

REQUEST FOR COST INFORMATION

Clean Energy Transformation Act Rulemaking

August 14, 2020 (responses due September 25, 2020)

Background

The Washington Department of Commerce is preparing administrative rules to implement Chapter 19.405 RCW, the Clean Energy Transformation Act (CETA) for consumer-owned utilities. Commerce posted its 2nd draft of the rules on August 14, 2020, on its CETA webpage: commerce.wa.gov/ceta. The rules will be codified in Chapter 194-40 WAC.

The Regulatory Fairness Act, Chapter 19.85 RCW, requires that an agency prepare a small business economic impact statement (SBEIS) if a proposed rule will impose more than minor costs on businesses in any industry. Commerce is requesting cost information from businesses that will be subject to the CETA rules to assist it in determining whether an SBEIS is necessary and, if so, whether the rules will have a disproportionate impact on small businesses.

The following definitions are used in the Regulatory Fairness Act and in this request for information:

- "Small business" means any business entity, including a sole proprietorship, corporation, partnership, or other legal entity, that is owned and operated independently from all other businesses, and that has fifty or fewer employees.
- "Minor cost" means a cost per business that is less than 0.3% of annual revenue or income, or \$100, whichever is greater, or 1% of annual payroll.

The draft CETA rules apply to electric utilities that provide service to retail customers in Washington. Commerce has determined that, for the purposes of this analysis, the industry is Electric Power Distribution (NAICS 221122). For this industry the minor cost threshold is \$356,687 per year, as calculated using the [Minor Cost Threshold Calculator](#) (updated July 2020) of the Governor's Office of Regulatory Innovation and Assistance.

Commerce has prepared an initial analysis of the draft rules in order to identify specific rule provisions that impose requirements beyond the requirements of the CETA statute and may result in costs to regulated businesses. This initial analysis is included as Appendix A to this Request for Cost Information. If a business believes the initial analysis incorrectly concludes that a rule does not impose any costs beyond what the statute requires, it may provide cost information on that rule provision.

Information Requests

Commerce requests that electric utilities responding to this information request provide the following:

1. Information about the total operations of the business:
 - a. Business name
 - b. Number of employees, 2019
 - c. Annual payroll in 2019
 - d. Annual revenue in 2019

2. Estimates of cost imposed by a rule and not otherwise required by statute. Provide separately for each rule provision that imposes a cost:
 - a. Rule section and subsection
 - b. Estimate of the number of jobs that will be created or lost as a result of compliance with the rule provision
 - c. Estimated staff time, in hours per year, required to comply
 - d. Estimated average hourly rate of staff engaged in compliance
 - e. Costs other than staff costs (identify)
 - f. Total estimated cost, per year, required to comply

Submission of Requested Information

Please submit the requested information via email to CETA@commerce.wa.gov by close of business Friday, September 25, 2020. All information submitted is subject to public disclosure. Please do not submit any information that the business considers to be confidential or proprietary.

Questions

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Chapter 194-40 Clean Energy Transformation

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<p>194-40-022 – Severability.</p> <p>If any provision of this chapter or its application to any person or circumstance is held invalid, the remainder of the chapter or the application of the provision to other persons or circumstances is not affected.</p>	<p>No cost impact.</p>
<p>194-40-030 – Definitions.</p> <p>Unless specifically provided otherwise, the terms defined in RCW 19.405.020 have the same meaning here.</p> <p><> “100% Clean Electricity Standard” means the standard established in RCW 19.405.050(1) and any requirements necessary for compliance with that standard.</p> <p><> “GHG neutral compliance period” means each of the periods identified in RCW 19.405.040(1)(a).</p> <p><> “GHG Neutral Standard” means the standard established in RCW 19.405.040(1) and any requirements necessary for compliance with that standard.</p> <p><> “Indicator” means an attribute, either quantitative or qualitative, of a resource or related distribution investment.</p> <p><> “Interim performance period” means either of the following periods: (a) from January 1, 2022, until December 31, 2025, and (b) from January 1, 2026, until December 31, 2029.</p> <p><> “Interim target” means a target established in compliance with RCW 19.405.060(2)(a)(i). An interim target may cover an interim performance period or a GHG neutral compliance period.</p> <p><> “Retail revenue requirement” means that portion of a utility's annual budget approved by its governing body that is intended to be recovered through retail electricity sales in the state of Washington in the applicable year. It includes revenues from any retail rate or charge that is</p>	<p>No cost impact.</p>

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<p>necessary to receive electric service from the utility and does not include the effect of taxes imposed directly on retail customers.</p> <p><> "Verification protocol" means a procedure or method used, consistent with industry standards, to establish with reasonable certainty that a conservation, energy efficiency, or demand response measure was installed and is in service. Industry standards include a range of appropriate protocols reflecting a balance of cost and accuracy, such as tracking installation of measures through incentive payments and the use of on-site inspection of measures installed as part of a customer-specific project.</p>	
<p>194-40-040 – Performance and compliance reporting for the GHG Neutral Standard</p> <p>(1) Each consumer-owned utility and each investor-owned utility must submit an interim performance report by July 1, 2026, and by July 1, 2030, documenting the utility’s progress during the prior interim performance period in reaching compliance with the GHG Neutral Standard beginning in 2030.</p> <p>(2) Each consumer-owned utility and each investor-owned utility must submit a compliance report by July 1, 2034, and within six months of the end of each subsequent GHG neutral compliance period, documenting the utility’s compliance with the GHG Neutral Standard during the GHG neutral compliance period and its progress in reaching compliance with the 100% Clean Electricity Standard beginning in 2045.</p> <p>(3) Each consumer-owned utility and each investor-owned utility must submit a compliance report by July 1, 2046, and by July 1 of each year thereafter, documenting the utility’s compliance with the 100% Clean Electricity Standard.</p> <p>(4) Each report required under subsections (1) and (2) must be submitted using a form provided</p>	<p>RCW 19.405.100 requires that Commerce establish reporting requirements to ensure compliance with CETA.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p> <p>Any reduction in the required elements would not satisfy the legislative direction to establish rules for utilities to demonstrate compliance.</p>

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<p>by Commerce and must include the following information about compliance during the relevant interim performance period or GHG neutral compliance period:</p> <ul style="list-style-type: none"> (a) The amount of renewable resources and nonemitting electric generation used during the period, as a percentage of retail electric loads, compared to the target amount established and reported in the CEIP of the utility for that period. (b) The amount of conservation and energy efficiency resources acquired during the period, compared to the target amount established and reported in the CEIP of the utility for that period. (c) The amount of demand response resources acquired during the period, compared to the target amount established and reported in the CEIP of the utility for that period. (d) The amount of electricity used from renewable resources, as a percentage of retail electric loads over the period, compared to the target amount established and reported in the CEIP of the utility for that period. (e) The amount of electricity used from nonemitting resources, as a percentage of the utility’s retail electric loads over the period. (f) Identification of any resources other than a renewable resource or energy storage acquired during the period and demonstration that the acquisition was consistent with the requirements of WAC 194-40-340. 	

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<p>(g) A detailed report of any use of each of the following alternative compliance options:</p> <ul style="list-style-type: none"> (i) Alternative compliance payments. (ii) Unbundled renewable energy credits. (iii) Credits from energy transformation projects. (iv) Electricity from the Spokane municipal solid waste to energy facility (if it is determined to provide a net reduction in GHG emissions). <p>(h) Evidence relied on by the utility to demonstrate, consistent with RCW 19.405.040(8) and the CEIP for the period, all customers are benefitting from the transition to clean energy through:</p> <ul style="list-style-type: none"> (i) The equitable distribution of energy and non-energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; (ii) Long-term and short-term public health and environmental benefits and reduction of costs and risks; and (iii) Energy security and resiliency. <p>(i) A description of each indicator established in the CEIP and an explanation of how the specific actions taken by the utility are consistent with the requirements in RCW 19.405.040(8), including an analysis that the forecasted distribution of benefits and reductions of burdens accrued or will reasonably accrue to intended customers, including highly</p>	

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<p>impacted communities and vulnerable populations</p> <p>(j) For each specific action identified in the CEIP for the period, pursuant to WAC 194-40-200(1) and WAC 194-40-200(4), a summary of the actions taken and their results.</p> <p>(k) For any measurement of achievement reported under subsections (a) through (e) that is less than the respective target established in the CEIP, an explanation of the variation from target and any intended actions to offset the variation in the next period.</p> <p>(l) Any other information necessary to demonstrate compliance with the requirements of CETA that are applicable during the period.</p>	
<p>194-40-050 – Submission of clean energy implementation plan</p> <p>(1) Each utility must submit by January 1, 2022, and every four years thereafter, a clean energy implementation plan (CEIP) for resources to be acquired and other actions to be undertaken during the next interim performance period or GHG neutral compliance period to comply with the GHG Neutral Standard and the 100% Electricity Clean Standard. The CEIP must be submitted using a form provided by Commerce.</p> <p>(2) Each utility must submit with its CEIP a summary of the public input process conducted in compliance with WAC 194-40-220 and a description of how public comments were reflected in the specific</p>	<p>RCW 19.405.060 requires that utilities submit to Commerce a clean energy implementation plan. This rule is an administrative provision concerning the submission of the required plan.</p> <p>Commerce requests input from regulated businesses on potential cost impacts of subsection (2).</p>

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<p>actions under WAC 194-40-200(4) and other elements of the CEIP and the utility's supporting integrated resource plan or resource plan, as applicable.</p>	
<p>194-40-060 – Reporting fuel mix and greenhouse gas emission</p> <p>(1) Each consumer-owned utility and each investor-owned utility must submit by July 1, 2021, and each year thereafter a fuel mix source and disposition report for the previous calendar year, consistent with RCW 19.29A.140, using a form provided by Commerce.</p> <p>(2) Each utility must submit by July 1, 2021, and each year thereafter a greenhouse gas content calculation for the previous calendar year.</p> <p>(a) The greenhouse gas content calculation must be based on the quantities and fuel sources, including unspecified sources, of electricity identified in the source and disposition report required under subsection (1) and must include all generating resources providing service to retail customers of that utility in Washington state, regardless of the location of the generating resource.</p> <p>(b) The greenhouse gas content calculation must comply with the calculation requirements established by the Department of Ecology in Chapter 173-444 WAC.</p>	<p>This rule is an administrative provision concerning the submission of two reports that are required by statute.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>
<p>194-40-110 – Methodologies to incorporate social cost of greenhouse gas emissions</p> <p>(1) (a) Each utility that prepares an integrated resource plan under RCW 19.280.030(1) must incorporate the social cost of greenhouse gas emissions as a cost adder for all relevant inputs when evaluating and selecting conservation policies, programs, and targets; developing integrated resource</p>	<p>This rule provides utilities with acceptable methodologies to meet a statutory requirement in RCW 19.280.030(3). It provides alternative methods and allows individual utilities to select a method that is most appropriate for it and to adopt a method not specifically provided for in the rule.</p>

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<p>plans, and clean energy action plans; and evaluating and selecting intermediate term and long-term resource options.</p> <p>(b) The greenhouse gas emissions cost adder must incorporate, to the extent feasible, all greenhouse gas emissions resulting from the generation of electricity using fossil fuels, including extraction, production, transmission, and combustion.</p> <p>(c) The greenhouse gas emissions cost adder may be adjusted to account for any explicit tax or fee on greenhouse gas emissions that is known or assumed in the resource analysis.</p> <p>(2) A utility may comply with the requirements of subsection (1) by using one of the following analytical approaches, as appropriate and consistent with the utility's overall analytical approach for resource planning, evaluation, and selection:</p> <p>(a) Performing a resource analysis in which it increases the input cost of each fossil fuel by an amount equal to the social cost of greenhouse gas emissions value of that fuel;</p> <p>(b) Conducting a resource analysis in which alternative resource portfolios are compared across multiple scenarios on the basis of cost, risk, and other relevant factors and the aggregate social cost of greenhouse gas emissions is included in the cost of each resource portfolio;</p> <p>(c) If the utility does not use a comprehensive resource portfolio evaluation and optimization approach: Adding the social cost of greenhouse gas emissions to the expected market price of electricity, using an estimate of the emissions rate of marginal generating resources; or</p> <p>(d) Using another analytical approach that includes a comprehensive accounting of the</p>	<p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>

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<p>difference in greenhouse gas emissions and social cost of greenhouse gas emissions between resource alternatives.</p> <p>(3) Any methodology used to comply with this rule may assume that the social cost of greenhouse gas emissions cost adder does not affect short-term operations or dispatch decisions after energy resources are acquired and placed into service.</p> <p>(4) Any methodology used to comply with this rule must ensure that the social cost of greenhouse gas emissions cost adder is accounted for without unreasonable duplication or double counting.</p> <p>(5) The social cost of greenhouse gas emissions values used to meet the requirements of this rule are specified in WAC 194-40-100.</p>	
<p>WAC 194-40-200 – Clean energy implementation plan</p> <p>(1) Specific actions. Each utility must identify in each CEIP the specific actions to be taken by the utility during the next interim performance period or GHG neutral compliance period to demonstrate progress toward meeting the standards under RCW 19.405.040(1) and 19.405.050(1) and the interim targets proposed under subsections (2) and (3). Specific actions must be consistent with the requirements of RCW 19.405.060(2)(a)(iv).</p> <p>(2) Interim target. The CEIP must establish an interim target for the percentage of retail load to be served using renewable and nonemitting resources during the period covered by the CEIP. The interim target must demonstrate progress toward meeting the standards under RCW 19.405.040(1) and RCW 19.405.050(1), if the utility is not already meeting the relevant standard.</p> <p>(3) Specific targets. The CEIP must establish specific targets, for the interim performance period or GHG neutral</p>	<p>RCW 19.405.060 requires that each utility prepare a clean energy implementation plan every four years. RCW 19.280.030 requires that each utility complete an integrated resource plan or a resource plan and that these plans include a 10-year plan for implementation of the CETA clean energy standards.</p> <p>The rule provides specific method by which a utility must comply with these statutory provisions. It provides clarity for utilities concerning the units of measurement in which various targets must be stated.</p> <p>Subsection (4) establishes more specific requirements, compared to RCW 19.405.060, to identify actions and indicators for the requirements of RCW 19.405.040(8) to ensure that all customers are benefiting from the transition to clean energy. This subsection reduces uncertainty for utilities concerning the requirements of RCW 19.405.040(8). Commerce requests input from regulated businesses on the costs to comply with subsection (4) to the extent those potential cost impacts are greater than the costs</p>

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<p>compliance period covered by the CEIP, for each of the following categories of resources:</p> <p>(a) Energy efficiency. The utility must establish a target for the amount, expressed in megawatt-hours of first-year savings, of energy efficiency resources expected to be acquired during the period. The energy efficiency target must comply with WAC 194-40-330(1).</p> <p>(b) Demand response resources. The utility must specify a target for the amount, expressed in megawatts, of demand response resources to be acquired during the period. The demand response target must comply with WAC 194-40-330(2).</p> <p>(c) Renewable energy. The utility’s target for renewable energy must identify the quantity in MWh of renewable electricity to be used in the period.</p> <p>(4) Specific actions to ensure equitable transition. The CEIP must describe specific actions of the utility to be taken during the period to ensure that all customers are benefiting from the transition to clean energy, as required by RCW 19.405.040(8). The CEIP must, at a minimum:</p> <p>(a) Report the forecasted distribution of energy and non-energy costs and benefits for the utility’s portfolio of specific actions, including impacts resulting from achievement of the specific targets established under subsection (3). The report must:</p> <p>(i) include indicators, developed through a public process as part of the utility’s long-term planning, for the provisions in RCW 19.405.040(8);</p> <p>(ii) identify the expected effect of specific actions on highly impacted</p>	<p>required to comply with the statute itself. Subsection (11) provides certain utilities, including utilities that are small businesses, with an alternative approach to compliance. This subsection may reduce costs for utilities that are small businesses as well as many utilities that are not small businesses.</p>

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<p>communities or vulnerable populations;</p> <p>(ii) describe how the specific actions in the CEIP are consistent with the utility’s longer-term strategies based on the analysis in 19.280.030(1)(k) and clean energy action plan in 19.280.030(1)(l); and</p> <p>(iv) if the utility is subject to RCW 19.280.030(1), be informed by the most recent clean energy action plan and assessment described in RCW 19.280.030(1)(k) from its most recent integrated resource plan.</p> <p>(b) Identify each highly impacted community, as defined in RCW 19.405.020(23), and the basis for its designation as either (i) a community designated by the department of health based on cumulative impact analyses or (ii) a community located in census tracts that are at least partially on Indian country.</p> <p>(c) Identify vulnerable populations based on the adverse socioeconomic factors and sensitivity factors developed through a public process and describe and explain any changes from the utility’s previous CEIP, if any; and</p> <p>(d) Describe how the utility intends to mitigate risks to highly impacted communities and vulnerable populations.</p> <p>(e) Describe the process of public participation in the development of the assessments required by this subsection (4) and provide a summary of public comments.</p> <p>(5) Use of alternative compliance options. The CEIP must identify any planned use during the period of alternative compliance</p>	

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<p>options, as provided for in RCW 19.405.040(1)(b).</p> <p>(6) The CEIP must include a summary of public comments from the process conducted in compliance with WAC 194-40-220 and a description of how those comments were reflected in the CEIP.</p> <p>(7) The CEIP must be consistent with the most recent integrated resource plan or resource plan, as applicable, prepared by the utility under RCW 19.280.030.</p> <p>(8) The CEIP must be consistent with the utility's clean energy action plan developed under RCW 19.280.030(1) or other ten-year plan developed under RCW 19.280.030(5). (9) The CEIP must identify the resource adequacy standard and measurement metrics adopted by the utility under WAC 194-40-210 and used in establishing the targets in its CEIP.</p> <p>(10) If the utility intends to comply using the 2% incremental cost approach specified in WAC 194-40-230, the CEIP must include the information required in WAC 194-40-230(3) and, if applicable, the demonstration required in WAC 194-40-350(2).</p> <p>(11) Any utility that is not subject to RCW 19.280.030(1) may meet the requirements of this section through a simplified reporting form provided by Commerce.</p>	
<p>WAC 194-40-210 – Resource adequacy standard</p> <p>(1) Each utility that is required to prepare an integrated resource plan under RCW 19.280.030(1) must establish by January 1, 2022, a standard for resource adequacy to be used in resource planning, including assessing the need and type of generating resources, storage resources, demand response resources, and conservation resources. The resource adequacy standard must be consistent with prudent utility practices and relevant regulatory requirements and must include reasonable and nondiscriminatory:</p>	<p>RCW 19.280.030 requires that a utility identify an appropriate resource adequacy requirement and measurement metric consistent with prudent utility practice in implementing RCW 19.405.030 through 19.405.050.</p> <p>This rule establishes specific elements of the resource adequacy standard.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p> <p>Subsection (2) provides certain utilities, including utilities that are small businesses, with an alternative approach to compliance. This subsection may reduce costs for utilities</p>

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<p>a. Measures of adequacy, including peak load standards and loss of load probability,</p> <p>b. Methods of measurement, including probabilistic assessments of resource adequacy at both a system and resource level, and</p> <p>c. Probabilistic measures of resource contribution to resource adequacy such as effective load carrying capability applicable to all resources available to the utility, including but not limited to renewable, storage, hybrid, and demand response resources.</p> <p>(2) Each utility not subject to subsection (1) must identify by January 1, 2022, the resource adequacy standard relied on by the utility in preparing its resource plan and CEIP.</p>	<p>that are small businesses as well as many utilities that are not small businesses.</p>
<p>WAC 194-40-220 – Public input for planning</p> <p>(1) Each utility must provide reasonable opportunities for its customers and interested stakeholders to provide input to the utility during the development of, and prior to the adoption of, plans identifying actions to comply with RCW 19.405.040(8) and other requirements of RCW 19.405.040 and RCW 19.405.050. This requirement applies to a utility’s development of its clean energy implementation plan, its integrated resource plan or resource plan, as applicable, and its clean energy action plan or 10 year action plan, as applicable.</p> <p>(2) In assessing whether a public input opportunity is reasonable, the utility must consider barriers to public participation due to language, cultural, economic or other factors consistent with community needs.</p>	<p>RCW 19.405.060 requires that a utility conduct a public hearing before adopting a CEIP. RCW 19.280.050 requires that a utility encourage participation of its consumers in development of integrated resource plans and resource plans and in clean energy implementation plans and 10-year action plans.</p> <p>Commerce requests input from regulated businesses on whether they anticipate implementing additional public input processes that they would not otherwise implement, based on the proposed language of this rule and information on the costs of implementing those processes.</p> <p>Commerce requests information on whether the consideration of barriers to public participation will result in additional costs that would not otherwise be incurred.</p>
<p>WAC 194-40-230 – Compliance using 2% incremental cost of compliance</p> <p>(1) For any interim performance period or GHG neutral compliance period in which a utility relies on RCW 19.405.060(4)(a) to meet an interim</p>	<p>RCW 19.405.060(4)(a) provides an optional compliance approach based on the incremental cost of resource acquisitions or expenditures directly attributable to the requirements of RCW 19.405.040 and 19.405.050. RCW 19.405.060(5) requires that Commerce adopt rules establishing the</p>

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<p>target during an interim performance period or as the basis for compliance with the standard under RCW 19.405.040(1) or RCW 19.405.050(1), the utility must:</p> <ul style="list-style-type: none"> (a) Document, as provided in this rule, incremental expenditures that are directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and 19.405.050; and (b) Demonstrate that the average annual increase in incremental expenditures, as a percentage of retail revenue requirement in each prior year, equals or exceeds 2 percent over the period. <p>(2) For the purposes of compliance using RCW 19.405.060(4)(a), a resource acquisition or expenditure is directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and RCW 19.405.050 only if all of the following conditions are met:</p> <ul style="list-style-type: none"> (a) The resource acquisition or other expenditure is made during the interim performance period or GHG neutral compliance period; (b) The resource acquisition or other expenditure is part of the lowest reasonable cost and reasonably available portfolio of resources that results in compliance with RCW 19.405.040 and RCW 19.405.050; (c) The resource acquisition or other expenditure is additional to the costs that would be incurred for the lowest reasonable cost and reasonably available resource portfolio that would have been selected in the absence of RCW 19.405.040 and RCW 19.405.050; and (d) The resource acquisition or other expenditure is not required to meet any statutory, regulatory, or contractual requirement or any provision of Chapter 19.405 RCW other than sections RCW 19.405.040 or 19.405.050. <p>(3) The utility must include in its CEIP for the period the following information:</p>	<p>methodology for calculating the incremental cost of compliance.</p> <p>The rule provides the method for identifying resources or expenditures that are directly attributable to the clean energy standards and measuring the incremental cost of those resources.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself. A utility using this optional compliance method will incur additional costs to perform the analysis required by the rule. The rule does not impose this cost requirement on any utility, since the compliance method is optional. A utility would be expected to use this compliance method only if it results in a lower overall cost, including the cost of the required analysis, than it would incur using the standard compliance method.</p>

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<p>(a) Identification of all resource acquisitions or other expenditures that it intends to make during the period in order to comply with the requirements of RCW 19.405.040 and 19.405.050;</p> <p>(b) Demonstration that the resource acquisitions or expenditures identified in subsection (a) are directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and 19.405.050, and</p> <p>(c) Documentation of the expected cost of the utility's planned resource portfolio and the expected cost of the alternative lowest reasonable cost and reasonably available portfolio of investments.</p> <p>(4) The utility must include in the compliance report required by WAC 194-40-040 the following:</p> <p>(a) Documentation by year of the actual and lowest reasonable cost expenditures incurred during the period for the resource acquisitions or other expenditures identified in subsection (1)(a).</p> <p>(b) Documentation by year of the cost that that the utility would have incurred to acquire the alternative lowest reasonable cost and reasonably available portfolio of investments.</p> <p>(c) A calculation, for each year of the period and as an average for the period, of the annual increase in incremental costs directly attributable to actions necessary to comply with the requirements of RCW 19.405.040 and RCW 19.405.050, as a percentage of the retail revenue requirement in the year preceding that year.</p> <p>(5) If a resource acquisition or an alternative resource has a useful life or contract duration of greater than one year, expenditures on that resource must be allocated over the expected useful life or contract duration using a levelized cost or fixed charge factor.</p> <p>(6) The CEIP must substantiate the information required in subsection (3) using a comprehensive assessment of alternative resource portfolios, such</p>	

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<p>as an integrated resource plan prepared in compliance with Chapter 19.280 RCW.</p> <p>(7) A utility must include in all cost calculations under this rule the effects on resource selection and acquisition of the social cost of greenhouse gas emissions cost adder requirement under WAC 194-40-110. A utility may not include in the cost calculations any greenhouse gas emissions costs, fees, or taxes unless customers will pay those amounts through their electricity purchases.</p>	
<p>194-40-300 – Documentation concerning coal-fired resources</p> <p>(1) Each utility must publish by June 1, 2027, and each year thereafter, an attestation by a properly authorized representative of the utility certifying that the utility’s allocation of electricity for Washington retail electric load in the prior calendar year did not include any electricity generated at a coal-fired resource.</p> <p>(2) The purchase of electricity, where the source is unknown at the time of purchase, for a term not to exceed one month, is not a coal-fired resource and does not preclude a utility from making the attestation required by subsection (1).</p> <p>(3) If the utility purchased or otherwise acquired electricity for Washington retail electric load for a term greater than one month and the source of that electricity is unknown at the time of purchase, the utility may rely on operational data to demonstrate that the electricity was not generated using coal as a fuel source.</p> <p>(4) If a utility enters into a combination of transactions for unspecified electricity that might reasonably appear to be a substitute for a single purchase or acquisition for a term of more than one month, the utility must document the transactions in sufficient detail to demonstrate that the electricity from the transactions is not a coal-fired resource.</p>	<p>This rule provides the method by which a utility demonstrates that it complied with the requirement in RCW 19.305.030(1) not to include coal-fired resources after 2025. A utility complies by making an attestation.</p> <p>It is expected that a utility would maintain records documenting its power transactions as part of the normal course of business and that the utility executive would rely on those records in making the required attestation.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>
<p>194-40-310 – Documentation of nonemitting electric generation</p>	<p>RCW 19.405.040(1)(f) requires that nonemitting electric generation be verified by</p>

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<p>(1) Any utility using nonemitting electric generation to comply with a requirement under RCW 19.405.040 or RCW 19.405.050 must demonstrate that it owns the nonpower attributes of that electricity and that it has committed to use the nonpower attributes exclusively for the stated compliance purpose.</p> <p>(2) A utility may demonstrate ownership of nonpower attributes using attestations of ownership and transfer by properly authorized representatives of the generating facility, all intermediate owners of the nonemitting electric generation, and a properly authorized representative of the utility.</p> <p>(3) A utility may demonstrate ownership of the nonpower attributes of the nuclear portion of BPA’s standard electricity product by relying on a representation of a properly authorized representative of BPA stating the nonemitting percentage of its electricity product and verifying that BPA did not separate the nonpower attributes associated with the nuclear generation.</p>	<p>documentation that the electric utility owns the nonpower attributes of the electricity generated by the nonemitting electric generation resource.</p> <p>This rule provides the method by which a utility makes the required verification. A utility complies by making an attestation and may rely on a representation of the Bonneville Power Administration when acquiring nonemitting generation from it.</p> <p>It is expected that a utility would maintain records documenting its power transactions as part of the normal course of business and that the utility executive would rely on those records in making the required attestation.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>
<p>194-40-320 – Use of electricity from renewable resources and nonemitting electric generation</p> <p>(1) For the purposes of RCW 19.405.040(1)(a)(ii), a utility uses electricity if it generated the electricity using its own generating facility or if it acquired, in a single transaction, ownership of the electricity and the nonpower attributes of that electricity. If the source of the electricity is outside the Western Interconnection, the utility must have had the capability to provide for delivery of that electricity to the utility’s distribution system.</p> <p>(2) If a utility using electricity as provided in subsection (1) sells or transfers ownership of the electricity to any entity that is not its Washington retail customer, it may not use the</p>	<p>The rule provides clarification of the requirement in RCW 19.405.040 that a utility “use” electricity from renewable or nonemitting sources.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>

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<p>nonpower attributes of that electricity for compliance with the GHG Neutral Standard unless the electricity transaction identified the electricity as unspecified electricity and the utility retained ownership of the nonpower attributes.</p>	
<p>194-40-330 – Methodologies for energy efficiency and demand response resources</p> <p>(1) Energy efficiency resources</p> <p>(a) Assessment of potential</p> <p>(i) Any utility that is a qualifying utility under Chapter 19.285 RCW must assess the amount of energy efficiency and conservation that is available using the conservation methodology established in RCW 19.285.040(1) and the rules implementing that subsection.</p> <p>(ii) Any utility that is not a qualifying utility under Chapter 19.285 RCW must establish the amount of energy efficiency and conservation that is available using either of the following methods:</p> <p>(1) Use the conservation methodology established in RCW 19.285.040(1) and the rules implementing that subsection, or</p> <p>(2) Establish the reasonable utility-level proportion of a conservation potential assessment prepared at a regional or multi-utility level using a methodology that evaluates resource alternatives on a total resource cost basis and includes the social cost of greenhouse gas emissions as specified in WAC 194-40-110.</p>	<p>RCW 19.405.060(2)(a)(i) requires that a utility establish targets for energy efficiency and demand response. RCW 19.405.040(1)(a) requires that a utility pursue all cost-effective, reliable, and feasible conservation and efficiency resources to reduce or manage retail electric load.</p> <p>The rule establishes requirements for assessing potential energy efficiency and demand response resources, establishing targets for each category of resource, and verifying the resources that are acquired.</p> <p>Subsection (1)(a)(ii) provides an alternative approach for small utilities, including utilities that are small businesses, that avoids the need to prepare a utility-specific assessment of conservation potential. This subsection reduces costs for small businesses.</p> <p>The rule provides specific methods to comply with statutory requirements. It does not impose any costs that are additional to the costs required to comply with the statute itself.</p>

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<p>(b) Target. The energy efficiency target for any interim performance period or GHG neutral compliance period must equal or exceed the target that would be calculated using the pro rata share approach specified in RCW 19.285.040(1)(b) and must be sufficient to ensure that the utility meets its obligation under RCW 19.405.040(6) to pursue all cost-effective, reliable, and feasible conservation and energy efficiency resources.</p> <p>(c) Measurement and verification. All energy efficiency and conservation resources used to meet an energy efficiency target must be measured and verified using the measurement and verification requirements of WAC 194-37-080(3).</p> <p>(2) Demand response resources</p> <p>(a) Assessment of potential. Each utility must assess the amount of demand response resource that is cost-effective, reliable, and feasible.</p> <p>(b) Target. The demand response target for any compliance period must be sufficient to meet the utility's obligation under RCW 19.405.040(6) and must be consistent with the utility's integrated resource plan or resource plan and any distributed energy resource plan adopted under RCW 19.280.100.</p> <p>(c) Measurement and verification. Each utility must maintain and apply measurement and verification protocols to determine the amount of capacity resulting from demand response resources and to verify the acquisition or installation of the demand response resources being recorded or claimed.</p>	

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<p>194-40-340 – Acquisition of new resources other than renewable resources and energy storage</p> <p>A utility that acquires a new fossil fuel generating resource or new nonemitting electric generation must document through its integrated resource plan and any other analysis relied on in making its decision that the resource acquisition is consistent with meeting the utility’s targets under RCW 19.405.040 or the standard in RCW 19.405.050 at the lowest reasonable cost, considering risk. For the purposes of this rule, a resource that commenced operation on or before May 7, 2019, is not a new resource.</p>	<p>The rule clarifies a provision in RCW 19.405.040(6)(a) that requires a utility rely on renewable resources and energy storage when acquiring new resources, as long as that is consistent with achieving targets at the lowest reasonable cost, considering risk.</p> <p>The rule includes specific requirements to ensure compliance with the law. It does not impose any costs that are additional to the costs required to comply with the statute itself.</p>
<p>194-40-350 – Use of alternative compliance options by utilities using 2% incremental cost threshold</p> <p>(1) Except as provided in subsection (2), a utility may not use any alternative compliance option under RCW 19.405.040(1)(b) in any GHG neutral compliance period if it relies on RCW 19.405.060(4)(a) as the basis for compliance with the standard under RCW 19.405.040(1) or RCW 19.405.050(1).</p> <p>(2) A utility relying on RCW 19.405.060(4)(a) may use an alternative compliance option if:</p> <ul style="list-style-type: none"> (a) The utility demonstrates that no renewable resources or nonemitting electric generation was reasonably available; or (b) The utility’s uses renewable resources and nonemitting electric generation in an amount equal to at least 80 percent of its annual retail electric load during the period. 	<p>The rule clarifies a provision in RCW 19.405.060(4)(b) concerning the use of alternative compliance options by a utility choosing to comply using the 2% incremental cost method in RCW 19.405.060.</p> <p>The rule does not impose any costs that are additional to the costs required to comply with the statute itself.</p>
<p>194-40-360 – Temporary exemption, demonstration of plan to achieve full compliance</p> <p>(1) A utility must notify Commerce at least thirty days prior to consideration of action by the governing body to authorize a temporary exemption under RCW 19.405.090(5)(a). The notice must provide all information that the governing body will rely on in making a decision whether to authorize a temporary exemption.</p> <p>(2) If the governing body of a utility authorizes a temporary exemption under RCW 19.405.090(5)(a), the governing body must notify Commerce within</p>	<p>The rule requires notice to Commerce of actions and potential actions by a utility governing board to authorize a temporary exemption for the utility.</p> <p>Subsection (1) requires that the utility provide a notice to Commerce prior to considering this action. Commerce requests input from regulated businesses on the costs to provide prior notice if it were to consider authorizing a temporary exemption.</p> <p>Subsection (2) requires that the utility provide notice and a plan to achieve full compliance after a utility governing board authorizes a</p>

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<p>30 days of the action. The governing body’s notice must include a plan to take specific actions to achieve full compliance with RCW 19.405.040(1).</p>	<p>temporary exemption. This subsection does not impose any costs that are additional to the costs required to comply with the statute itself.</p>
<p>194-40-400 – Documentation and retirement of renewable energy credits</p> <p>(1) The Western Renewable Energy Generation Information System is the renewable energy credit tracking system for purposes of verification of RECs under chapter 19.405 RCW.</p> <p>(2) (a) Except as provided in subsection (b), each utility must verify and document by the retirement of RECs all electricity from renewable resources used to meet a target in an interim performance period or to comply with the requirements of RCW 19.405.040 or RCW 19.405.050.</p> <p>(b) A utility is not required to comply with subsection (2)(a) for electricity from renewable resources used to meet a target in an interim performance period if: (i) The energy source for the generating facility is water; (ii) The generating facility is not registered in WREGIS or the WREGIS account holder for the generating facility verifies that no RECs have been created for the electricity used to meet CETA requirements; and (iii) The utility owned the generating facility or purchased the electricity directly from the owner of the facility or, in the case of federal generating facilities, from the Bonneville Power Administration.</p> <p>(3) Each utility using a REC under this chapter must document the following:</p> <p>(a) The REC represents the output of a renewable resource;</p> <p>(b) The vintage of the REC is a year within the applicable performance period or compliance period; and</p>	<p>RCW 19.405.040(1)(c) requires that all RECs used for compliance with the Greenhouse Gas Neutral Standard be verified by the retirement of renewable energy credits. Renewable energy credits must be tracked and retired in the tracking system selected by the department.</p> <p>The rule establishes administrative procedures for the retirement actions required by RCW 19.405.040. It does not impose an additional cost on a utility compared to the costs required to comply with the statute.</p> <p>The rule also requires retirement of RECs used to demonstrate achievement toward an interim target established under RCW 19.405.060 or to demonstrate compliance with the 100% Clean Electricity standard in RCW 19.405.050.</p> <p>It is unclear whether the rule provision imposes a cost with respect to REC retirements for interim targets or the 100% Clean Electricity standard. A utility might demonstrate compliance using another method, such as an attestation, or might make no demonstration of compliance.</p> <p>The cost of creating or retiring a REC is currently \$0.004 per certificate. Each certificate represents one megawatt-hour of electricity. The average cost of wholesale power in 2019 was \$40 per MWh. The cost of creating and retiring a certificate (\$0.008 per MWh) is 0.02% of the wholesale power cost.</p>

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<p>(c) The utility has retired the REC to a retirement subaccount of the utility within WREGIS using the following values in the certificate transfer:</p> <ul style="list-style-type: none"> (i) Retirement type: Used by the account holder for a state-regulated renewable portfolio standard/provincial utility portfolio standard; (ii) State/province: Washington; and (iii) Compliance year: Within the applicable performance period or compliance period. <p>(4) A utility may use any REC retired to comply with RCW 19.285.040 for the purposes identified in subsection (2) if the compliance year indicated in the retirement documentation of the REC is within the compliance period of the standard or target identified in subsection (2).</p>	
<p>194-40-410 Use of renewable energy credits other than unbundled RECs</p> <p>(1) This rule applies to any REC, other than an unbundled REC, used to comply with the requirements of RCW 19.405.040(1)(a) or to demonstrate performance compared to an interim target established under RCW 19.405.060(1).</p> <p>(2) The utility must acquire the REC and the electricity associated with the REC in a single transaction through ownership or control of the generating facility or through a contract for purchase or exchange.</p> <p>(3) (a) The electricity associated with the REC must be generated by a generating facility located within the balancing authority area of the utility’s Washington operations; or (b) The utility must acquire the electricity associated with the REC at one of the following points of delivery:</p>	<p>The rule provides clarification of the requirement in RCW 19.405.040 that a utility “use” electricity from renewable or nonemitting sources.</p> <p>The rule does not impose any costs on regulated businesses beyond the costs required to comply with the statute itself.</p>

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<p>1. The transmission or distribution system of any utility serving Washington retail customers;</p> <p>2. The transmission system of the Bonneville Power Administration; or</p> <p>3. If the utility participates in an organized market in the Western Interconnection, the transmission system of any entity in that organized market; or</p> <p>4. Another point of delivery designated by the utility for the purpose of subsequent delivery to the utility.</p> <p>(4) The electricity associated with the REC must be included as a declared resource of the utility in its source and disposition report submitted in compliance with RCW 19.29A.140.</p> <p>(5) A utility may not use a REC subject to this section if it has sold or otherwise transferred ownership of the associated electricity in a transaction that contractually specified the source of the electricity by fuel source or as renewable.</p>	
<p>194-40-430 – Thermal RECs – Applicability</p> <p>(1) A thermal renewable energy credit may be used as an unbundled REC under RCW 19.405.040(1)(b) if it is created in association with the generation of qualifying thermal energy for a secondary purpose at a facility that generates electricity from biomass energy. For multiple-fuel facilities, only the portion of thermal energy generated from eligible biomass sources is eligible for the generation of a thermal REC.</p> <p>(2) Thermal energy may not be used to create a thermal REC if the thermal energy:</p> <ul style="list-style-type: none"> (a) is used to operate the generating facility or process the facility’s fuel; (b) is returned to the biomass conversion device that initially created the eligible thermal resource; (c) bypasses the electricity generation device; or (d) is produced while the electricity generation equipment is out of service. 	<p>RCW 19.405.100 requires that Commerce adopt rules providing for the measuring and tracking of thermal renewable energy credits that may be used for compliance under RCW 19.405.040(1)(b).</p> <p>Sections 194-40-430 through 194-40-460 establish measuring and tracking requirements. The required procedures are consistent with requirements in Oregon in order to avoid unnecessary duplication of requirements for a facility that sells thermal RECs in both states.</p> <p>A facility operator that chooses to participate in the thermal REC program would incur costs to prepare the required thermal energy measurement plan and to measure, track, and report thermal energy during the operation of the plant. It is expected that most of these costs would be required for other regulatory purposes and for customary business operations.</p> <p>It is expected that a facility operator would not incur the costs required to measure, verify, and create thermal RECs unless the value of the thermal RECs exceeded those costs.</p>

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<p>194-40-440 – Thermal RECs - Measuring</p> <p>(1) Qualifying thermal energy must be measured and tracked using the following methods:</p> <p>(a) Large facilities: Facilities with the capacity to generate one or more thermal RECs per hour of operation must install a thermal energy measurement system to continually measure qualifying thermal energy. The thermal energy delivered to the secondary purpose must be metered. All parameters needed to determine thermal energy delivered to the secondary purpose must be directly measured.</p> <p>(b) Small facilities: Facilities with the capacity to generate less than one thermal REC per hour of operation must install a thermal energy measurement system to measure qualifying thermal energy delivered to the secondary purpose. Calculation parameters, such as heat capacity, and directly measured parameters, such as temperature and pressure, that do not vary more than two percent for the full range of expected operating conditions may be evaluated on an annual basis and used in the calculation methodology as a constant. These parameters may be based on such sources as manufacturers’ published ratings or one-time measurements, but must be clearly defined and explained in the thermal energy measurement plan required under subsection (2). All other parameters used to determine the amount of qualifying thermal energy must be continually measured. The generating facility must assess the significance of any potential error that the methodology parameters have on the total annual quantity of qualifying thermal energy and include this analysis in the thermal energy measurement plan. The generating facility must also submit to the department for approval in the thermal energy measurement plan an appropriate discount factor to be applied to the qualifying thermal energy calculation methodology, and the department may revise this discount factor to account for variance due to parameters that are not continually measured.</p>	<p>The rules does not impose a cost on any business since the program is optional and any costs would be offset by additional revenue.</p>

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<p>(c) Any thermal energy measurement system used to comply with this rule must capture sufficient data, and make necessary calculations or provide all necessary data for calculations to be made using standard engineering calculation procedures, to determine the net thermal energy used by the secondary purpose over an interval specified in the thermal energy measurement plan.</p> <p>(d) The components of a thermal energy measurement system must be installed in accordance with the manufacturer's specifications.</p> <p>(2) The operator of a thermal energy generating facility must submit to the department for its approval a thermal energy measurement plan that:</p> <ul style="list-style-type: none"> (a) Describes the thermal energy generating equipment, secondary purposes, data measurements to be collected, all associated measurement devices, data formats and storage, data gathering techniques, measurement system calibration, calculation methodology, discount factors, and other relevant equipment and activities that will be used to determine the quantity of qualifying thermal energy. (b) Includes documentation, including drawings, specifications, piping and instrumentation diagrams, and other information, sufficient to verify the compliance of the system with the requirements of this rule. (c) Is prepared by or under the supervision of a licensed professional engineer, as indicated by the engineer's stamp. <p>(3) The operator of a thermal energy generating facility must submit an updated thermal energy measurement plan and</p>	

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<p>documentation for review and approval to the department upon the following:</p> <ul style="list-style-type: none"> (a) Installation, removal or changes in the configuration of the thermal energy measurement system and its components; (b) Installation of new thermal energy generation equipment or changes in thermal energy generation capacity; (c) Installation or removal of secondary purpose equipment, changes to secondary purpose use, or changes in the secondary purpose maximum thermal energy demand; or (d) Indications the thermal energy measurement system is not performing in accordance with the thermal energy measurement plan. <p>194-40-450 – Thermal RECs - Tracking</p> <p>(1) Where continual measurements are required to determine the quantity of qualifying thermal energy, the operator of the thermal energy generating facility must take data readings at least once per hour, or more frequently as necessary to capture irregular or frequently varying parameters. For all facilities, the qualifying thermal energy produced must be totaled for each 24-hour period, each month, and each quarter.</p> <p>(2) The operator of the generating facility must retain measured data and related thermal energy calculations on-site for five calendar years and make records available for audit.</p>	

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<p>(3) Prior to measuring qualifying thermal energy for the purpose of generating thermal RECs, the operator of the generating facility must perform, or have performed, an initial calibration of the thermal energy measurement system and all associated measurement devices, or demonstrate that a calibration has been performed as specified by system component manufacturers or within the last 365 days of the application date for certification as compliant with these rules. All measurement devices shall be recalibrated annually or as specified by system component manufacturers to maintain specified accuracy. Calibrations must be performed using the calibration procedures specified by the meter manufacturer, calibration methods published by a consensus-based standards organization, or other industry accepted practice.</p> <p>(4) Individuals designing, installing, operating, and maintaining the thermal energy measurement system must have appropriate training and certification. The generating facility must maintain documentation of maintenance and calibration activities.</p> <p>194-40-460 – Thermal RECs - Reporting All thermal RECs are subject to the requirements of WAC 194-40-400.</p>	