



# Climate Commitment Act

(Washington's cap and invest program)

Adopting a cap-and-invest cost burden forecast

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# Why We're Here Today

## *No Action Required*

- Provide context on how the Climate Commitment Act (CCA) provides for electric utilities to receive no-cost allowances
- Prepare for future adoption (estimated in August) of a District supply/demand forecast that reflects the District's need for no-cost allowances

# Climate Commitment Act Overview

CCA establishes cap-and-invest program for Washington's state

Regulates greenhouse gas emissions from both in-state electricity generation and electricity imports coming into the state, beginning January 1, 2023

- Caps and reduces greenhouse gas emissions from emitting resources and industries
- An allowance allows an owner to emit one ton of CO<sub>2</sub>e, available allowances are reduced over time

Allows electric utilities to receive no-cost allowances through 2044 to mitigate the “cost burden” resulting from the cap-and-invest program

***Sectors covered under CCA include:***

- *Electricity*
- *Transportation*
- *Natural gas*

# Utility Cost Burden

The Department of Ecology must allocate no-cost allowances to consumer-owned electric utilities consistent with utility-approved supply/demand forecasts and utilities' cost burdens.

*"Cost burden" means the impact on rates or charges to customers of electric utilities in Washington state for the incremental cost of electricity service to serve load due to the compliance cost for greenhouse gas emissions caused by the program. Cost burden includes administrative costs from the utility's participation in the program.*

*-Climate Commitment Act definition*

# District Cost Burden

- Staff anticipates both direct, indirect and administrative cost impacts to the District from the cap-and-invest program

## **DIRECT**

If the Bonneville Power Administration does not voluntarily comply with cap-and-invest, the District will likely be treated as the “electricity importer” for unspecified wholesale purchases from BPA and will carry the emissions obligation. The cost impact is the cost of allowances the District would need to cover that emissions obligation.

## **INDIRECT**

The District will pay more for all unspecified wholesale purchases because the cost of cap-and-invest compliance will become embedded in market prices.

## **ADMINISTRATIVE**

The District will incur some costs (i.e. staff time and potentially other resources) to participate in the program.

## District Cost Burden, cont.

Existing District-adopted supply/demand forecasts (e.g. the 2021 Integrated Resource Plan and Clean Energy Implementation Plan) do not fully capture the direct and indirect cost impacts from cap-and-invest

Staff is currently working with other Washington consumer-owned utilities to develop a supply/demand forecast template that is customized to reflect cap-and-invest cost burdens

# Proposed Next Steps

- 1) Once the cap-and-invest supply/demand forecast template is finalized, District adopts its own supply/demand forecast based on that template.
  - Targeting August 15 Commission meeting
- 2) District submits supply/demand forecast to the Department of Ecology.
  - District plans to submit forecast prior to Ecology completing rulemaking and issuing the no-cost allowance allocation methodology (October 1).
- 3) Based on Ecology's response to the supply/demand forecast, District may need to revise that forecast, or pursue a different approach.

Questions?

