

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the Matter of the Petition of	)	DOCKET UE-121594
	)	
PUGET SOUND ENERGY, INC.	)	NW Energy Coalition’s
	)	Response
for a Determination of Emissions	)	
Compliance	)	
.....	)	

1           On October 4, 2012, the Washington Utilities and Transportation Commission  
2 (“Commission”) issued a Notice of Brief Adjudication in Docket No. UE-121594, and  
3 invited interested parties to respond to Puget Sound Energy’s (“PSE”) Petition for an  
4 Emissions Performance Determination, filed on October 2. At issue is whether the Tenaska  
5 Ferndale Cogeneration Station (“Ferndale Station”) complies with the State’s greenhouse gas  
6 emissions performance standard (“EPS”) as codified in RCW 80.80.

7           The Ferndale Station is a combined cycle cogeneration facility operated as a baseload  
8 power plant capable of producing up to 270 MW of electrical power in addition to steam for  
9 an adjacent refinery.<sup>1</sup> PSE has been purchasing electricity from the Ferndale Station since  
10 1994.<sup>2</sup> State law enacted in 2007 generally prohibits an electric utility from entering a new  
11 ownership interest in, or long-term (five or more years) financial commitment for power  
12 from, a baseload plant that emits more than 1100 pounds/MWh of greenhouse gases.<sup>3</sup>

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<sup>1</sup> PSE Petition, Exh. C at p. 82  
<sup>2</sup> PSE Petition at ¶ 6  
<sup>3</sup> RCW 80.80.040(1)(a)

1 The implementing rules specify that the EPS is calculated on an annual basis.<sup>4</sup> The law also  
2 provides a special exemption for cogeneration facilities:

3 All cogeneration facilities in the state that are fueled by natural gas or waste gas or a  
4 combination of the two fuels, and that are in operation as of June 30, 2008, are  
5 deemed to be in compliance with the greenhouse gas emissions performance standard  
6 established under this section until the facilities are the subject of a new ownership  
7 interest or are upgraded.<sup>5</sup>

8 While the Ferndale Station presumably has been exempt from the EPS for the five  
9 years since the law was enacted, it is now the subject of a new ownership interest and  
10 therefore its greenhouse gas emissions must be considered. In 2000-2011, the Ferndale  
11 Station annually emitted less than 1100 pounds/MWh of greenhouse gases, whether or not it  
12 was operated as a qualifying facility (QF).<sup>6</sup> In 2012, the Ferndale Station had emitted  
13 1083.44 pounds of greenhouse gases/MWh as of the date of PSE's Petition,<sup>7</sup> which appears  
14 to be the expected average level of annual emissions for the full calendar year.<sup>8</sup>

15 While the Ferndale Station currently appears to be emitting less than the allowed  
16 1100 pounds/MWh of greenhouse gas emissions on an average annual basis, PSE's Petition  
17 neglects to mention that the law provides for the Department of Commerce ("Commerce") to  
18 lower the EPS this year.

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<sup>4</sup> WAC 173-407-300(2)

<sup>5</sup> RCW 80.80.040(5)

<sup>6</sup> PSE Petition, Exh. B at p. 1

<sup>7</sup> PSE Petition at ¶ 10

<sup>8</sup> PSE Petition, Exh. B at p. 1

1 The Department of [Commerce] shall adopt by rule the average available greenhouse  
2 gases emissions output every five years beginning five years after July 22, 2007.<sup>9</sup>

3 The EPS will be “the lower of” 1100 pounds of greenhouse gases per MWh, or the  
4 average available greenhouse gas emissions output as determined by Commerce.<sup>10</sup> Prior to  
5 enacting a new EPS by rule, Commerce must conduct a survey of certain new combined-  
6 cycle combustion turbines (CCCTs) to determine their average rate of greenhouse gas  
7 emissions.<sup>11</sup> Commerce also must consider the effects of the EPS on system reliability and  
8 overall costs to electricity customers.<sup>12</sup>

9 Commerce issued a CR-101 on February 21, 2012 to initiate its process,<sup>13</sup> and  
10 subsequently conducted a survey of new commercially available CCCTs.<sup>14</sup> It issued a  
11 Reliability and Cost Review on July 2 in support of a new EPS “anticipated to lie somewhere  
12 between 925 and 975 lbs/MWh.”<sup>15</sup> Commerce has received extensive stakeholder input  
13 throughout this process (including from the NW Energy Coalition and PSE).<sup>16</sup> On October  
14 10, Washington State Energy Office staff announced via email its expectation that the  
15 Washington State Register will contain, on November 7, a CR-102 proposing to set the EPS  
16 at 980 lbs/MWh. (*see* Exhibit A) Commerce will hold a public hearing on the proposed rule  
17 later that month and adopt the rule on December 20, with an effective date of January 21,  
18 2013 – just a few months from now.

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<sup>9</sup> RCW 80.80.050

<sup>10</sup> RCW 80.80.040(1)

<sup>11</sup> RCW 80.80.050

<sup>12</sup> RCW 80.80.040(11)

<sup>13</sup> <http://www.commerce.wa.gov/site/1390/default.aspx>, CR101

<sup>14</sup> *Id.*, WA CCCT Emission Calculator (Aug. 14, 2012); Emission Performance Standard Draft Emission Calculator

<sup>15</sup> *Id.*, Reliability and Cost Review (Aug. 14, 2012), at p. 1

<sup>16</sup> *Id.*, *see* section entitled “Comments Received”

1 PSE filed its Petition prior to Commerce issuing final rules establishing a new, lower  
2 EPS. If the Commission finds now that the Ferndale Station has consistently emitted less  
3 than 1100 lbs/MWh of greenhouse gases on an average annual basis, the Commission can  
4 determine the Ferndale Station to comply with the EPS as it currently stands. That should be  
5 sufficient to enable PSE to move forward with its proposed purchase of the Ferndale Station.  
6 However, the law is clear that the EPS will be modified every five years, and this facility will  
7 be subject to the EPS on a going forward basis. The new EPS of 980 lbs/MWh is on the  
8 verge of being adopted, and this facility's emissions levels may not comply with that lower  
9 standard. Thus, if PSE decides to sell output from the facility in the future to another  
10 Washington electric utility, such sales should be restricted to contract terms less than five  
11 years in length.

12 We strongly recommend that any Commission order determining the Ferndale Station  
13 to be in compliance with the EPS should specify that such determination is specific to the  
14 2012 purchase of the Ferndale Station by PSE. Any such order should not imply that the  
15 Ferndale Station is hereinafter considered to be compliant with the State's emissions  
16 performance standard, as that standard is expected to change in the immediate future and  
17 every five years hereafter.