WAC 173-446-230 Distribution of allowances to electric utilities. (1) **Total no cost allowances allocated to electric utilities.** Allowances will be allocated to qualifying electric utilities for the purposes of mitigating the cost burden of the program based on the cost burden effect of the program. Only electric utilities subject to chapter 19.405 RCW, the Washington Clean Energy Transformation Act, qualify for no cost allowances.

(2) The cost burden effect recognizes that compliance with the program requires the submission of compliance instruments and in the absence of possessing the required compliance instruments procurement of those instruments has an associated cost that would be translated into consumer electricity prices without the mitigation of that cost burden as provided by this program. Those potential costs, along with the administrative costs of the program, comprise the cost burden of the program. Provision of some or all of the allowances necessary to address this deficit, through the means established in this section, is the method by which this cost burden is mitigated. Under this framework, ecology will use the following methods to determine the cost burden effect and the allocation of allowances to each qualifying electric utility.

(a) Ecology will use utility-specific demand forecasts that provide estimates of retail electric load. Demand forecasts should represent the best estimate of the most likely electricity demand scenario during the compliance period.

(b) Ecology will use utility-specific resource supply forecasts to determine the resource fuel types that are forecasted to be used to provide the retail electric load predicted by the demand forecast for the utility. Resource supply forecasts should represent the best estimate of the most likely electricity resource mix scenario during the compliance period including, but not limited to, using an assumption of average hydroelectric conditions.

(c) These forecasts will be derived from the following sources, which will be relied upon in the rank order listed below as necessary to most accurately determine the supply and demand forecasts that best predict the manner in which each electric utility will comply with the Clean Energy Transformation Act, chapter 19.405 RCW:

(i) A forecast of supply or a forecast of demand, along with any supporting information, which has been approved by the utilities and transportation commission in the case of an investor-owned utility or approved by the governing board of a consumer-owned utility in the case of a consumer-owned utility. Any such forecast must also be consistent with the clean energy implementation plan that is submitted pursuant to the Clean Energy Transformation Act, chapter 19.405 RCW.

(ii) The forecasts of supply and forecasts of demand that are part of the clean energy implementation plan, or supporting materials for that plan, for a utility that is submitted pursuant to chapter 19.405 RCW, the Washington Clean Energy Transformation Act.

(iii) An integrated resource plan, or supporting materials for that plan, that complies with chapter 19.280 RCW and is consistent with or serves as the basis for the clean energy implementation plan submitted pursuant to chapter 19.405 RCW, the Washington Clean Energy Transformation Act.

(iv) Another source that provides a utility's supply or demand forecast that is, based on ecology's analysis, consistent with an existing forecast approved by the appropriate governing board or the utilities and transportation commission.

(v) For multijurisdictional electric companies, a multistate resource allocation methodology that has been approved by the utilities and transportation commission may be used in the relevant forecasts.

(d) Ecology will use the following emission factors to determine the emissions associated with the projected electricity resource supply mix. These factors are to be applied to the amount of electrical load in megawatt-hours (MWh) that comprises the proportion of the forecasted demand served by that resource type.

(i) For the proportion of load that is projected to be served by natural gas resources, the factor will be 0.4354 MT CO_2e/MWh.

(ii) For the proportion of load that is projected to be served by coal resources, the factor will be 1.0614 MT CO_2e/MWh, unless the source of the load is coal transition power, as defined in RCW 80.80.010, in which case the factor is zero.

(iii) For the proportion of load identified as being served by a nonemitting or a renewable resource in the clean energy implementation plan, use an emission factor of zero.

(iv) For any load from which the fuel or resource type serving that load is unknown or unknowable, and for unspecified market purchases, use the unspecified emission factor using the procedures identified in WAC 173-444-040.

(v) For load from a source or supplying entity that has established an asset controlling supplier emission factor pursuant to chapter 173-441 WAC, use the most recent emission factor established by that procedure.

(e) The cost burden effect from the emissions for each utility is calculated according to Eq. 230-1. In cases where no retail electric load is attributable to the resource category for that term of the equation, the relevant term should be treated as zero. The resulting total of emissions represents the cost burden effect for the utility.

$$\text{Cost Burden Effect} = (\text{Load}_{NG} \times \text{EF}_{NG}) + (\text{Load}_{Coal} \times \text{EF}_{Coal}) + (\text{Load}_{NE,RE} \times 0) + (\text{Load}_{Remaining} \times \text{EF}_{Unspecified}) + (\text{Load}_{ACS} \times \text{EF}_{ACS})$$

Eq. 230-1

Where:

Load_{xxx} = Amount of retail electric load served by natural gas (NG), coal, and nonemitting and renewable resources (NE, RE), sources which has a designated asset controlling supplier (ACS) emission factor, and remaining load for which generation source is unknown or unspecified.

EF = Emission factor for natural gas (NG), coal, asset controlling suppliers (ACS), and unspecified electricity.

(f) One allowance will be initially allocated for each metric ton of emissions associated with the cost burden effect for each qualifying electric utility for each emissions year as projected through this process. The final total of allocated allowances will be subject to further adjustments as detailed in this subsection.

(g) The initial allocation of allowances will be adjusted as necessary to account for any differential between the applicable reported greenhouse gas emissions for the prior years for which reporting data are available and verified in accordance with chapter 173-441 WAC and the number of allowances that were allocated for the prior year through this process.

(h) An additional number of allowances will be allocated to account for the administrative costs of the program. Administrative costs of the program are limited solely to those costs associated with establishing and maintaining compliance accounts, tracking compliance, managing compliance instruments, and meeting the reporting and verification requirements of this chapter. Program costs, such as those related to energy efficiency or renewable energy programs, are not qual-

ifying administrative costs, including any administrative requirements of those programs. The number of allowances allocated for this purpose will be determined by ecology based on documented and verified administrative costs derived from audited financial statements from utilities. The mean allowance auction price from the time period for which administrative costs are documented will be used to translate administrative costs into the appropriate number of allowances. To ensure consistency, ecology will consult with the utilities and transportation commission in its calculations for the administrative costs for investor-owned utilities.

(i) The number of allowances to be allocated to qualifying utilities will be published on the ecology website no later than October 1st in the calendar year prior to each compliance period. Public notice of the availability of this information will also be made available concurrently with publishing of this information on the website.

(j) The schedule of allowances will be updated by October 1st of each calendar year as necessary to accommodate the requirements of the adjustment processes described in this subsection. In addition, if a revised forecast of supply or demand is approved in a form and manner consistent with the requirements of this section by July 30th of the same calendar year, then ecology may adjust the schedule of allowances to reflect the revised information provided by an updated forecast.

(3) Total allowances allocated for the purposes of recognizing voluntary renewable electricity purchases. Ecology will allocate allowances to a voluntary renewable electricity reserve account pursuant to RCW 70A.65.090 (9) and (11). The number of allowances allocated to the voluntary renewable electricity reserve account for the first compliance period will be 0.33 percent of the total annual allowance budget for each year as provided in Table 210-1.

(4) If a facility is identified by ecology as EITE under chapter 173-446A WAC, and if allowances have not been otherwise allocated for the electricity-related emissions for that facility under other provisions of this chapter, then ecology will allocate allowances at no cost to the electric utility or power marketing administration that is providing electricity to the EITE facility in an amount equal to the forecasted emissions for electricity consumption for the facility for the compliance period.

(5) A consumer-owned utility that is party to a contract that meets the following conditions will be issued allowances under this section for emissions associated with imported electricity, in order to prevent impairment of the value of the contract to either party.

(a) The contract does not address compliance costs imposed upon the consumer-owned utility by the program created in this chapter;

(b) The contract was in effect as of July 25, 2021, and expires no later than the end of the first compliance period; and

(c) The consumer-owned utility notifies ecology of the existence of the qualifying contract no later than December 16, 2022, in a format as specified by ecology.

(6) Allowances allocated at no cost to electric utilities may be consigned to auction for the benefit of ratepayers, transferred at no cost to an electric generating facility as described in WAC 173-446-425, deposited for compliance, or a combination of these uses. While no cost allowances may be held for future use, they may not be traded or transferred other than as authorized to WAC 173-446-425. The utilities and transportation commission retains oversight and jurisdiction over the use of revenues collected from an investor-owned

utility through the consignment and auction of no cost allowances for the benefit of ratepayers.

[Statutory Authority: RCW 70A.65.220. WSR 22-20-056 (Order 21-06), § 173-446-230, filed 9/29/22, effective 10/30/22.]