The Challenge Ahead: Keeping the lights on while requiring more of the grid

Ann Rendahl, Commissioner

March 5, 2020
Changes in Customer Preferences

Traditional Resources

New Preferences
Grid Changes
State and Utility Clean Energy Policies

State 100% Renewable or Clean Energy Standards

[Map of the United States with states color-coded to indicate different energy standards]
2019 Clean Energy Transformation Act

• Standards:
  o No coal-generated electricity by 2025
  o 80% clean or carbon-neutral electricity by 2030
  o 100% clean or non-emitting electricity by 2045

• Major Elements:
  o Integrated resource plans update, including resource adequacy and GHG emission calculations
  o Clean energy implementation plans, including targets
  o Clean energy action plans
  o Affordability - Incremental cost of compliance
  o Equitable distribution of benefits
  o Reliability studies and offramp option
  o Transmission studies
  o State ratemaking authority to ensure successful transformation
Implementation of 2019 Clean Energy Legislation

https://www.utc.wa.gov/cleanenergy

2019 ENERGY LEGISLATION
Clean Energy Transformation Act
Additional 2019 Legislation

ADDITIONAL RESOURCES
Dept. of Commerce CETA webpage
Dept. of Natural Resources
Dept. of Health
Dept. of Ecology
Social Cost of Carbon

STAY INFORMED
Sign up for 2019 Clean Energy Implementation Updates

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CETA Staff Contacts

Clean Energy Implementation

In 2019, the Washington State Legislature passed a set of bills setting an ambitious, multi-decade agenda that changes how electric and natural gas utilities acquire resources and provide energy services to Washington businesses and consumers. Among the 11 bills was the passage of Engrossed Second Substitute Senate Bill 5116, known as the Clean Energy Transformation Act (CETA), which requires Washington’s electric utilities to eliminate carbon emissions from their energy resources by 2045.

CETA: A Brief Overview

CETA requires the state’s electric utilities to fully transition to clean, renewable and non-emitting resources by 2045. Washington’s investor-owned utilities (IOUs) must develop and implement plans. To learn more, click here.

Key Roles for the Utilities and Transportation Commission

The UTC is largely responsible for ensuring IOUs meet CETA requirements. To learn more, click here.
## CETA Implementation – Phase 1 Status

<table>
<thead>
<tr>
<th>Component</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG Emissions Report</td>
<td>Submitted to Governor’s Office 12/31/2019.</td>
</tr>
<tr>
<td>Used and Useful Policy Statement</td>
<td>Issued 1/31/2020.</td>
</tr>
<tr>
<td>Carbon &amp; Electricity Markets Workgroup</td>
<td>Representatives selected and Initial meeting held 1/15/20.</td>
</tr>
<tr>
<td>EIA Rulemaking</td>
<td>CR-101 Issued 10/4/19 with comments received.</td>
</tr>
<tr>
<td>Purchase of Electricity Rulemaking</td>
<td>Drafting CR-101 with anticipated issue date in January 2020.</td>
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<tr>
<td>CEIP Rulemaking</td>
<td>CR-101 issued on 1/16/2020</td>
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</tbody>
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Ratemaking Flexibility

Used & Useful (RCW 80.04.250):

• **Sec. (2):** UTC may include in rates “property … used and useful for service in this state by or during the rate effective period.”

• **Sec. (3):** UTC may “provide changes in rates for up to 48 months after the rate effective date using any standard, formula, method, or theory of valuation reasonably calculated to arrive at fair, just, reasonable and sufficient rates.”
  o “The commission must establish an appropriate process to identify, review, and approve public service company property that becomes used and useful for service in this state after the rate effective date.” (UTC Policy Statement: Docket UE -190531)

Deferred Accounting; Return on PPAs (RCW 80.28.410):

• Utilities may defer for up to 36 months for later inclusion in rates costs for major projects in CEAPs or selected in utility RFPs, including power purchase agreements. Deferred costs include rate of return, which also applies to PPAs (between authorized cost of debt and rate of return).
Questions?