exceed or go below its forecasted emissions and receive subsequently fewer or more allowances in the following year to make up for this difference. We are concerned with the use of this mechanism, as it eliminates any incentive to reduce greenhouse gas emissions and switch to cleaner sources. Conversely, a true-up also eliminates any disincentive for continuing to pollute and, overall, diminishes the CCA's effectiveness and efficiency in ensuring economy-wide emissions reductions through reducing the dispatch of fossil resources.

We understand that Ecology holds the responsibility for issuing this rule but request that the Commission consider and solicit input on the implications of this mechanism in a future workshop. As the Commission gathers more information, it may be appropriate to work with and provide guidance to the Department of Ecology on an effective pathway for addressing this concern.

IV. Workshops should provide guidance on how to incorporate the CCA into utility resource planning.

We encourage the Commission to offer a workshop and issue guidance to gas and electric utilities on the need to integrate the short- and long-term impacts of the CCA into all utility planning processes. It is critical that utilities plan to achieve their proportional share of the state's statutory greenhouse gas emissions reductions and incorporate CCA compliance trajectories into planning and procurement processes. For instance, the declining cap on greenhouse gas emissions means that if utilities plan to pay for allowances in the short-term instead of decarbonizing, the compliance costs will continue to rise and negatively impact customers over time. Taking this into consideration to develop the most prudent, least-reasonable cost compliance pathway would incentivize investments in electrification and decarbonization programs.

V. Workshops should develop a process for ensuring the price of carbon is included in dispatch and operations.

Relatedly, the Commission should also discuss in a future workshop the need to incorporate the cost of allowances into planning, operation, and subsequently, emissions forecasts. The CCA provides electric utilities with no-cost allowances to account for their existing compliance obligation under the Clean Energy Transformation Act. However, it is critical that electric utilities incorporate the price of carbon, as determined by the cost of an allowance into their resource dispatch. Incorporating the cost of carbon into operations is critical considering the true-up mechanism eliminates any incentives to reduce greenhouse gas emissions.

VI. Workshops should continue discussions on electricity imports and methods for identifying the entities that hold the compliance obligation.

As highlighted in the Department of Ecology's April 10th workshop, the responsibility for tracking and reporting electricity emissions, holding the compliance obligation, and managing no-cost allowances associated with these emissions is spread across multiple entities. Covering electricity emissions under the CCA is complex when considering electricity generated out-of-state that is imported and consumed in-state. Although the determination around electricity imports is ultimately held by the Department of Ecology, their decision around which entities hold the compliance obligation for imported electricity has implications for utilities and their compliance obligations. We recommend that the Commission continue these conversations in future workshops, perhaps jointly with the Department of Ecology, to ensure allocation of allowances accurately reflects imports.

Conclusion

Commission workshops are an important venue for soliciting public input and issuing guidance to utilities on the most effective and equitable approaches to meeting greenhouse gas reduction requirements per the CCA. We thank the Commission for its efforts to engage various interested parties in CCA implementation and urge you to prioritize workshops that discuss a consistent process for identifying low-income customers, the use of consigned allowance revenue for the benefit of ratepayers, the importance of integrating the cost of allowances into all utility operations, and clarifying who holds the compliance obligation for imported electricity under certain circumstances. Climate Solutions is grateful for the opportunity to contribute these recommendations and we look forward to working with the Commission as it continues to play a leading role in implementing Washington's climate policy.

Sincerely,

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