Stakeholder Meeting Summary
Clean Energy Transformation Rule, Chapter 173-444 WAC
January 14, 2020

Participants

In person

Avista Corp	Jen Smith, Bruce Howard
BPA	Alisa Kaseweter, Liz Klumpp
Ecology	Jason Alberich, Ben Blank, Emily Bruns, Neil Caudill, Debebe Dererie, Bill Drumheller, Martha Hankins, Colleen Stinson
Ecology & Environment	Jim Thornton
Inland Power & Light	Andy Bapth
Northwest Renewables	Gavin Tenold
Powerex	Michael Corrigan
RHA, Klick PUD Douglas PUD	Dave Warren
Seattle City Light	Mendy Droke
Snohomish PUD	Ian Hunter
WA UTC	Andrew Rector, Jim Woodward
WEC	Eleanor Bastian
WPUDA	Nicolas Garcia
WSCC, Climate Solutions	Vlad Gutman-Britten

Webinar

Association of Washington Cities	Maggie Douglas
Avista Corp	Kevin Booth, Darrell Soyars
BEF	Evan Ramsey
Big Bend Electric Cooperative	Christina Wyatt
Bonneville Power Administration	Courtney Olive
Chelan PUD	Tuuli Hakala, Melissa Lyons
Citizens for a Healthy Bay	Marquis Mason
Cowlitz PUD	Steve Taylor
E8	Lee Otis
Ecology	Tina Maurer, Elena Guilfoil, Ekaterina Kniazeva, Linda Kildahl
Front and Centered	Deric Gruen
Granto	Tomas Lucas
Inveenergy	Charlie Black
NWEC	Joni Bosh
PacificCorp	Jacob Goodspeed, Jessica Zahnow
Powerex	Connor Curson, Ingrid Hummelshoj, Julien Dion
Public Generating Pool	Tashiana Wangler
Puget Sound Energy	Kara Durbin, Brandon Gimper, Keith Faretra, Jon Piliaris
Seattle City Light	Annette Pearson, Ryan Biava
Tacoma Power	Christopher Weber, Lisa Rennie
WA Commerce	Michael Breish
WA UTC	Amy Andrews, Kate Griffith
WPTF	Clare Breidenich

Overview of the rulemaking approach, scope, and timeline

Key Messages

- Scope of this rulemaking:
    - GHG calculation
    - Process for determining the types of projects that are potentially eligible energy transformation projects (ETPs)
    - Process and requirements for the development of protocols and ETP evaluation
- Revision of the emission factor for unspecified electricity in the law will be considered in the next rulemaking.
- The ETP-related rulemaking will focus on process related requirements and determining potentially eligible project types, leaving the development of protocols to be done outside of rulemaking.
- Given that the use of ETPs as alterative compliance starts in 2030, the ETP program development will be completed by 2030.

Questions and responses

Question: Is the goal to set up buckets of ETPs or set criteria in the rule so that Ecology determines the ETP types?

- **Response**: We are thinking about having process and criteria in the rule that will guide the identification of potentially eligible project types outside of the rule.

Question: There were a few questions that are somehow referred to the Department of Commerce and Utilities and Transportation Commission (UTC). Are we going to have future meeting with all three agencies?

- **Response:** Two UTC staff are here in person. We hope Commerce's staff are also attending the meeting through webinar. We will continue to identify the issues you raised and consult with both agencies to address the issue in this rulemaking process. If it is out of the scope of this rulemaking, the questions need to be addressed to the regulating agencies.

GHG Emission Calculations Methods

Key messages

- The calculation methods in this rule are like a technical manual that the regulating agencies will adopt. Thus, there is no requirement for reporting to Ecology.
- Goals
    - Calculate emissions from all greenhouse gases associated with electricity
    - Support CETA and Fuel Mix Disclosure reporting consistency
    - Works with statutorily defined generation categories:
        - Non-emitting electric generation
        - Renewable resource (includes biomass energy)
        - Biomass energy (different from traditional biogenic carbon dioxide)
- There are three calculation methods that can be used to estimate the GHG emissions of utilities:
    - EPA: GHG emissions information from EPA's Greenhouse Gas Reporting Program, while the electricity generation data is from Energy Information Administration (EIA-923).
    - EIA: Information on fuel types, fuel quantities, and electricity generation from Energy Information Administration (EIA-923). The emission factors for fuels and the GHG emission calculation method are taken from EPA rule 40 CFR Part 98. Global warming potentials are from WAC 173-441-040.

- Unspecified electricity emission factor: This is already established in the law and will be included in this rule.

Questions and responses

Issue: The proposed GHG emission calculation methods work for utilities that purchase electricity from power plants. That is facility and unit-specific emissions. However, some utilities purchase power from marketers (e.g., BPA), which are system-specific instead of facility-specific sources. Did you have some thoughts about how such system-specific sources would calculate their GHG emissions? How would utilities that purchase power from marketers (system-level sources like BPA) calculate their GHG emissions?

- **Response:** Our initial thinking is the power marketers (system-level sources) will use the facility/unit-specific emission information to calculate their GHG emissions. Ecology will look into these issues and discuss the concerns with Commerce and UTC to address them in the next version of the draft rule.

Issue: The data sources used for these calculations are USA specific. Options for Canadian data sources are also needed. California's program has a pathway that you can use as an example.

- **Response:** We are open to this and will look into options for the next version of the draft rule.

Issue: Small facilities with less than one megawatt generating capacity do not report to EIA. What would be the calculation method for these group of sources?

- **Response:** Ecology will look into this issue and discuss it with Commerce and UTC to address it in the next version of the draft rule.

Issue: Why are transmission losses included in the calculation of GHG emissions? How will they be calculated?

- **Response:** Our reading of the law and conversations with Commerce and UTC indicate that transmissions losses should be included. We have included a placeholder variable in the calculation to account for this. Commerce will take the lead in developing this value for potential inclusion in future drafts.

Issue: Is there a reason for not using the California and Oregon default emission factor of 0.428 MT CO2/MWh, instead of the 0.437 MT CO2/MWh? This would allow regional uniformity?

- **Response:** We chose to use the unspecified electricity emission factor given by the legislature. We have the option to consider revising it in the next rulemaking. The only difference between this factor and the California system is that it incorporates transmission loss of 2 percent, which is also consistent with the California and Oregon rules.

Issue: The calculation methods rely on electric generation and GHG emissions information on an annual basis. In fact, power demands vary throughout a typical day and that will impact the associated GHG emission. Is it possible to allow utilities to report on shorter periods, instead reporting on annual basis?

- **Response:** We are unlikely to go this direction, because the data sources (EIA and EPA) we are using provide annual or monthly information. When averaged over time, we expect this would not substantially change emissions, as long as the power source is the same. However, if a utility purchased additional power during peak demands from unknown power sources, then we would use the unspecified electricity emission factor during peak load hours. We are concerned about optional methods because selection bias would result in lower reported emissions.

Issue: How are emissions from renewable energy calculated?

- **Response**: We are defining emissions factors of 0 for most cases in the EIA method.

Issue: How will this calculation be used for CETA compliance?

- **Response:** Ecology is only establishing the calculation methods. Compliance issues and the integration of these methods with other CETA requirements are up to Commerce and UTC. We are closely coordinating this language with them, so we expect compatibility, but those questions should be addressed to the regulating agencies.

Issue: In the EIA calculation method, you are using global warming potential (GWP) from the 4th assessment report (AR4), instead of AR5. Why?

- **Response:** We are using AR4 100-year global warming potentials consistent with existing state law, other Washington rules such as the GHG reporting program, the state inventory, and most other state, interstate, federal, and international regulatory programs. There is a difference between most recent science and a structure that works well for rules. Rules need some consistency, particularly for tracking GHG reduction programs over time. Internal and external consistency are also useful. The AR5 numbers go up for some gases and down for others, but overall the difference between the 100 year values is minimal, particularly for this program where about 99 percent of emissions are carbon dioxide with a definitional GWP of 1. We are adopting the GWPs in this rule in a way that when we update the GWPs elsewhere they will automatically update here as well.

Issue: How will this calculation be used for CETA compliance?

- **Response:** Ecology is only establishing the calculation method. Compliance issues and CETA integration are up to Commerce and UTC. We are closely coordinating this language with them, so we expect compatibility, but those questions should be addressed to the regulating agencies.

Energy transformation Projects (ETP)

Key messages

- ETPs must meet the following criteria:
    - Provide energy-related goods or services, other than the generation of electricity
    - Reduce fossil fuels and greenhouse gases
    - Provide benefits to electric utility customers
- Statutory directions to Ecology:
    - Develop "criteria"
    - Establish conversion factors for ETPs: from greenhouse gas emissions reduction or removal to energy benefit, and a separate factor for transportation ETPs
    - Establish requirements, in consultation with Commerce and UTC, for ETP investments including, but not limited to, verification procedures, reporting standards, and other logistical issues as necessary
- Other statutory requirements for ETPs:
    - Be associated with the consumption of energy in Washington
    - Not create a new use of fossil fuels that results in a net increase of fossil fuel usage
    - Not be double counted toward standard
    - Meet the quality assurance criteria to ensure credible GHG reduction or removal
- Core Ecology ETP work through rulemaking:
    - Determining the types of energy transformation projects. The law has a "may include, but is not limited to" list of potential examples
    - Establishing a program foundation for protocol development and project evaluation

- Core Ecology ETP work outside of rulemaking:
    - Develop protocols that include actionable requirements that apply to different types of projects including: boundary conditions, quantification methodologies, quality assurance principles, and project evaluation standards
- We need to calibrate the amount of work related to ETPs protocols with proven demand for projects.

Questions and responses

- **Issue**: Early action recognition (credit). While the law requires utilities to comply with greenhouse gas neutrality standard in 2030, utilities are interested in investing immediately in clean energy projects like renewable hydrogen. Is there a way for the rule to allow credit for those early actions? This could be an incentive for early investment in such projects. We know the law did not address early action credit.
    - **Response**: There is no language in the law about early action credit, other than for coal plant closures. We do not think Ecology is mandated to credit GHG emission reduction actions prior to 2030, but this is ultimately a question that should be resolved when developing protocols for specific project types.
- **Issue**: It is concerning that each project has to apply to Ecology to initiate protocol development because that kind of application process can have a long line. Instead, Ecology rulemaking should develop the conversion factors for those project types that are listed in the law. As stated in the law, the transportation protocols should standardize to other states.
    - **Response**: We must adopt the rule by January 2021, with limited resources given by the legislature to do the work. The conversion factors and the quantification methodology are part of the protocol, which is the core work that we plan to do outside of this rulemaking. It is a lot easier to have a specific protocol for a specific type of project or program. There could be a variety of potential projects for ETP. We agree that there are existing protocols for some of the project types that we can learn from. However, some of the projects deal with new technologies. We recognize the sense of urgency. We appreciate your comments on these issues. There is a decade ahead of us. We want to address this in a serious and deliberative fashion. We think the protocol approach does that.
- **Issue:** Do ETPs include programs?
    - **Response**: We are saying "projects" because the law defined it as "energy transformation projects." However, the law is clear that ETPs include programs.
- **Issue:** What do you think about double counting and how to prevent it? For example, energy efficiency projects could be an area where there is a risk of double counting.
    - **Response**: These kinds of questions are why we need the process for determining the types of potentially eligible projects and make sure that is done in a serious manner through a vetted process. If we do not follow that type of process, we may set a precedent for one type of project that does not work. Energy conservation could be the biggest challenge for double counting. Energy conservation is listed as an example of ETP, as an alternative compliance mechanism. It is also one of the direct compliance mechanisms with the 2030 greenhouse gas neutrality standard. That is why we think it is a tricky area for consideration as ETP.

- **Issue**: Where does verification reside? How is the proposed impact of projects proven over time?
    - **Response**: Verification is actions after the project is recognized as potentially eligible ETP. We are focusing our initial work on determining the types of potentially eligible projects and laying out the ETP program foundation. Verification could be addressed later.
- **Issue**: The need for public involvement may vary. There are some projects, like energy efficiency, where a lot of public involvement would be important to be completely transparent when we establish protocol. There may be other areas where clear policy intent or built-in requirements for public involvement, like SEPA. If the criteria in the protocol is clear and has clear public support, there could be groups of projects or programs that clearly qualify as ETP. If we want more projects that reduce emissions, we do not need to overburden projects with new forms of public involvement requirements.
    - **Response**: That is why the protocol approach can be so useful, because it can vary the application of the requirements based on the nature of projects.
- **Issue**: Is there is a process (that may not be to Ecology, it could be to the regulating agencies) for pre-qualification of a project, if the criteria are clear and robust? Let's make the criteria clear and robust, so that it allows a fast track project approval.
    - **Response**: We will consider your input as we develop the rule language and protocol.
- **Issue**: Enforceability. If a project proponent enters into an agreement with a state agency, then that should be an enforceable action. Therefore, such an agreement could be the way to demonstrate enforceability.
    - **Response**: We will consider your input as we develop the rule language and protocol.
- **Issue**: Where do you comply with SEPA in this ETPs process? It looks like Ecology will be doing the SEPA for the projects. Where else would it be done?
    - **Response**: SEPA is required during the rulemaking process. There would not be project-specific level analyses in the rulemaking. Deeper analyses could come at a later stage.