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Submitted via informal comment: ecy.wa.gov/climatechange/engagement.htm

Washington Department of Ecology
300 Desmond Drive SE
Lacey, WA 98503

Subject: Comments on Clean Air Rule

Thank you for the opportunity to provide informal comments on the draft Clean Air Rule (draft rule). PGP commends the Department of Ecology for withdrawing the draft rule and providing additional time to gather input. For the electricity sector, the draft rule had many flaws and would not have resulted in a reduction of carbon emissions. Moreover, the lack of alignment with the Federal Clean Power Plan (CPP) would have unnecessarily complicated the electricity sector's carbon compliance efforts. We appreciate Ecology's willingness to respond to the input you received and provide opportunity for further comment.

PGP Principles for Carbon Management

The Public Generating Pool (PGP) is composed of nine consumer-owned electric utilities in Washington and one consumer-owned electric utility in Oregon. Collectively, PGP member utilities serve approximately one million customers with an aggregate utility owned asset base that is 94% carbon-free. The PGP is committed to a multi-sector approach to carbon reductions that meaningfully moves Washington towards a low carbon future at least cost to ratepayers. The PGP has developed principles that we believe are important to effective carbon management generally (Attachment A).

Fundamental Elements for State Management of Carbon

PGP provided informal comments in December 2015 that requested Ecology consider allowing the CPP to regulate carbon for the electricity sector. PGP still believes regulation under the CPP is a viable option. A multi-sector cap and trade program that is trading ready under the Clean Power Plan could also be an effective option. Under either approach, the following criteria should be applied to assure meaningful and cost-effective emission reductions.

- **Supports the development of broad geographic carbon market.** The trading-ready options under the CPP provide the construct to easily support a broad geographic market that can send a transparent, fair, uniform carbon price signal across the west. PGP believes market solutions, rather than technology specific requirements, provide the most cost-effective approach to carbon emissions reductions.
- **Regulate carbon uniformly across resources and be technology neutral.** Carbon regulation should address state emission levels rather than targeting perceived high or low carbon resource types. Any criteria other than actual emissions will be inefficient and not result in least-cost carbon abatement solutions. An emissions based approach also ensures existing hydro and renewable resources are not disadvantaged based on non-carbon emissions based criteria.
- **Imports treated comparably to in-state generators** – In order to avoid an outcome where generation by relatively efficient natural gas plants in Washington are ramped down and replaced with less efficient out-

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of-state natural gas and coal generation, any state regulation needs to assure that carbon pricing does not advantage imports over in-state generation.

- **Flexibility for natural gas to replace coal and respond to hydro variability** – Any carbon emission targets considered for the state need to provide sufficient flexibility for natural gas resources to provide the energy during low water years and to support the transition from coal resources to efficient natural gas resources.
- **Recognizes the net benefit of landfill gas generation** – Emissions from landfill gas used to produce energy are not counted as a source of carbon by the U.S. Environmental Protection Agency (EPA) or in the State Renewable Portfolio Standard. EPA considers landfill gas to be zero emissions and has indicated it will continue to do so under the Clean Power Plan. Therefore, it should not be treated as a source of carbon in the Clean Air Rule.
- **Accommodates load growth and vehicle electrification** – PGP is interested in opportunities to use the low carbon profile of the electricity sector to support emission reductions in the transportation sector. While those efforts will provide meaningful emission reduction benefits, they may increase electricity sector load. Regulation should encourage and provide a pathway for the energy sector’s involvement in the electrification of transportation and the reduction of emissions.
- **Maintains grid reliability** – Any regulation must recognize that the electrical grid is constrained in certain geographical locations at certain times of the year. Strategically sited natural gas generation can provide a vital role of grid support. Any regulation must assure appropriate accommodation for these plants to support system reliability. Additionally, the State must ensure that any plan maintains reliability of the Bulk Power System by studying impacts to load and resource balance, voltage support and frequency support prior to enacting a rule that may inadvertently impact system reliability.

Assure a Level Playing Field

The wholesale electricity market is a regional market that does not respect state lines. For that reason, it is important to assure that Washington state regulations do not put in-state generators at a competitive disadvantage relative to out-of-state generators. Any such disadvantages will be borne by ratepayers in the state and will impact our state’s commercial and industrial customers and related jobs.

Ecology’s draft Rule required compliance 5 years sooner than state requirements under the Clean Power Plan. The consequence of this timing difference is additional compliance costs on Washington state generation prior to the rest of the region. Further, the Centralia coal plant, by agreement, is exempted from state regulation until it closes in 2025 which will distort market incentives for its operation. Specifically, it will create an incentive for entities to reduce lower carbon emission natural gas generation in lieu of purchasing higher carbon emission coal fired generation. PGP believes that these inconsistencies can be addressed either by regulating the electricity sector solely under the CPP or by delaying the near-term (2017-2022 to 2025) requirements for the electricity sector under the CAR.

Electricity Sector Will Meet EPA Goals and State 2035 Goal

Our state is fortunate to have electricity provided predominantly by carbon-free hydropower. Not only does this carbon-free resource account for 70%¹ of generation in the state but it also provides valuable flexibility needed to integrate regional wind and solar generation. Moreover, Washington’s only coal plant, Centralia will close by 2025. With the closure of Centralia, the state will meet the EPA Clean Power Plan goals.

Further, the existing resource portfolio combined with utility investment in energy efficiency and the closure of Centralia are sufficient for the electricity sector to achieve the State of Washington’s 2035 goal to be 25% below

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1990 emission levelsⁱ. Although additional gas fired generation may be needed to replace coal generation, the electricity sector remains quite close, and likely closer than any other sector, to the State's goal.

Washington's Portfolio Poised to Effectively Support Carbon Reduction and EV Electrification

PGP is encouraged by the potential contribution the Washington clean electricity portfolio can make in reducing emissions in other sectors in the state and across the west. Therefore, any state rulemaking that significantly limits the output of remaining natural gas thermal resources, or attempts to modify the current resource portfolio, is unnecessary and potentially counter-productive.

PGP encourages Ecology to find strategies that encourage the use of the electricity sector (that has already achieved the 2035 goal) to support carbon reduction in other sectors; specifically, electrifying the transportation sector. Washington is unique among states in that the transportation sector emits 4-5 times more carbon than the electrical sectorⁱⁱⁱ. Based on Washington's carbon emissions profile, a focused program of investments and incentives in support of converting the transportation sector to electricity provides a far greater carbon reduction opportunity.

Finally, we remind Ecology that Washington's current clean resource portfolio, including efficient natural gas generation, plays an important and necessary role in support of the regional electricity system. Both EPA's CPP and the Northwest Power and Conservation Council's 7th Plan indicate that Washington's natural gas plants are necessary to reliably and efficiently integrate new renewable resources; provide baseload power as the West Coast eliminates reliance on coal-fired generation; and to support an increasingly constrained transmission grid.

We appreciate the ongoing opportunities to provide comment both in writing and in person. We look forward to continued conversation on this topic.

Sincerely,



Therese Hampton
Executive Director, Public Generating Pool

ⁱ 2014 EIA data, update January 2016. 2000 – 2014 average 72%; ranging from min of 66% - max of 80%

ⁱⁱ Puget Sound Energy analysis, December 2015. It is noted that additional natural gas resources may be required to replace coal generation and that could place state emissions above the 2035 target.

ⁱⁱⁱ EPA e-GGRT, updated September 2015 and WA Department of Ecology 2012 emissions adjusted for Centralia closure.

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Carbon Management Principles

January 2016

The Public Generating Pool (PGP) is composed of nine consumer-owned electric utilities in Washington and one consumer-owned electric utility in Oregon. Collectively, PGP member utilities serve approximately one million customers with a utility owned asset base that is 94% carbon-free. PGP has developed the following principles to provide expert perspective and support dialogue about carbon management in Oregon and Washington.

The PGP is committed to a multi-sector low carbon energy future that is meaningful and cost-effective. The PGP supports sustainable clean energy strategies that balance consumers, economics, and the environment.

PRINCIPLES

- Achieve the most efficient carbon emission reductions at the least-cost to citizens:
 - Pursue market based, economy-wide solutions
 - Recognize the role of efficient natural gas fired generation in limiting overall state carbon emissions as recognized in the Council's 7th Power Plan and EPA's Clean Power Plan
 - Recognize the important role of existing hydro generation in limiting state carbon emissions
 - Recognize and support the role that electricity sector could play in reducing carbon emissions in the transportation sector

- To assure highest value and least-cost to consumers, state specific carbon efforts should:
 - Complement and not complicate or limit options for Clean Power Plan implementation
 - Be harmonized with other state policies
 - Be coordinated with strategies of other regional states

- Regulate carbon uniformly and be technology neutral
 - Basing regulatory application on criteria other than the GHG emissions of the resource (e.g., size, age of facility, etc.) will be inefficient and will not result in least-cost GHG abatement solutions.
 - Consistent treatment assures that existing hydro and renewable resources are not disadvantaged based on non-carbon emissions based criteria.

- Preserve a path for economic development and utility load/resource growth
 - Acknowledge the role and importance of long term resource planning in a carbon free environment.

- Regulate carbon at the point of the production
 - Downstream enforcement will create significant paperwork burden and unnecessarily increase compliance costs

- Include compliance flexibility for utilities that pursue cross sector carbon reductions
 - Incent investment in transportation electrification, grid optimization, and conservation

- Allocate allowances or distribute revenues associated with carbon regulation in a way that fairly allocates costs and benefits

- Assure that the regulatory approach functions well over a variety of climate and hydro conditions (e.g., persistent low water conditions)

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