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# Briefing on Tacoma Power's Climate Commitment Act cost burden estimate

Public Utilities Board study session

July 27, 2022

## Brief Agenda

- Climate Commitment Act – brief overview
- CCA and utilities – covered entities and no-cost allowances
- CCA cost burden estimation – comment on draft rules
- Proposed PUB approval of Tacoma Power’s CCA cost burden estimate

If any board members would like a deeper dive on the CCA, please don't hesitate to request one. We'd be happy to set up some time.

## Climate Commitment Act: What is the Climate Commitment Act?

**The Climate Commitment Act, or CCA, is a state law passed by the Washington State legislature in 2021.**

- The CCA establishes a cap-and-invest program to reduce greenhouse emissions across all sectors of the economy.
- The law sets a limit on emissions and reduces that limit over time, leveraging market forces to find the most efficient method to stay under that limit.
- The CCA requires “covered entities” to obtain emissions allowances equal to their covered greenhouse gas emissions.
- The Department of Ecology (Ecology) is the state agency implementing the statute, which goes into effect Jan. 1, 2023.

## Climate Commitment Act: CCA Program and Electric Utilities

- Electric Power Entities are covered under the CCA if they exceed 25,000 metric tons of CO<sub>2</sub>e from in-state generation *and from emissions associated with imported electricity* into the state. Tacoma Power will be a covered entity.
  - Unlike other covered entities, *electric utilities* are already subject to the requirements of the Clean Energy Transformation Act, which is a significant cost driver for many utilities.
  - The CCA recognizes this by *allocating no-cost emissions allowances to electric utilities*, mitigating the cost burden of the new emissions reduction law.
  - Ecology is required by statute to adopt a schedule allocating no-cost allowances to utilities by *October 1, 2022*.

*RCW 70A.65.010(21): “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 [emphasis added].*

“Cost burden” includes:

- Costs for emissions allowances needed to offset carbon emissions associated with imported electricity
  - Tacoma Power’s owned generation is zero-emission hydro, but purchases from BPA include some power generated from thermal resources
  - Tacoma Power makes balancing transactions in the wholesale market – buying and selling energy to lower costs and ensure reliability
  - Power purchases through the Energy Imbalance Market are also considered unspecified, and hence assumed to have a high carbon intensity

## Climate Commitment Act: CCA cost burden – program and other costs

“Cost burden” also includes:

- Costs associated with participating in the CCA
  - Program registration, planning and auction activities
  - Reporting and verification
  - Load increases due to electrification

# Climate Commitment Act: Board-approved utility cost burden estimate

- Per the draft rules, Ecology is the entity that will "...determine how cost burden and its effect will be used to allocate allowances to each electric utility for each emission year."\*
- Tacoma Power has joined other utilities commenting on the draft rule's approach to estimating a utility's cost burden. The joint utilities have proposed an alternative template to capture the cost burden impacts on rates or charges to electric customers.

## Joint utility alternative: CCA cost burden estimate template

- Expands upon the formula provided by Ecology's draft rules
- Clear and comprehensive
- Standardized format for information
- Includes multiple inputs:
  - Projected energy needs
  - Resources planned to meet those needs
  - Market trading activities
  - Includes admin costs and other facets of CCA

\* WAC 173-446-230(1)

**For Ecology to use a utility's alternative cost burden estimate it must be approved by the board.**

- Tacoma Power staff *recommend approval* of a finalized utility CCA cost burden estimate, which will be brought before the PUB for review and approval on August 24.

# Climate Commitment Act: approval of cost burden estimate

## Appendix

# Climate Commitment Act: Overall timeline



\*indicates annual event

# Clean Energy Transformation Act

## What is the Clean Energy Transformation Act?

The Clean Energy Transformation Act or CETA is a state law passed by the Washington State Legislature in 2019. CETA commits Washington to an electricity supply free of greenhouse gas emissions by 2045.



Other components of CETA:

- Includes safeguards to maintain affordable rates and reliable service
- Requires an equitable distribution of the benefits from the transition to clean energy for all utility customers
- Additional and expanded energy assistance programs for low-income customers

# Climate Commitment Act: Example of CCA cost burden template

WA Utility (non multi-jurisdictional)		Allowance Allocation Calculation for 2023-2026					
YEAR	Formula descriptions	2023	2024	2025	2026	Field description	Data source and calculation method
Energy to Serve Load (MWh)	A					Forecasted annual energy demand, including transmission and other losses.	Most recent IRP or other board-approved forecast, or a more up-to-date forecast adapted as needed to account for the CCA
DECLARED RESOURCES:		Generation forecasts are informed by IRP analysis and inclusive of CEIP specific actions.					
BPA Specified-source purchases (total) (MWh)	B					Estimate of annual energy generation provided by the Bonneville Power Administration. E.g. specified-source purchases including block, slice, and load-following products or other specified ACS purchases.	
Coal - Total (MWh)	C	-	-	-	n/a - not permitted under CETA	Total forecasted generation from owned or long-term contracted specified-source coal resources.	
Aggregate Coal Generation (Less Specified Resources)	C1				n/a - not permitted under CETA	Energy acquired from aggregate coal generation (less specified resources).	
Specified Coal Resource #1	C2				n/a - not permitted under CETA	Generation from Specified Coal Resource #1, an owned or long-term contracted resource.	
Specified Coal Resource #2	C3				n/a - not permitted under CETA	Generation from Specified Coal Resource #2, an owned or long-term contracted resource.	
Natural Gas - Total (MWh)	D	-	-	-	-	Total forecasted generation from owned or long-term contracted specified-source natural gas resources.	
Aggregate Natural Gas Generation (Less Specified Resources)	D1					Energy acquired from aggregate natural gas generation (less specified resources).	
Specified Natural Gas Resource #1	D2					Generation from Specified Natural Gas Resource #1, an owned or long-term contracted resource.	
Specified Natural Gas Resource #2	D3					Generation from Specified Natural Gas Resource #2, an owned or long-term contracted resource.	
Hydro - Total (MWh)	E					Total forecasted generation from owned or long-term contracted specified-source hydro resources.	
Other Renewables & Non-Emitting Resources - Total						Total forecasted generation from owned or long-term contracted specified-source non-hydro	