

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

- 7/18/22 – presented Climate Commitment Act overview and cost burden concept
- Today (**no action**) – Discuss draft supply/demand forecast that reflects the District's need for no-cost allowances under the Climate Commitment Act (CCA)

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 CO₂e, 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 direct, indirect and administrative cost impacts to the District from the cap-and-invest program
- Ecology intends to allocate “no cost” allowances to offset utilities’ cost burdens

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. Expected not to increase FTE count.

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 worked with other Washington consumer-owned utilities to develop a supply/demand forecast template that is customized to reflect cap-and-invest cost burdens
- Although the utility supply/demand forecast template proposes a consistent, simple way to calculate cost burden, **Ecology will have the final determination on utilities' cost burdens and resulting no-cost allowance allocations**

Draft Renewable Supply Forecast

- Staff recommends a renewable supply forecast equal to 80% of energy to serve load for use in the cost burden spreadsheet
 - Staff will evaluate updating the next versions of the Integrated Resource Plan (IRP) and the Clean Energy Implementation Plan Report (CEIP) to reference a renewable target equal to 80%

Subset of CCA cost burden spreadsheet template

| | 2023 | 2024 | 2025 | 2026 | Notes |
|--|-----------|-----------|-----------|-----------|---|
| Renewable & Non-Emitting Resources - Total (MWh) | 1,615,474 | 1,628,419 | 1,640,794 | 1,646,969 | District retained hydro and wind generation supply forecast that reflects board approved forecast (equal to 80% of load forecast) |
| Energy to Serve Load (MWh) | 2,018,093 | 2,034,149 | 2,049,492 | 2,056,836 | Current load forecast, IRP |

80% renewable supply forecast

A renewable supply forecast equal to 80% of energy to serve load:

- Provides flexibility to respond to water and load forecast uncertainty
- Provides flexibility to respond to extreme load growth scenarios
- Provides ability to serve unspecified energy to potential customers not seeking 100% carbon-free energy supply
- Aligns with customer interests of keeping retail rates low by providing for additional renewable energy sales (top answer in customer satisfaction survey “good rates”)
- Complies with 2030 CETA target 8 years early

80% renewable supply forecast

Our Mission, Vision and Values

Vision/Challenge

In a rapidly changing utility environment, we will provide: The Best Value for the Most People for the Longest Time

Mission

To enhance the quality of life in Chelan County by providing sustainable, reliable utility services.

80% renewable supply forecast

Our Values

Safety (protect public and employee health and safety)

- Safety ethic owned by all employees/proactive in preventing injuries

Stewardship (acting on behalf of customer-owners, protecting public resources entrusted to us)

- **Aligns work with customer-owner interests**
- Actions support local control, **enhancing long-term value, appropriate transparency**, diversity reflecting the community
- Protects and enhances natural resources affected by District activities
- Effective communication helps the Board accomplish its policy guidance function

Trustworthiness (competence, integrity)

- Demonstrates competence in required job skills and knowledge
- **Assures the District acts in accordance with applicable policies, laws and regulations**
- Results in actions that promote community respect for the PUD
- Builds long-term, collaborative relationships with customer-owners, stakeholders and employees through respectful treatment

Operational Excellence (high-quality innovative work execution)

- Demonstrates proactive commitment to continuous improvement
- Instilled clear accountability that leads to efficiency and high performance

Next Steps

1. Adopt supply/demand forecast at 9/19 Board meeting
2. Submit Board adopted supply/demand forecast to the Department of Ecology
 - District plans to submit forecast prior to Ecology establishing the total amount of allowances available under the program (October 1)
3. Based on Ecology's response to the supply/demand forecast template, District may need to revise that forecast, or pursue a different approach

Questions?

