December 3, 2020

Filed Via Web Portal

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

Re: Docket UE-191023 and Docket UE-190698, Comments on Clean Energy Transformation Act Interpretations of Use and Stakeholder Proposals

Dear Mr. Johnson:

The Public Generating Pool (PGP) appreciates the opportunity to provide comments to the Washington Utilities and Transportation Commission (UTC) in Docket UE-191023 and UE-190698, in response to the November 5 Notice of Opportunity to File Written Comments (Notice) regarding how the different interpretations of "use" and stakeholder proposals for compliance rule language will impact electric utilities in the transition to full compliance with the Clean Energy Transformation Act (CETA).

PGP continues to support the Utility Joint Recommendations submitted September 25 by PGP, Puget Sound Energy, Pacific Power, and Avista that are included as Attachment A to the Notice. We continue to view a number of benefits associated with this approach, as follows:

- Supports the goal of CETA to transform Washington's energy supply;
- Enables utilities to fully participate in, and benefit from, electricity markets that will enable further transformation of the energy supply and ensure efficient dispatch of resources;
- Creates a nexus between resources acquired by utilities and Washington customers' energy supply without adopting a "delivery to load" approach;
- Provides an auditable approach to assure no double counting of clean energy resources; and
- Offers a lowest reasonable cost approach for Washington customers, enabling earlier and more investments in clean energy resources.

To help inform the costs, benefits, and feasibility associated with the approaches that have been offered, we also submit two additional bodies of work.

First, a study that PGP sponsored with PacifiCorp that is directly relevant to the conversation and provides support for PGP's position thus far, footnoted here[1]. This study compares and contrasts a resource-based approach to compliance, aligning with the Utility Joint Recommendations, with a flow-based approach to compliance, that is akin to the proposal in Attachment B. The study emphasizes the benefits associated with a resource-based approach to compliance.

Second, recent recommendations from the Western Interconnection Regional Electricity Dialogue (WIRED) addressing similar issues regarding systems for accounting, tracking, and demonstrating compliance with clean energy policies.[2] The WIRED initiative recommendations address many of the issues outlined in the UTC Notice and conclude that "states should seek to meet individual preferences and goals through establishing resource and program eligibility criteria without attempting to precisely match accounting to underlying energy transactions or load service." We support the recommendations from the WIRED initiative and believe they align with the Utility Joint Recommendations in Attachment A.

Below is additional information on the points made in the Analysis Group study and WIRED recommendations, as well as further information that is responsive to concerns we have heard from stakeholders.

1. The compliance rules should enable utilities to capture the efficiency and flexibility of current and future wholesale electricity markets to ensure the lowest reasonable cost resource and transmission portfolios.

PGP has consistently emphasized the importance of aligning the state's compliance approaches for the GHG Neutral and No-Coal Standards with western electricity markets. Markets provide an important tool for ensuring carbon-free assets reach their highest level of production by optimizing their dispatch and the use of the existing transmission system. Centralized markets are designed to provide the most efficient and effective dispatch of existing resources and transmission resulting in lower overall costs and emissions.

The larger the footprint of a market, the greater the efficiency and flexibility that can be achieved due to diverse loads and resources accessed through a broad transmission system. If the footprint of an allowable market is constrained, for instance to the borders of the State of Washington, there will be limited flexibility and efficiencies that can be achieved which will unnecessarily increase the costs to consumers.

[1] The Analysis Group, 2020 Achieving Western States GHG Reduction Objectives, August 2020. Web: https://www.publicgeneratingpool.com/studies-reports.

[2] WIRED GHG Accounting Working Group Report, "Final Review Draft", November 2020. https://cnee.colostate.edu/wp-content/uploads/2020/11/final-review-draft-WIRED-GHG-accounting-work-group.pdf.

Supportive of these assertions, the December 2019 "Western Flexibility Assessment" study indicates that without accessing the flexibility provided through organized regional markets "achieving renewable penetrations in line with state policies appears to be difficult".[3] This same study also finds that clean-energy resource penetration reaches only 49% by 2035 when the system relies solely on bilateral markets versus 69% when the system maximizes the flexibility and efficiency of the system through centralized markets.[4] Additionally, the study shows curtailments, compliance costs, and carbon dioxide emissions are reduced under the higher integration strategies analyzed in the study, as outlined below.

Table 3: Key Results from Operational Analysis

	System Flexibility:	Lower ↓	Benchmark	Higher ↑
Study Year	Study Case:	Limited Coordination	Baseline	Integration Strategies
2026	Curtailments (%)	11%	3%	0%
2035		46%	20%	9%
2026	Renewable Penetration (%)	34%	36%	37%
2035		49%	52%	69%
2026	CO2 Emissions (Million Metric Tons)	165	161	159
2035		151	134	108
2026	Production Costs ($ Billions)	$12.1	$11.1	$10.7
2035		$11.3	$10.0	$7.8

While the Western Flexibility Assessment study identifies results for the footprint of the Western Interconnection, the impacts are experienced similarly at the state level. In fact, the Washington State draft energy strategy currently under development highlights the same points. Greater interconnection among the 11 Western states is a key part of all modeling scenarios in the state's energy strategy. The strategy supports expanded regional coordination to more efficiently dispatch resources and use transmission to lower overall decarbonization costs.[5]

The implication of these studies is that state compliance policies should support and align with the operations of bilateral and centralized markets that rely on a broad and diverse footprint to

[3] Energy Strategies, Western Flexibility Assessment, Investigating the West's Changing Resource Mix and Implications for System Flexibility," December 2019. https://westernenergyboard.org/wp-content/uploads/2019/12/12-10-19-ES-WIEB-Western-Flexibility-Assessment-Final-Report.pdf, at 123.

[4] Energy Strategies, Western Flexibility Assessment, Investigating the West's Changing Resource Mix and Implications for System Flexibility," December 2019. https://westernenergyboard.org/wp-content/uploads/2019/12/12-10-19-ES-WIEB-Western-Flexibility-Assessment-Final-Report.pdf, at 17.

[5] Washington State 2021 Energy Strategy, First Draft, November 2020, https://www.commerce.wa.gov/wp-content/uploads/2020/11/WA-2021-State-Energy-Strategy-FIRST-DRAFT-2.pdf.

improve environmental outcomes. Ironically, an approach like Attachment B that creates friction in market transactions would increase cost and reduce environmental benefits. The Utility Joint Recommendations, however, would allow Washington utilities to benefit from the efficiencies provided by existing and future market structures to fully realize the clean energy attributes that they have invested in on behalf of their customers.

2. The compliance rules should promote approaches to meeting the law that recognize the physical realities of the power system.

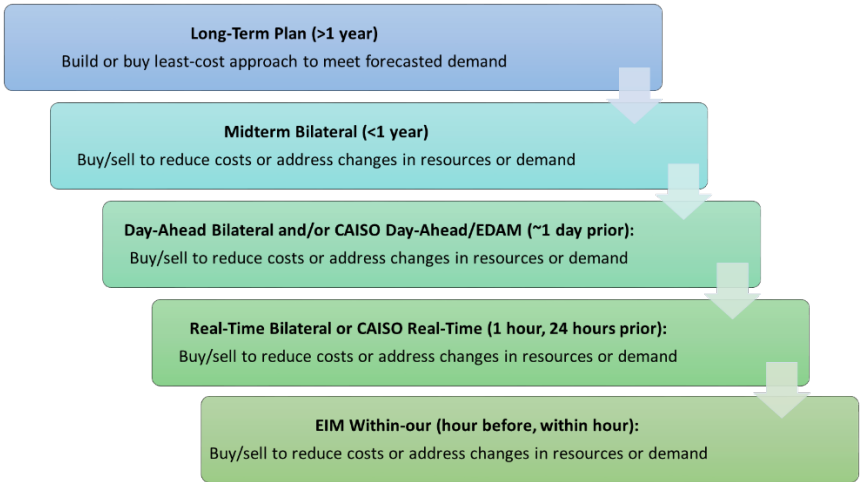
The physics of the electric system makes tracking electricity to end-use customers to ensure a specific unit of electricity was delivered to an end-user and not transferred to another end-user infeasible in practice to implement. With many goods, accounting for the source of production and the content of imports and exports is relatively straightforward. A product is procured by a customer, loaded into a truck, and delivered to the customer. Electricity, though, is not delivered in individualized transmission or distribution lines. Instead, electricity is procured and then injected into a web of transmission and distribution lines in which electrons from many different sources are effectively the same and physics determines the flow of electricity. Therefore, individual electrons cannot be readily certified and tracked. This fact makes the Attachment B recommendation infeasible to implement.

The investment and ownership of environmental attributes associated with owned or purchased generation can be tracked and easily reported. See Appendix I for a visual depiction of the grid that supports the Utility Joint Recommendations.

3. The compliance rules should enable utilities to meet the law in a least-cost manner, recognizing that utilities balance supply and demand through numerous transactions.

As utilities integrate greater levels of variable resources, compliance tools should promote flexibility in integration rather than impose barriers. To properly balance electricity supply and demand on the power grid, utilities must understand how much variable energy is generated at any given moment, how much energy is expected in the next moment, and how to respond to changing generation levels.

To address the issue of balancing supply and demand, utilities buy and sell supplies based on long-term forecasts of resource needs required by internal risk management guidelines and continue to refine their resource mix through shorter-term transactions as they get closer to the delivery hour to adjust for changes in forecasted load and resources. The figure below shows the sequential steps to energy delivery. This sequential process helps to ensure the lowest-cost resources in the market are operating and thus reduce customer costs.



While a utility may have an ownership interest in a resource or enter into a long-term power purchase agreement for a resource— both arrangements that could be used to track the type and level of investment made by a utility— the utility will manage all of its resources as a portfolio and may make a number of purchases and sales to match supply and demand thereby balancing its portfolio. As a result, utilities don't assign a specific resource or purchase to every unit of electricity that is sold as these transactions are derived from the utility's entire pool of resources and are designated as "system" sales. Similarly, utilities making a purchase do not receive or claim any specific resource for these unspecified balancing purchases.

The Utility Joint Recommendations recognize the necessity of balancing transactions using a fungible market product as a way to ensure lowest reasonable cost compliance.

4. The compliance rules are one aspect of CETA implementation and should be viewed as one component for achieving CETA's policy goals.

The compliance rules that are developed by the UTC and Department of Commerce are important to ensure the transparent documentation of the resources being used for Washington customers, the establishment of a nexus between generation and customer load, and environmental attributes are not doublecounted under multiple states' clean energy policies.

The CETA compliance rules should be considered in the context of the entire utility resource planning process. As noted in response to question 4b below, PGP believes that utility planning will ensure the utility owns or acquires sufficient resources to meet the CETA requirements. The compliance rules should be designed to rely on demonstrating that attributes have been retired.

We believe the Utility Joint Recommendations, along with other planning tools required in the law, comprehensively address the policy objectives of CETA. It should be noted, however, that there is no expressed policy goal or directive of CETA to address leakage or resource shuffling. Leakage and resource shuffling are issues to consider in the context of emissions-based policies, which CETA is

not. We agree with Renewable Northwest's August 10 comments submitted to the UTC in UE-191023 that the state would utilize different approaches to address such concerns.

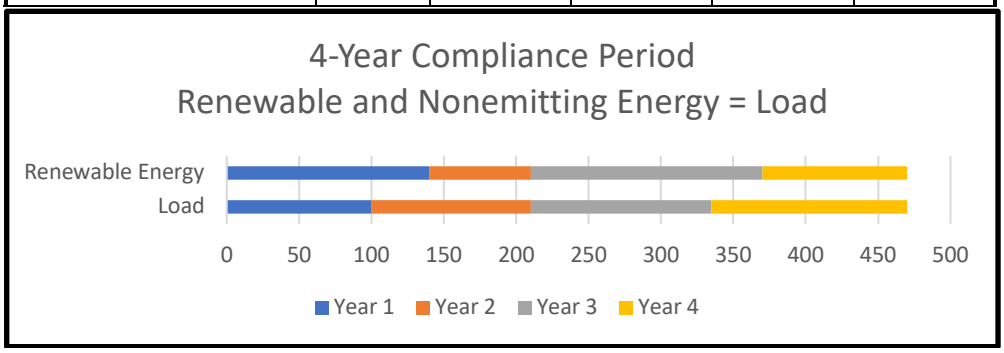
Attached as Appendix II is an outline of the various compliance scenarios we believe may exist and the documentation the Utility Joint Recommendations would support. We believe a conversation regarding the concrete documentation that a utility should use to demonstrate compliance would be beneficial as the agencies determine the appropriate path for rulemaking on this issue.

Questions

1. Do the rules provided in Attachment A or B allow CETA to be enforced as an offset program? a. If no, which portion of the rule language prevents CETA compliance from functioning as an offset program? b. If yes, which portion of the rule language permits CETA compliance to function as an offset program?

PGP's perspective is that offset programs are generally utilized in policies where emissions quantities are the units of compliance, which is not the focus of CETA. As outlined in previous comments, PGP and the Utility Joint Recommendations in Attachment A interpret the GHG Neutral Standard beginning in 2030 to require utilities to use, over the course of a four-year compliance period, an amount of electricity from renewables or nonemitting generation equal to at least 80 percent of their retail electric load. To the extent a utility has not generated enough renewables or nonemitting generation over that compliance period, it may comply with alternative compliance options for up to an amount equal to 20 percent of its load over the multiyear compliance period. Below is a graphic depiction outlining the general framework of the law.

	Year 1	Year 2	Year 3	Year 4	Total
Renewable and Nonemitting Energy	140	70	155	105	470
Retail Load	100	110	125	135	470



2. Do the rules in Attachment A or B allow a utility to produce renewable electricity in excess of the amount required to serve its load and use the RECs from that excess renewable electricity, sold off system, to cover periods of load in which more than 20 percent of its load is served by GHG emitting resources as a means of complying with RCW 19.405.040(1)(b)(ii)? For example, can a utility comply with the 80 percent requirement through buying 1000 MWh of hydroelectricity in excess of its load

service needs in every hour of the day during the spring runoff and resell that power while retaining the nonpower attributes for compliance?

The Utility Joint Recommendations in Attachment A would measure the compliance requirement over the four-year compliance period. To the extent that a utility purchases or generates sufficient energy with accompanying renewable energy credits to match its cumulative total retail load over the four-year compliance period, the utility would be in compliance with the standard. This fundamental perspective is what provides the necessary and statutory flexibility for hydropower (and all variable renewables). Any purchased or owned generation that is acquired alongside its environmental attribute, would be eligible for compliance with the 80% compliance bucket regardless of the disposition of the underlying energy.

The example in Question 2 seems to suggest that a utility may intentionally procure a resource that is surplus to its needs, and does not match its load shape strictly for the purpose of receiving the compliance attributes. PGP does not believe this scenario would occur in practice. The rules applying to "use" are just one component that will guide a utility's approach to resource procurement to achieve the goals of CETA. There are a number of checks and balances included in the statute to ensure utilities are transforming their energy sources as required by law. The use rules would not override other utility planning, procurement, and ratemaking processes that ensure utilities are procuring power to serve their customer loads at the lowest reasonable cost, with regulatory review and acknowledgement or approval. Utility planning includes a Resource Adequacy assessment that will limit a utility's ability to rely on surplus that may only be available in high production seasons or years of abundant hydro production.

To the extent that the Utility Joint Recommendations in Attachment A enable a utility to procure the surplus electricity of one utility, the effect is a reduction in curtailments and greater utilization of renewable energy. The Utility Joint Recommendations in Attachment A distinguish which entity could claim compliance credit based on how the transaction was structured. If the surplus electricity is sold as renewable with the renewable energy credit conveyed with the electricity, then the purchasing utility would be able to claim credit. If the surplus electricity is sold as unspecified and the renewable energy credit is retained by the utility selling the unspecified electricity, then the utility retaining the renewable energy credit could claim credit for CETA's 80% compliance bucket. This approach is supportive of the policy objectives of CETA and consistent with RCW 19.405.040(1)(a) which states that utilities must: "use electricity from renewable resources and nonemitting electric generation **in an amount equal to one hundred percent of the utility's retail electric load over each multiyear compliance period**." [emphasis added]

Last, in the event that a utility is approaching compliance in a manner that is determined to be contrary to the spirit and letter of the law, the Utility Joint Recommendations in Attachment A would enable the UTC and Commerce to review the rules by June 1, 2024 to determine if revisions are necessary to achieve the objectives associated with the GHG Neutral Standard. Even without the language in Attachment A regarding a review, the agencies have the authority to review and adjust the rules as necessary.

3. Attachment A states in (2)(C)(ii)(4) that the delivery of resources used for compliance may occur at "another point of delivery designated by an electric utility for the purpose of subsequent delivery to the utility [emphasis added]." a. Does the term "purpose of subsequent delivery" mean that the electricity must be delivered to the utility, or only that it was intended to be delivered? b. What constitutes "delivery to the utility"?

With regard to transmission and deliverability, every Washington utility has unique circumstances that apply only to their service territories . The language in 2(C)(ii)(4) of Attachment A is intended to provide a compliance option for those utilities that, due to their unique circumstances, do not or cannot fall under the compliant delivery points identified in 2(C)(ii)(1)-(3).

This language provides flexibility for generation that occurs outside the utility's service area or balancing authority area, outside the utility's transmission or distribution system, outside the BPA transmission system, or outside the system of a participating EIM entity. If an individual utility were to consider utilizing this provision in the future, the utility could work with regulatory bodies to determine the appropriate interpretation of this provision. As with the other delivery points, compliance would be demonstrated through ownership, control or contract documentation. We welcome further discussion to ensure future rules will provide flexibility for each utility's unique circumstances, align with prudent utility operations, be feasible to implement, and also meet the state's policy goals.

4. How will the suggested rules in Attachment A and B affect long-term portfolio planning and acquisition?

The Utility Joint Recommendations in Attachment A would enable utilities to adopt a long-term approach to resource planning and acquisition, enabling utilities to develop portfolios of renewable and nonemitting resources through direct ownership and power purchase agreements, while maintaining flexibility to dispatch those portfolios in a least-cost manner to serve load. Rules enabling utilities to model both resource needs and compliance needs on a long-term basis will promote portfolios that achieve <u>all</u> of the utility's planning goals at the lowest reasonable cost to customers.

Conversely, a compliance methodology based on operational requirements, such as a delivery-based approach outlined in Attachment B, would provide challenges to modeling compliance on a planning basis and provide less clarity and insight into the economic ramifications of compliance with CETA. Because it is unclear how utilities would demonstrate that a particular megawatt-hour of electricity was generated by a particular resource, not sold at any point in the process, and ultimately delivered to an end-used customer, it is unclear how a utility would model resource acquisition and its path to compliance. The ability to plan for a utility's long-term needs would conflict with the compliance methodology's short-term operational requirements, leading to increased cost with no additional benefit.

The Utility Joint Recommendations in Attachment A would also enable utilities to engage in organized energy markets and receive compliance credit so long as certain requirements are met

(see PGP's response to Question #5). As noted previously in these comments, studies have shown that greater integration and efficient resource dispatch across a broad market footprint will best support achievement of compliance standards by optimizing the use of clean resources and existing transmission, and reducing curtailment and oversupply, in a lowest reasonable cost manner. The compliance methodology within Attachment B carries the risk of limiting, or even eliminating, organized energy market participation.

Last, a delivery standard akin to Attachment B, would increase the likelihood of utilities hitting the cost-cap early, thus building fewer renewables. Specifically, it will take more renewables to serve an hourly standard but the high incremental cost of that load service is likely to prohibit some utilities from ever achieving their goals because the cost cap will be applied. The Utility Joint Recommendations provide the best chance of hitting the policy goal of transitioning to clean energy because it allows for a more economic transition.

a. CETA requires that all of a utility's load be served by renewables or nonemitting resources by 2045. Do the rules in Attachment A or B support this objective? Do they allow compliance with the 2030 goal in a manner that diverges from the 2045 goal?

The rules for complying with the 2045 100% Electricity Standard have not been promulgated in detail, nor is the language in RCW 19.405.050 as explicit regarding the compliance tools utilities will utilize to achieve compliance. What is clear, however, is that RCW 19.405.050 requires utilities to incorporate the 100% standard into "all relevant planning and resource acquisition practices…". The Utility Joint Recommendation for the GHG Neutral Standard, with its focus on a portfolio approach to resource procurement, aligns with this concept and allows utilities to engage in long-term planning to achieve the 2045 target.

In order to comply with the GHG Neutral Standard, utilities are required to invest in renewable and nonemitting resources in an amount equal to their load over a multiyear compliance period, which will be verified through the retirement of RECs. The Utility Joint Recommendations go further and establish a deliverability requirement to ensure the resources that utilities invest in will be used by customers. Utilities will be required to make significant investments in renewable or nonemitting resources to meet their CETA goals, in a least-cost manner approaching 100% by 2045. The Utility Joint proposal does not diverge from the 2045 goal.

b. Do the suggested rules in Attachment A or B support a long-term resource portfolio plan that matches the production of renewable electricity with the utility's load and has sufficient transmission service between the point of injection of its planned source of renewable electricity and the utility's load to enable the renewable electricity to serve that load?

We understand one main concern that the proposal included in Attachment B is purporting to address is ensuring that resources will be built to align with utility load profiles. We believe there

are existing tools in the law that already lead to this result and will align well with the Utility Joint Recommendations in Attachment A, rather than compliance based on delivery.

First, compliance rules are just one of many tools included in CETA to transform the utility sector, and do not override other tools that support greater renewable resource development. Regardless of the approach taken in these compliance rules, there is clear statutory direction to ensure the utility's resource investment approach with regard to CETA will consider their customers' load needs, as follows in RCW 19.280.030(1):

> *The integrated resource plan, at a minimum, must include:… (j) The integration of the demand forecasts, resource evaluations, and resource adequacy requirement into a long-range assessment describing the mix of supply side generating resources and conservation and efficiency resources that will meet current and projected needs, including mitigating overgeneration events and implementing RCW 19.405.030 through 19.405.050, at the lowest reasonable cost and risk to the utility and its customers, while maintaining and protecting the safety, reliable operation, and balancing of its electric system…* (Emphasis added)

Second, the requirement for utilities to establish resource adequacy requirements and metrics in their integrated resource plans ensures that utilities develop a plan for meeting load "during the hard times" while taking CETA compliance requirements into account (see RCW 19.280.030(1)(i)).

Third, other stakeholders have argued that implementing a delivery requirement or tracking of electrons to the end-use customer will incentivize new transmission infrastructure. This fails to consider the significant benefits that centralized markets have in efficiently utilizing the existing transmission system. If Washington embraces being part of a larger grid and regional market, a more holistic view of resource and transmission needs will appear and ensure the resources that are built will be valuable to the utility and the broader market.

The Utility Joint Recommendations in Attachment A complement other tools in law and would result in resources being built that align with load and support investments that are beneficial to the broader market and Washington.

5. Could the Energy Imbalance Market (EIM) provide a prorated share of the attributes of the resources that provided energy in a market interval to the loads that received energy in that market interval?

Centralized markets rely on a single entity (referred to as an independent system operator, or ISO) to manage electricity supply and demand. The California Independent System Operator (CAISO) manages energy dispatch for EIM participants and provides an automated approach for real-time, bid-based energy trading to support the balancing of electricity loads. EIM purchasers buy commodity energy that does not have a specified source, nor is there a mechanism to track the resources dispatched into the EIM to the load pocket that is being served.

PGP does not believe that there is a need or that there would be benefit to having the Energy Imbalance Market attempt to identify and allocate clean energy attributes. While it has been noted that the CAISO Energy Imbalance Market utilizes a method to estimate emissions associated with resources that have agreed to be considered "deemed delivered" into the state, this estimation process is used to determine compliance obligations under the state's cap-and-trade program. Given that CETA is not an emissions program, the construct is not relevant. Further, the approach currently employed in the Energy Imbalance Market is inaccurate and is not an approach PGP recommends being expanded.

But, more importantly, PGP believes that the Utility Joint Recommendations would allow Washington utilities to be able to participate in the Energy Imbalance Market and future markets with their owned and contracted resources and still be able to retain the attributes for the 80% compliance requirements under CETA. By approaching compliance in the manner described in the Utility Joint Recommendations in Attachment A, Washington will keep the operation of the market separate from the contracts and the environmental attributes. This approach eliminates the need to create a complicated and imperfect method of allocation and aligns with the broader regional market and future market development.

a. If EIM loads were to receive the attributes of the generators providing energy in the market, should constraints in the dynamic transfer capacity be incorporated into the calculation of the distribution of those attributes to load? Is it possible to reflect those constraints in the distribution of attributes to locational loads?

Centralized markets do not assign specific resources to specific loads. As indicated above, contracts and attributes should be the compliance instruments, regardless of the mechanism of dispatching the electricity.

b. If EIM loads could receive the attributes of the generators providing energy in the market, is there a means of allocating those attributes by a bid price mechanism?

There is no reason to have the EIM allocate the attributes of generators to load. All participating resources either have an owner or can have their attributes procured under a power purchase agreement. If the resource is dispatched by the market, the attributes can flow to the owner of the resource or to the power and attribute purchaser.

6. If the DAM bid awards were mostly surplus hydro, would the loads receiving energy from the DAM only receive unspecified energy under the rules in Attachments A and B? Does this mean that a utility that was a net buyer from the DAM at a time of excess hydroelectric generation would only receive unspecified power?

See answer to Question #5.

7. Rules in Attachment B, part (2)(b), state that a utility must make a demonstration that the electricity used for compliance was generated by the utility or acquired by the utility with the nonpower attributes and not resold. a. How would a utility make such a demonstration? b. How would power generated and purchased by the utility be identified as sold, which documents would be used, and what process would be followed to reconcile purchases and sales? c. How would Commission staff conduct audits under this proposal?

PGP has similar questions. We look forward to reviewing stakeholder responses on this issue to learn more about how a utility might implement the requirements of this approach. We welcome additional conversations to further dissect this proposal.

8. Please explain how double counting is prevented under the suggested rules in Attachment A and B?

CETA directs that the state must prevent double counting of nonpower attributes. The Western Renewable Energy Generation Information System (WREGIS) helps ensure that no double counting has occurred by tracking and retiring RECs and bringing transparency to REC markets. WREGIS, however, does not currently track whether the zero-emissions attribute of the REC has been reported as part of a greenhouse gas program in a regional area. Therefore, additional mechanisms are needed to verify that the zero-emissions attribute is not counted twice.

Double counting could occur under California's cap-and-trade program, which requires reporting of emissions characteristics of resources regardless of the disposition of any associated attributes. There are two ways that double counting could potentially occur for imports into California:

(1) *Bilateral specified source contracts* between an entity that imports energy into California and a Washington utility in which the Washington utility resold the power but retains the REC for CETA compliance *and* the resource's emission rate is used by the importing entity to comply under California's cap-and-trade program.

(2) *EIM Renewable Participating Resources* where RECs are owned by or sold to a Washington utility and retained for CETA compliance and the electric output of the resource is "deemed delivered" into California *and* the resource's emission rate is by the importing entity to comply under California's cap-and-trade program.

These are the solutions that would address the potential scenarios:

(1) *In the bilateral contract scenario*: If the Washington utility makes a specified sale, the Washington utility will need to prove they did not also count those RECs for CETA compliance. Proof is provided through: documentation through contracts or other supporting documentation of all specified sales to California; supporting WREGIS documentation; and, a review of documentation by the appropriate auditing body to assure the REC is not being used for CETA compliance.

(2) In the EIM scenario: If a Washington utility sells its power through the EIM, or purchases power from an independent power producer participating in the EIM, it will need to prove the energy has not been "deemed" to be delivered into California to prevent double counting. Proof is provided through review of EIM settlements for deemed-delivered resources to assure they are not part of a utility's CETA compliance.

The Utility Joint Recommendations in Attachment A address these situations and include the following language to address doublecounting: *"Nonpower attributes used to satisfy compliance with RCW 19.405.040(1)(a)(ii) may not be double counted. If a utility claiming a renewable resource or nonemitting generation as provided in subsection (1) sells or transfers ownership of the electricity in a transaction that contractually specifies the generation source, it may not use the nonpower attributes associated with that specified-source sale of electricity for compliance with RCW 19.405.040(1)(a)(ii)."*

Conclusion

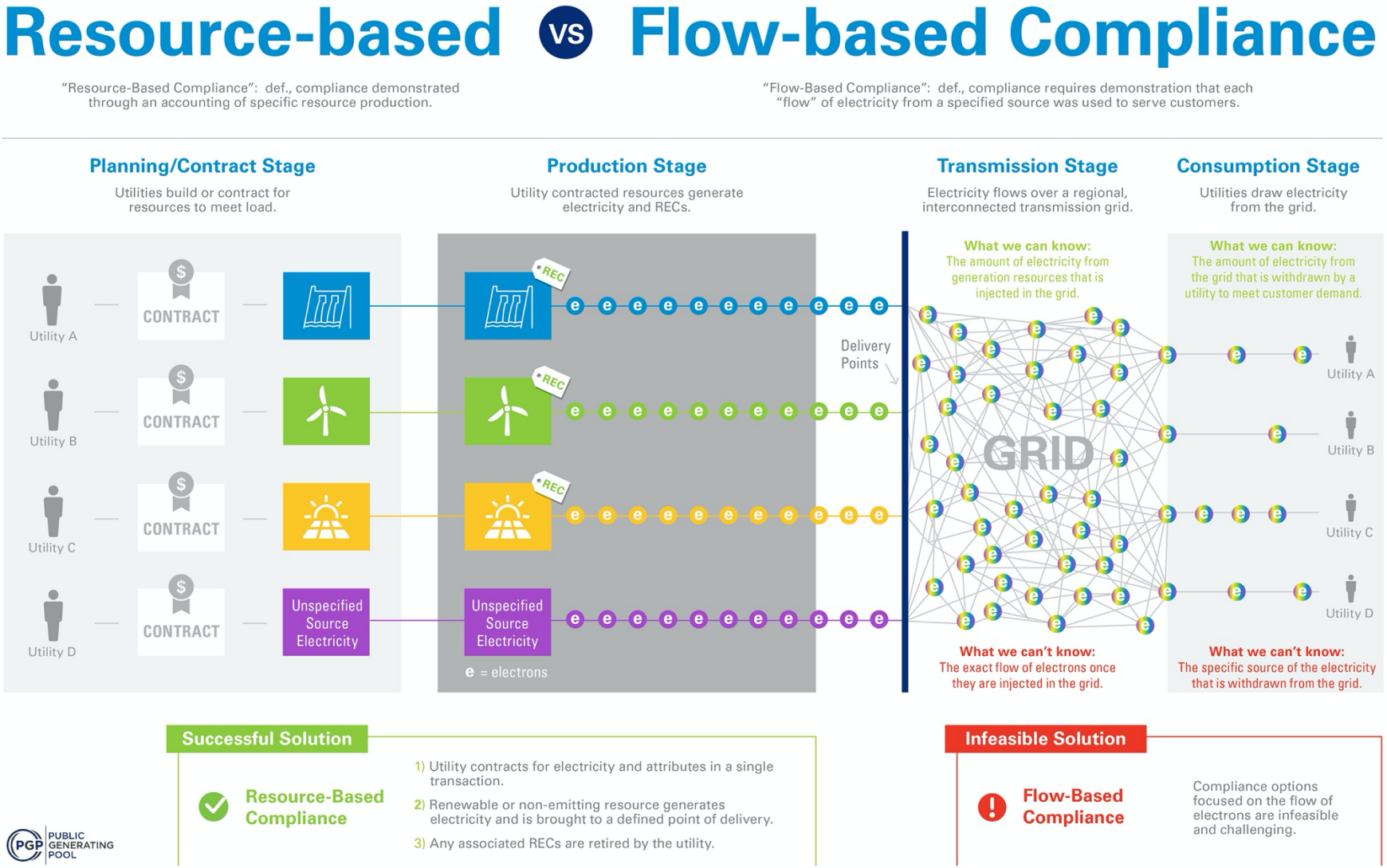
PGP appreciates the opportunity to submit these comments for your consideration. We believe this policy decision is a critical element for utility compliance with CETA, and the state's ability to meet its clean energy targets. If you should have questions, please do not hesitate to contact me.

Sincerely,

Therese Hampton, Executive Director
Public Generating Pool

Appendix I: Resource-based vs. Flow-based Compliance
Appendix II: Illustrative CETA Compliance Scenarios

APPENDIX I


Resource-based VS Flow-based Compliance
"Resource-Based Compliance": def., compliance demonstrated through an accounting of specific resource production.
"Flow-Based Compliance": def., compliance requires demonstration that each "flow" of electricity from a specified source was used to serve customers.
Planning/Contract Stage
Utilities build or contract for resources to meet load.
Production Stage
Utility contracted resources generate electricity and RECs.
Transmission Stage
Electricity flows over a regional, interconnected transmission grid.
Consumption Stage
Utilities draw electricity from the grid.
Utility A
Utility B
Utility C
Utility D
CONTRACT
Unspecified Source Electricity
REC
Delivery Points
GRID
e = electrons
What we can know:
The amount of electricity from generation resources that is injected in the grid.
What we can't know:
The exact flow of electrons once they are injected in the grid.
What we can know:
The amount of electricity from the grid that is withdrawn by a utility to meet customer demand.
What we can't know:
The specific source of the electricity that is withdrawn from the grid.
Successful Solution
Resource-Based Compliance
1) Utility contracts for electricity and attributes in a single transaction.
2) Renewable or non-emitting resource generates electricity and is brought to a defined point of delivery.
3) Any associated RECs are retired by the utility.
Infeasible Solution
Flow-Based Compliance
Compliance options focused on the flow of electrons are infeasible and challenging.
PGP PUBLIC GENERATING POOL

APPENDIX II: Illustrative CETA Compliance Scenarios

CETA COMPLIANCE SCENARIO 1: ***Renewable generation equals load.***

- The utility has procured enough renewables through ownership and contract to achieve compliance equal to their load over the multi-year compliance period.
- The utility does not have any unspecified purchases or sales.
- The utility does not have any specified sales.
- The utility does not have any alternative compliance obligation because its renewable generation total equals its load over the multi-year compliance period.

	Multi-year Compliance Period	**Documents used for Compliance**
Load	200 MWhs	Utility data measuring load
Renewable Generation Total	200 MWhs ○ Wind Contract 1: 40 MWhs ○ Wind Contract 2: 40 MWhs ○ Owned Hydro 1: 120 MWhs	Each of the units used for compliance must be substantiated by: ○ WREGIS reports for retired RECs ○ Copies of each renewable contract or proof of ownership that identifies: (1) location in the utility's service area or balancing authority area; or (2) a compliant delivery point.
Nonemitting electric generation	0 MWHs	
Unspecified Purchases	0 MWhs	
Unspecified Sales	0 MWhs	
Specified Sales	0 MWhs	
Renewable and nonemitting generation available for compliance with RCW 19.405.040(1)(a)(ii)	200 MWhs	WREGIS reports of retired RECs
Alternative compliance per RCW 19.405.040(1)(b)	0	

CETA COMPLIANCE SCENARIO 2: ***Specified-Source Sale of Surplus Renewable Generation***

- In this scenario, the utility procures more renewable generation than it needs to meet its customers' load.
- The utility sells off the surplus generation through a specified-source sale. A specified-source sale is a sale in which the source is specified. In the utility's CETA compliance documentation, the selling utility must prove that it has not doublecounted in two different state's programs the nonpower attributes (RECs) associated with the electricity.
- The utility does not have any unspecified purchases or sales.
- The utility does not have any alternative compliance obligation because its renewable generation total equals its load over the multi-year compliance period.

	Multi-year Compliance Period	**Documents used for Compliance**
Load	200 MWhs	Utility data measuring load
Renewable Generation Total	230 MWhs ○ Wind Contract 1: 40 MWhs ○ Wind Contract 2: 40 MWhs ○ Owned Hydro 1: 150 MWhs	Each of the units used for compliance must be substantiated by: ○ WREGIS reports for retired RECs ○ Copies of each renewable contract or proof of ownership that identifies: (1) location in the utility's service area or balancing authority area; or (2) a compliant delivery point.
Nonemitting electric generation	0 MWHs	
Unspecified Purchases	0 MWhs	
Unspecified Sales	0 MWhs	
Specified Sales	30 MWhs	Proof that the RECs associated with the specified-source sale are not being used for CETA compliance through the WREGIS report and copies of all specified-source sales contracts
Renewable and nonemitting generation available for compliance with RCW 19.405.040(1)(a)(ii)	200 MWhs	WREGIS reports of retired RECs
Alternative compliance per RCW 19.405.040(1)(b)	30 MWhs	Alternative compliance payments, unbundled RECs, ETPs, energy recovery facility using municipal solid waste

CETA COMPLIANCE SCENARIO 3: ***Utility is short in renewable generation and invests in an alternative compliance option.***

- In this scenario, the utility has not procured enough renewable generation to meet its load over the multi-year compliance period.
- The utility purchases unspecified-source energy to meet its customer load.
- The utility is required to invest in alternative compliance to account for the difference between its renewable generation and customer load.

	Multi-year Compliance Period	**Documents used for Compliance**
Load	200 MWhs	Utility data measuring load
Renewable Generation Total	160 MWhs ○ Wind Contract 1: 40 MWhs ○ Wind Contract 2: 40 MWhs ○ Owned Hydro 1: 80 MWhs	Each of the units used for compliance must be substantiated by: ○ WREGIS reports for retired RECs ○ Copies of each renewable contract or proof of ownership that identifies: (1) location in the utility's service area or balancing authority area; or (2) a compliant delivery point.
Nonemitting electric generation	0 MWhs	
Unspecified Purchases	40 MWhs	
Unspecified Sales	0 MWhs	
Specified Sales	0 MWhs	
Renewable and nonemitting generation available for compliance with RCW 19.405.040(1)(a)(ii)	200 MWhs	Alternative compliance payments, unbundled RECs, ETPs, energy recovery facility using municipal solid waste
Alternative compliance per RCW 19.405.040(1)(b)	40	Alternative compliance payments, unbundled RECs, ETPs, energy recovery facility using municipal solid waste

CETA COMPLIANCE SCENARIO 4: ***Renewable generation equals load.***

- The utility has procured enough renewable generation through ownership and contract to achieve compliance equal to their load over the multi-year compliance period.
- The utility has a net-zero total of unspecified purchases or sales.
- The utility does not have any specified sales.
- The utility does not have any alternative compliance obligation because its renewable generation total equals its load over the multi-year compliance period.

	Multi-year Compliance Period	**Documents used for Compliance**
Load	200 MWhs	Utility data measuring load
Renewable Generation Total	200 MWhs ○ Wind Contract 1: 40 MWhs ○ Wind Contract 2: 40 MWhs ○ Owned Hydro 1: 120 MWhs	Each of the units used for compliance must be substantiated by: ○ WREGIS reports for retired RECs ○ Copies of each renewable contract or proof of ownership that identifies: (1) location in the utility's service area or balancing authority area; or (2) a compliant delivery point.
Nonemitting electric generation	0 MWhs	
Unspecified Purchases	50 MWhs	Unspecified purchases are netted with unspecified sales.
Unspecified Sales	50 MWhs	Unspecified sales are netted with unspecified purchases.
Specified Sales	0 MWhs	
Renewable and nonemitting generation available for compliance with RCW 19.405.040(1)(a)(ii)	200 MWhs	WREGIS reports of retired RECs
Alternative compliance per RCW 19.405.040(1)(b)	0	

CETA COMPLIANCE SCENARIO 5: ***Renewable and nonemitting electric generation equals load.***

- The utility has procured enough renewable generation through ownership and contract to achieve compliance equal to their load over the multi-year compliance period.
- The utility has a net-zero total of unspecified purchases or sales.
- The utility does not have any specified sales.
- The utility does not have any alternative compliance obligation because its renewable generation total equals its load over the multi-year compliance period.

	Multi-year Compliance Period	**Documents used for Compliance**
Load	200 MWhs	Utility data measuring load
Renewable Generation Total	190 MWhs ○ Wind Contract 1: 40 MWhs ○ Wind Contract 2: 40 MWhs ○ Owned Hydro 1: 110 MWhs	Each of the units used for compliance must be substantiated by: ○ WREGIS reports for retired RECs ○ Copies of each renewable contract or proof of ownership that identifies: (1) location in the utility's service area or balancing authority area; or (2) a compliant delivery point.
Nonemitting electric generation	10 MWhs	Attestation supporting utility ownership of nonemitting electric generation.
Unspecified Purchases	50 MWhs	Unspecified purchases are netted with unspecified sales.
Unspecified Sales	50 MWhs	Unspecified sales are netted with unspecified purchases.
Specified Sales	0 MWhs	
Renewable and nonemitting generation available for compliance with RCW 19.405.040(1)(a)(ii)	200 MWhs	WREGIS reports of retired RECs
Alternative compliance per RCW 19.405.040(1)(b)	0	