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November 10, 2020

MEMORANDUM

TO: Council Members

FROM: Elizabeth Osborne

SUBJECT: Washington Department of Commerce Update on Clean Energy Transformation Act (CETA) Rulemaking Process

BACKGROUND:

Presenters: Dr. Sarah Vorpahl, Energy Policy Specialist
Austin Scharff, Energy Rules and Legislative Coordinator

Summary: In 2019, Washington adopted the Clean Energy Transformation Act (CETA), which requires utilities in the state to eliminate coal-fired electricity by 2025, achieve net-zero greenhouse gas emissions by 2030, and supply customers with electricity from 100 percent clean or non-emitting resources by 2045.

Staff from the Washington Department of Commerce briefed the Council at the June 2019 meeting in Portland about CETA's main requirements. The legislation included direction to the Washington Department of Commerce and the Washington Utilities and Transportation Commission to develop rules by the end of 2020 for implementing the legislation. Commerce staff Sarah Vorpahl and Austin Scharff will update the Council on the issues taken up in rule making processes that took place in 2020. They will also review issues raised by the legislation that still need to be resolved.

More Info: Washington Department of Commerce CETA web page;
<https://www.commerce.wa.gov/growing-the-economy/energy/ceta/>

The Clean Energy Transformation Act

Rulemaking Update

Sarah Vorpahl, Ph.D.

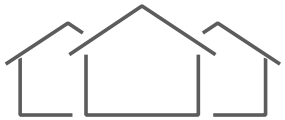
SENIOR ENERGY POLICY SPECIALIST, WA ENERGY POLICY OFFICE

NOVEMBER 18, 2020



Washington State
Department of
Commerce

We strengthen communities



**HOUSING
HOMELESSNESS**



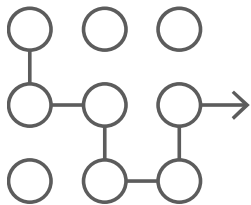
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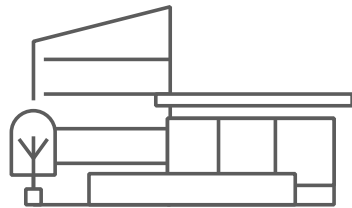
**BUSINESS
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ENERGY



PLANNING



COMMUNITY FACILITIES



**CRIME VICTIMS &
PUBLIC SAFETY**



**COMMUNITY
SERVICES**


Clean Energy Transformation Act (2019)

- Clean
- Affordable
- Reliable
- Equitable

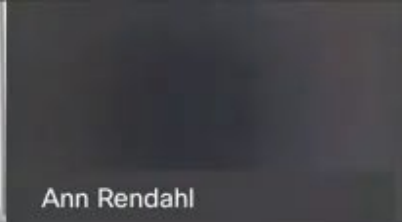


Multiple agencies in rulemaking


- Utilities and Transportation Commission – Investor-owned utilities
- Commerce – Consumer-owned utilities
- Ecology – Energy transformation projects and GHG emissions protocol
- Health – Cumulative impact analysis on health of climate change and fossil fuels




Willard Westre




Ann Rendahl



ddanner215



Glenn Blackmon



Amy Andrews


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UTC
Washington Utilities
and Transportation
Commission



Washington State
Department of
Commerce

JOINT WEBINAR

Discussion on the Incremental Cost of Compliance with the Clean Energy Transformation Act

March 17, 2020

Next slide

Agenda

1. Scope and Process for the Issues and Workshop	9 - 9:30 a.m.
Brad Cebulak, Commission Senior Policy Advisor Glenn Blackmon, Commerce Energy Policy Manager	
2. Incremental Cost of Compliance: Options and Considerations	9:30 - 10:10 a.m.
Jessica Shigley, Senior Associate, Regulatory Assistance Project Megan O'Reilly, Associate, Regulatory Assistance Project	
3. Break	10:10 - 10:25 a.m.
4. Facilitated Discussion	10:25 - 11:45 a.m.
Based on public comment received and the Regulatory Assistance Project's presentation, we will engage stakeholders in additional conversation on the topics that generated the most interest.	
5. Next Steps	11:45 - noon
Updates on rulemaking(s), comments and information gathering	

No Notes.

WASHINGTON STATE DEPARTMENT OF COMMERCE

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Proposed rules (CR102)

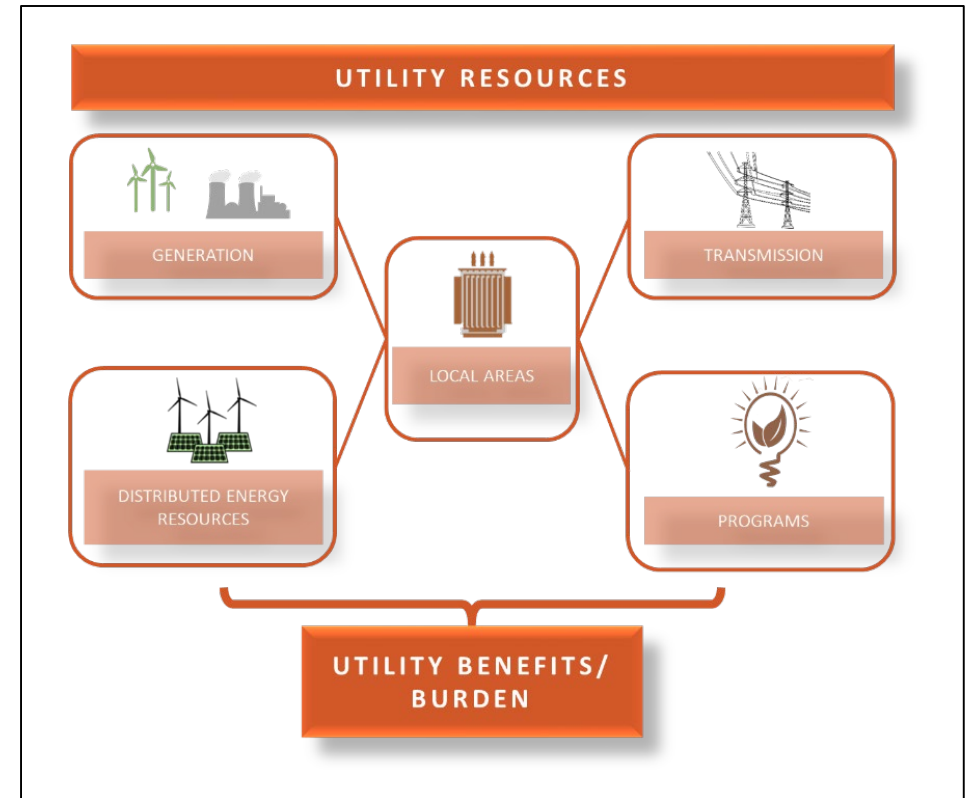
- **UTC**
 - Posted Oct. 14
 - Written comments Nov. 12
 - Public hearing Dec. 9
- **Commerce**
 - Posted Oct. 21
 - Written comments Dec. 2
 - Public hearing Dec. 2
- **Ecology**
 - Posted Sept. 2
 - Written comments Oct. 14
 - Public hearing Oct. 6

Planning and compliance rules

- **Clean energy implementation plans**
 - Prepared at start of each 4-year period, starting 2022
 - Specific targets and actions
 - Indicators to evaluate equity and distributional impacts
 - Public process for development
 - Simplified approach for small utilities
- **Compliance or performance reports**
 - Prepared at end of each 4-year period, starting 2026
 - Annual reports on fuel mix and GHG content

Guidance for RCW 19.405.040(8) Compliance

- Further guidance on equity provisions:
 - Highly impacted communities
 - Vulnerable populations
 - Indicators
 - Equitable distribution of energy and non-energy benefits
 - Public participation



Interpretation of requirement to “use” electricity

- Applies to the 80% portion of the 2030 GHG neutral standard
- Commerce rule draft uses procurement approach
- UTC issued comment notice Nov. 5 (Docket UE191023)
 - Written comments due Dec. 3

Resource Adequacy

- **Resource adequacy standard**
 - Adopt by 2022, revise as necessary
 - Must include:
 - Measures of adequacy
 - Methods of measurement
 - Measures of resource contribution to resource adequacy
- Ongoing work by the Northwest Power Pool to develop resource adequacy program (UTC on advisory committee)

No-coal requirement

- No-coal requirement after 2025
 - Annual attestation
 - Short-term unspecified transactions permitted, no serial purchases

Cost Methodology

- Annual incremental cost is at least equal to an annual threshold amount that would result from a 2% revenue increase at the beginning of each year of the period, divided by the number of years in the period.

Year	Retail Revenue Requirement	Annual Amount from Revenue Increase Equal to 2% of Prior Year Revenue Requirement	Number of Years in Effect	Threshold Amount over Four Years	Sum of Threshold Amounts	Annual Threshold Amount
0	\$100					
1	\$105	\$2.00	4	\$8.00	\$21.00	\$5.30
2	\$110	\$2.10	3	\$6.30		
3	\$115	\$2.20	2	\$4.40		
4	\$120	\$2.30	1	\$2.30		
Annual Threshold Amount as a Percentage of Average Retail Revenue Requirement						4.7%

- Include GHG emission costs in resource evaluation and acquisition
- Assessment and measurement of energy efficiency and demand response

Renewable energy certificates

- REC retirements required for all renewable energy claims
- Thermal renewable energy credits
 - Useful heat in combined heat and power process
 - Follows Oregon rules
 - Treated as unbundled REC under 2030 standard

Future work under CETA

- Energy assistance reporting
- Carbon and electricity markets workgroup
- Transportation corridors workgroup
- Accounting for energy storage
- Incorporating environmental impacts in resource plans
- Clean energy transformation projects
- Electric resource adequacy meeting and 2024 report
- Spokane municipal waste-to-energy facility

Thank you!

Sarah Vorpahl, PhD

SENIOR ENERGY POLICY SPECIALIST

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