

**PRELIMINARY RESULTS FOR
ASSIGNMENT OF TOP PRIORITY OPTIONS FOR ELABORATION AND ANALYSIS
ENERGY SUPPLY TECHNICAL WORKING GROUP**

June 18, 2007

Preliminary Results of Voting on Priorities – as of June 18, 2007

The tallies and comments in the table and chart below reflect the input sent in by Energy Supply TWG members. Votes from 16 members have been received in time to be included. Note that these results do not reflect “final” decisions by the TWG; we hope that they are useful in moving forward on setting priorities for detailed policy descriptions and further analysis of options.

Original Instructions:

- Place an "X" in the box for the up to **10 options** that you would make a priority for further analysis using your judgment on the following decision criteria:
 - GHG reduction potential (MMTCO₂e) by 2020*
 - Contribution to longer-term emission reduction goals (2035/2050)
 - Cost-effectiveness (Cost per ton GHG reduced or removed)*
 - Clean energy (or other low-GHG economy) job creation
 - Reduced expenditures on imported fuels
 - Externalities
 - Feasibility issues

** Please recall that the ratings shown in the catalogs for the first and third items (GHG reduction potential by 2020 and cost-effectiveness) above are preliminary and indicative. For priority options, further detailed analysis will be undertaken where possible, and may yield numerical results that differ from the ranges indicated.*
- Note that the following items are shaded (in gray) in the balloting form below:
 - **Actions for which state-wide and relatively comprehensive action (through 2020) is already underway.** For these options, existing rule making and other processes provide venues for input on design and implementation. A vote for one of these items should reflect the desire to go beyond the existing laws, rules, regulations, or incentives either in extent or timeframe (briefly describe in the comment section).
 - **Cap-and-trade and carbon tax.** These items have already been identified as priority options for further elaboration and analysis by the CAT. These items will be discussed as part of a CAT ad hoc committee that will examine regional market mechanisms broadly as part of the Western Climate Initiative. Therefore, these items do **not** need to be identified as priority items through voting, although comments are welcome.
- Provide succinct comments, if desired, to: a) explain your choices to select (or not) specific options; b) suggest consolidation of options; or c) provide other qualifiers on your selections.

Energy Supply TWG Preliminary Results, including TWG member comments

See chart at the end of the document that summarizes the balloting results

The items in this form reflect the catalog as revised and approved by the CAT at its June 5, 2007 meeting. The catalog and catalog option descriptions are available at the website, http://www.ecy.wa.gov/climatechange/cat_twg_energy.htm.

Option	GHG Reduction Policy Option	Vote	Comment
ES-1	EMISSIONS POLICIES AND OVERARCHING ITEMS		
1.1	GHG cap and trade	0	<ul style="list-style-type: none"> • Need analysis on the pros & cons of the different features of a cap-and-trade system (e.g. upstream v. downstream, allocation of allowances, economy wide v. sector specific, etc.). • Caution that WA state and the Western Regional Climate Action Initiative may impose restrictions that set up other states favorably (e.g.- the concept known as leakage) • A cap-and-trade system needs to recognize the carbon neutrality of biomass • A cap-and-trade system must be applied economy wide and should not unfairly impose excessive costs on any one sector. Some sectors will be able to pass on costs that other sectors cannot. • Incentives are appropriate to foster investment in research and development (R&D) of energy efficiency and GHG emissions reducing technologies • Free allocation of allowances would be more equitable to the manufacturing sector where costs cannot be passed onto other sectors.//
1.2	Carbon (GHG) tax	1	<ul style="list-style-type: none"> • There should be a careful review of the impacts of using incentives such as investment and production tax credits, government loan guarantees, and low interest loans as opposed to imposing additional taxes particularly in a state that has one of the highest tax burdens in the nation already. • A good example of a program to encourage renewable energy generation and energy efficiency projects at commercial sites and industrial plants is Oregon's Business Energy Tax Credit system. Developing a system that incorporated changes in the Washington's B&O tax to provide tax incentive credits similar to BETC could provide the tipping-force to more GHG reduction projects forward. • Taxes are regressive and will adversely impact economic development in a state that already has one of the highest tax burdens in the nation. • The free market economy will adapt on its own to signals the government establishes in programs and polices to achieve a performance expectation. It does not need excessive control or distortion imposed on it.//
1.3	Generation performance standards and/or mitigation requires for electricity	0	
1.4	Integrated resource planning	0	

Option	GHG Reduction Policy Option	Vote	Comment
1.5	Voluntary GHG commitments	1	<ul style="list-style-type: none"> • COMMENT: In the context of a regional mechanism to achieve GHG reductions, it will be critical that verifiable actions taken to reduce emissions should be acknowledged.// • (verifiable, early actions that reduce or avoid GHG emissions are critical to meeting emission targets and should be credited.)// • In the context of a regional mechanism to achieve GHG reductions, it will be critical that verifiable early actions that reduce or avoid emissions should be credited.// • Providing incentives for voluntary GHG commitments is a good option for small and large businesses and individuals. • Several companies in WA State have set very aggressive voluntary GHG reductions. For example, WY has committed to reducing its GHG emissions by 40% by 2020.//
1.6	Technology Research & Development	6	<ul style="list-style-type: none"> • Opportunities and incentives should be provided to electric and natural gas utilities to invest in, test, and deploy new technologies.// • (Scope seems too broad. Prefer more narrowly focused technology initiatives to minimize overhead.)// • The scope may be too broad. Prefer more narrowly focused technology initiatives to minimize overhead. Opportunities and incentives should be provided to electric and natural gas utilities to invest in, test, and deploy new technologies.// • We support initiatives that promote research and development of cost-effective breakthrough technologies, such as biofuels made from cellulosic ethanol. • We have voted for 2.8 and suggest that this item be combined with it as they both cover common areas. //
1.7	Climate Change Education Initiatives	5	<ul style="list-style-type: none"> • Increased Climate Change Education should help with voluntary behavioral changes that will lead to emissions reduction.// • Especially in the transport sector where the consumer is the hardest nut to crack.// • Never can do enough education. It has worked with smoking, recycling, etc. This could include 6.4 which is all about providing consumers with information on the GHG emissions from their energy supplies.//
ES-2	RENEWABLE ENERGY AND ENERGY EFFICIENCY		
2.1	Renewable and/or Environmental Portfolio Standard	2	<ul style="list-style-type: none"> • [Within the framework of the existing law, explore the possibility of expanding the geographic scope of allowable resources.]// • I-937 needs to be amended to include organic pulping byproducts as renewable fuels.//

Option	GHG Reduction Policy Option	Vote	Comment
2.2	Grid-based renewable energy incentives and/or barrier removal	9	<ul style="list-style-type: none"> • Combine with 2.3 below.// • Incentives should be utilized where appropriate. Utility rates of return should not be increased for these investments// • (We believe that the most significant barrier to grid-based renewables is transmission capacity, which is covered by Option 6.1.)// • Combine with Section 6.3 below. • Overlaps with RCI 6.1// • While I-937 provides lots of incentive there is a need to look at barriers and targeted incentives// • I-937 needs to be amended to include organic pulping byproducts as renewable fuels. • We do not support increased return on investment for utilities, which will only increase customer costs. • Utilities need to establish accurate avoided costs that reflect true higher incremental costs (e.g. - new natural gas fired Combined Cycle Turbine generation). Avoided costs that are accurately filed with the utility commission can optimize existing CHP generation, and create the appropriate economic driving force needed to build new cost-effective CHP generation. Avoided costs are the most important barrier that have prevented GHG-reducing CHP development since the early 1990's in WA State. • CHP plants are 1/3 more efficient, produce 50% less GHG, and save 100% of the transmission costs per MW generated. • This option also presents an important opportunity for WA to implement ways to promote and incent CHP up to 100 MW's. It is important to include generating plant sizes up to at least 100 MW's for barrier removal and incentives for up to 50% reductions in GHG per MW generated by CHP. • High interconnection costs and regulatory access barriers need also to be removed similar to OR Public Utility Commission ruling under UM 1129.//

Option	GHG Reduction Policy Option	Vote	Comment
2.3	Distributed renewable energy incentives and/or barrier removal	9	<ul style="list-style-type: none"> • Washington already has uniform interconnection standards for small DG resources and net-metering laws. The existing regulatory construct can discourage direct utility capital investment in DG; those barriers should be examined, at least. Other “incentives” aimed at increasing market penetration of DG and certain energy efficiency technologies would be more effectively targeted at utilities, rather than individual consumers; utilities could be encouraged to create the market if they (IOUs) have the proper incentives to do so.// • Incentives should be utilized where appropriate. Utility rates of return should not be increased for these investments// • Tax credits and other mechanisms to make distributed renewable resources more economically viable are important to develop non-traditional resource alternatives.// • Combine with Section 6.3 below.// • For those that believe that the future really lies in a more distributed generation supply we must expand incentives and remove barriers to deploy more distributed technologies.// • We do not support increased return on investment for utilities, which will only increase customer costs. • I-937 needs to be amended to include organic pulping byproducts as renewable fuels. • Utilities need to establish accurate avoided costs that reflect true higher incremental costs (e.g. - new natural gas fired Combined Cycle Turbine generation). Avoided costs that are accurately filed with the utility commission can optimize existing CHP generation, and create the appropriate economic driving force needed to build new cost-effective CHP generation. Avoided costs are the most important barrier that have prevented GHG-reducing CHP development since the early 1990’s in WA State. • CHP plants are 1/3 more efficient, produce 50% less GHG, and save 100% of the transmission costs per MW generated. • This option also presents an important opportunity for WA to implement ways to promote and incent CHP up to 100 MW’s. It is important to include generating plant sizes up to at least 100 MW’s for barrier removal and incentives for up to 50% reductions in GHG per MW generated by CHP. • High interconnection costs and regulatory access barriers need also to be removed similar to OR Public Utility Commission ruling under UM 1129.//
2.4	Green power purchases and marketing	5	<ul style="list-style-type: none"> • COMMENT: Eliminate the green rate tariff option in light of I-937; these requirements compete for resources and add administrative cost that isn’t necessary.// • States and federal government should coordinate their requirements to enable a robust, efficient and liquid market// • Increased marketing should lead to increased green power purchases// • Provide a market based system that is linked to WECC and cross-linked to other regional electric networks. Work with WREGIS to facilitate transactions seamlessly with minimum added burdens. Provide ability to utilize commercial exchanges (e.g. - NYMEX) to optimize GHG market transactions. State and federal government requirements should encourage creation of a system that is both efficient and cost effective.//

Option	GHG Reduction Policy Option	Vote	Comment
2.5	Combined Heat and Power (CHP) and Thermal Energy Recovery and Use	8	<ul style="list-style-type: none"> • Use of incentives should be explored. Utility rates of return should not be increased for these investments.// • Similar item has been identified within the RCI TWG and we have supported that option there. In general, we support efforts to identify and address real barriers to CHP that would help improve overall efficiency. In practice, the challenge seems to be aligning economic efficiency with thermodynamic efficiency, such that utility customers do not subsidize thermal energy customers, at the cost of higher electricity rates.// • Comment: Efforts to identify and address real barriers to CHP would help improve overall efficiency. Would suggest it overlaps with RCI 6.2 and may be more appropriately considered there.// • Lots of opportunity for medium and small scale CHP. Thermal energy recovery is consistent with the high priority ranking of improving efficiency.// • We do not support increased return on investment for utilities, which will only increase customer costs. • I-937 needs to be amended to include organic pulping byproducts as renewable fuels. • Utilities need to establish accurate avoided costs that reflect true higher incremental costs (e.g. - new natural gas fired Combined Cycle Turbine generation). Avoided costs that are accurately filed with the utility commission can optimize existing CHP generation, and create the appropriate economic driving force needed to build new cost-effective CHP generation. Avoided costs are the most important barrier that have prevented GHG-reducing CHP development since the early 1990's in WA State. • CHP plants are 1/3 more efficient, produce 50% less GHG, and save 100% of the transmission costs per MW generated. • This option also presents an important opportunity for WA to implement ways to promote and incent CHP up to 100 MW's. It is important to include generating plant sizes up to at least 100 MW's for barrier removal and incentives for up to 50% reductions in GHG per MW generated by CHP. High interconnection costs and regulatory access barriers need also to be removed similar to OR Public Utility Commission ruling under UM 1129. • Suggest combining 2.5 & 2.6 if they go forward for further analysis.//

Option	GHG Reduction Policy Option	Vote	Comment
2.6	Pricing strategies to promote renewable energy and/or CHP (e.g. net metering)	4	<ul style="list-style-type: none"> • Use of incentives should be explored where appropriate. Utility rates of return should not be increased for these investments// • Economic incentive should lead to increased renewable energy and/or CHP.// • Power pricing that utilities are willing to pay for CHP generated power are determined by avoided cost provisions under Public Utility Regulatory Power Act of 1978 (PUPRA). Utilities need to establish accurate avoided costs that reflect true higher incremental costs (e.g. - new natural gas fired Combined Cycle Turbine generation). Avoided costs that are accurately filed with the utility commission every two years can optimize existing CHP generation, and create the appropriate economic driving force needed to build new cost-effective CHP generation. Avoided costs are the most important barrier that have prevented GHG-reducing CHP development since the early 1990's in WA State. • We do not support increased return on investment for utilities, which will only increase customer costs. • I-937 needs to be amended to include organic pulping byproducts as renewable fuels. • CHP plants are 1/3 more efficient, produce 50% less GHG, and save 100% of the transmission costs per MW generated. • This option also presents an important opportunity for WA to implement ways to promote and incent CHP up to 100 MW's. It is important to include generating plant sizes up to at least 100 MW's for barrier removal and incentives for up to 50% reductions in GHG per MW generated by CHP. High interconnection costs and regulatory access barriers need also to be removed similar to OR Public Utility Commission ruling under UM 1129. • Suggest combining 2.5 & 2.6 if they go forward for further analysis.//
2.7	Renewable energy development issues	5	<ul style="list-style-type: none"> • This is a huge issue lurking out there. Everyone wants clean energy, but no one wants a clean energy facility. The National Commission on Energy Policy put out a good report on this.// • Comment: Renewable energy transmission related issues are already captured within ES 6.1. An example of this option would be the Klickitat County Energy Overlay Zone (EOZ).//
2.8	Technology-focused initiatives	7	<ul style="list-style-type: none"> • Is helpful long term. Should be funded through use of incentives, grants, etc, not utility rate payers. Focus should be on high impact / cost-effective technologies. Suggest combining with 1.6.// • Emerging technologies hold the key to emissions reduction and job creation.// • Incentives and government leadership to develop the next generation of technologies needs to happen at all levels of government.// • We support initiatives that promote research and development of cost-effective breakthrough technologies, such as cellulosic ethanol. • 2.8 should be combined with 1.6. if it goes further for future analysis.//

Option	GHG Reduction Policy Option	Vote	Comment
2.9	Efficiency improvements at existing renewable energy plants	8	<ul style="list-style-type: none"> • Under I-937, a utility cannot count against the renewable energy standard RECs purchased from a hydro upgrade made by a qualifying utility, or the output from a hydro upgrade made by a non-qualifying utility. These restrictions should be removed. Incentives should be made to maximize existing hydro generation assets!// • Need to clarify funding source. Favor utilizing incentives where appropriate.// • Under I-937, a utility cannot count against the renewable energy standard RECs from a hydro upgrade made by a qualifying utility, or the output from a hydro upgrade made by a nonqualifying utility. These restrictions should be removed. Incentives should be made to maximize hydro generation capacity!// • Incentives should be provided using investment and production tax credits, government loan guarantees, and low interest loans. Oregon's Business Energy Tax Credit system works well to encourage renewable energy generation and energy efficiency projects at commercial sites and industrial plants. A system that incorporated changes in the Washington's B&O tax to provide tax incentive credits similar to BETC could provide the tipping-force to more GHG reduction projects forward. • Suggest combining 2.9 and 3.3 for further analysis. //
2.10	Use carbon offsets markets to promote additional renewable energy development	6	<ul style="list-style-type: none"> • If, under a cap-and-trade regime, the State can auction allowances, that sale should occur through a non-profit organization. Proceeds from the auction should be dedicated to buying down the all-in cost of renewable resources, not unlike (but not entirely similar to) the Oregon Energy Trust functions. An offset "banking" mechanism could be used for the same purpose.// • Should be recognized by any market scheme that is developed// • Carbon offsets markets are another economic incentive that could boost additional renewable energy development.// • (Support here primarily ties to support for a broad-based cap and trade system. Providing renewable energy resources with carbon tags if an entity can demonstrate it otherwise would have constructed a resource that emits GHG would be reasonable, if it fit within the broader GHG market structure.)// • Carbon offsets should be recognized in any market mechanism that is developed. Markets are an efficient, cost-effective way to encourage development. • Avoid burdensome requirements such as "financial additionality". Businesses should not be penalized for making good business decisions. The focus should be on real, transparent, and verifiable emission reductions that have the impact of reducing atmospheric concentrations of greenhouse gases.//
ES-3 FOSSIL FUEL AND NUCLEAR ELECTRICITY			
3.1	Advanced fossil fuel technology incentives, support, or requirements		

Option	GHG Reduction Policy Option	Vote	Comment
3.1a	Advanced fossil fuel generation and pre-combustion sequestration technologies	7	<ul style="list-style-type: none"> • Carbon sequestration is the key to unlocking vast domestic coal resources. There are two parts: the capture (pre or post combustion) and the sequestration. Pre-combustion capture may be most feasible for new resources. Sequestration should be the focus, as WA may have significant potential for permanent deep well sequestration.// • See PacifiCorp's white paper "Proposed IGCC/CCS Incentives in Washington (ES 3.1 and ES 5.1)": 1) the need for a comprehensive legal and regulatory framework for CCS; 2) the traditional least-cost/least risk regulatory standard should be modified to allow development of CCS-equipped IGCC and pulverized coal resources; 3) Washington should enact tax incentives to help bridge the cost gap between IGCC and CCS technologies and traditional uncontrolled coal; and 4) the added risks and financing challenges of IGCC and CCS should be mitigated with assured, timely cost-recovery. • Avoided GHG emissions attributable to advanced fossil fuel generation and precombustion sequestration technologies placed into operation prior to any mandate or that exceed an operating permit limitation should be creditable as early actions within the context of a regional mechanism to achieve GHG reductions.//
3.1b	Post-combustion sequestration technologies	3	<ul style="list-style-type: none"> • There are significant technological challenges associated with post-combustion capture. Consequently, we believe that if this technology is going to emerge it will require much broader support than simply a state-led initiative.// • Combine with ES 5.1.//
3.2	Nuclear power support and/or incentives	1	
3.3	Efficiency improvements and repowering existing plants	6	<ul style="list-style-type: none"> • It is important to acknowledge the value existing fossil-fueled resources provide for cost-effective and reliable service. Is there a way ensure that capital expended on these resources can be recovered while also facilitating a transition to lower GHG emitting resources? // • Efficiency improvements are an effective way of achieving lower GHG emissions and should be encouraged as part of state policy. For example, explicit credit for GHG emission reduction could be a part of the prudence decision-making process, which could then result in more such improvements occurring.// • It is important to acknowledge the value existing thermal units provide for cost-effective and reliable service. The eligible \$/MWh for efficiency projects should be adjusted to reflect the value of avoiding GHG emissions during any pre-approval or prudency review. • Avoided GHG emissions attributable to efficiency improvements and repowering of existing plants prior to any mandate or that exceed an operating permit limitation should be creditable as early actions within the context of a regional mechanism to achieve GHG reductions.// • Focus on efficiency improvements over repowering. This could also include co-firing with biomass// • Incentives should be provided using investment and production tax credits, government loan guarantees, and low interest loans. Oregon's Business Energy Tax Credit system works well to encourage renewable energy generation and energy efficiency projects at commercial sites and industrial plants. • A system that incorporated changes in the Washington's B&O tax to provide tax incentive credits similar to BETC could provide the tipping-force to more GHG reduction projects forward. • Suggest combining 2.9 and 3.3.//

Option	GHG Reduction Policy Option	Vote	Comment
3.4	Technology-focused initiatives	5	<ul style="list-style-type: none"> • A cap and trade system will not provide all the incentives, especially in the short term, to drive investment and innovation. Need parallel policies to incentivize tech innovation and deployment. Need discussion of what these policies would be and where to get \$\$\$. • We support technology demonstration projects, especially focused on developing IGCC, along with the full complement of carbon sequestration, such as injection, monitoring, etc. • Similar to the arguments we cite within the PacifiCorp white paper and ES 3.1a, but we would emphasize the need for Washington to support near term IGCC demonstration projects.
ES-4 FUEL PRODUCTION, PROCESSING AND DELIVERY			
4.1	4.1 Oil and gas production: GHG emission reduction incentives, support, or requirements	3	<ul style="list-style-type: none"> • This may belong in the Transportation TWG, but I think it could belong here too: a low carbon fuel standard • A low carbon fuel standard should be the focus of this option
4.2	Natural gas transmission and distribution	3	<ul style="list-style-type: none"> • Comment: Reducing carbon emissions in the energy sector may mean using more natural gas. Efforts to develop pipeline infrastructure to access frontier supplies, such as the Alaskan pipeline, may be a more secure and long-term more stable source of supply than LNG imports • Reduce leaks
4.3	Oil Refining: GHG emission reduction incentives, support, or requirements	0	
4.4	Coal Production: GHG emission reduction incentives, support, or requirements	2	
4.5	Coal-to-energy Production: GHG emission reduction incentives, support, or requirements		
4.5a	Coal-to-liquids production	4	<ul style="list-style-type: none"> • I am recommending combining 4.5a and b, so I am considering my vote for both as one
4.5b	Coal-to-gas production	5	<ul style="list-style-type: none"> • In the future, our electricity supply will be based on increased energy efficiency, additional renewable generation, and more natural gas-fired resources. As a result, demand for natural gas will increase significantly. Non-traditional sources of gas supply should be developed as long as these are environmentally responsible ways to do so • Comment: This may not do much, on its face, to reduce GHG emissions, but it should help to stabilize the cost of natural gas for a multitude of purposes
4.6	Low-GHG Hydrogen production incentives and support	1	

Option	GHG Reduction Policy Option	Vote	Comment
4.7	LNG policies and infrastructure	5	<ul style="list-style-type: none"> • LNG should help stabilize the cost of natural gas for a multitude of purposes. This is especially important in light of the prescriptions under SB 6001.// • Encourage policies that enable the construction of and interconnection to the grid of LNG receiving / re-gasification facilities will help ensure reliable supplies and may help reduce reliance on fossil fuels that have a higher GHG content. Use of incentives should be explored.// • As indicated above, natural gas will play a significant role in our future electricity supply. Development of LNG import terminals and pipelines to frontier supplies must be added.// • Comment: This may not do much, on its face, to reduce what is spent on imported fuels, but it should help to stabilize the cost of natural gas for a multitude of purposes.// • In addition to imports from Canada, additional gas supplies are needed in WA and OR to economically displace the use of coal and fuel oil for net reductions in GHG. LNG gas supplies will help to mitigate and potentially lower natural gas prices that have tripled over the past two years. • Policies that encourage construction of LNG terminals (at least two are currently proposed) are important to provide additional gas supplies to help reduce end-use customer costs to continue to grow our economy and add jobs. //
ES-5 CARBON CAPTURE AND STORAGE OR REUSE			
5.1	CCSR incentives, requirements and/or enabling policies	9	<ul style="list-style-type: none"> • Although I'm not sure if this is a viable option in WA// • There are significant legal barriers to carbon sequestration related to environmental and other legal liability and property rights. Many of these fall into areas traditionally governed by state law and, hence, must be addressed if carbon sequestration is to become reality in the state.// • See PacifiCorp's white paper "Proposed IGCC/CCS Incentives in Washington (ES 3.1 and ES 5.1)": 1) the need for a comprehensive legal and regulatory framework for CCS; 2) the traditional least-cost/least risk regulatory standard should be modified to allow development of CCS-equipped IGCC and pulverized coal resources; 3) Washington should enact tax incentives to help bridge the cost gap between IGCC and CCS technologies and traditional uncontrolled coal; and 4) the added risks and financing challenges of IGCC and CCS should be mitigated with assured, timely cost-recovery. • Avoided GHG emissions attributable to CCS equipment placed into operation prior to any mandate or that exceed an operating permit limitation should be creditable as early actions within the context of a regional mechanism to achieve GHG reductions.//
5.2	R&D for CCSR	5	<ul style="list-style-type: none"> • Developing and demonstrating carbon sequestration technology so that some day this technology can be commercially viable should be a high priority.// • Similar to the arguments we cite within the PacifiCorp white paper and ES 5.1, but we would emphasize the need for Washington to support near term CCS demonstration projects. Washington's large basalt formation may hold significant CO2 sequestration capacity. Developing a carbon sequestration industry in Washington will bring long lasting benefits. Industries created around reusing CO2 should also have a high priority.//
ES-6 OTHER ENERGY SUPPLY OPTIONS			

Option	GHG Reduction Policy Option	Vote	Comment
6.1	Transmission system capacity, access, planning and incentives	6	<ul style="list-style-type: none"> • Combine with 6.2 below. Issues associated with “access” and “planning” are subject to FERC jurisdiction and may not be appropriate to explore in the CAT venue.// • Increased transmission system capacity is critical for the development and integration of renewable energy. Although transmission is regulated at the federal level, state policies should encourage such investments. // • It is critical that Washington policies not create barriers to new transmission “capacity”, which is especially critical for renewables. Initiatives should be especially focused on intermittent resources. We would note, issues associated with “access” and “planning” are subject to FERC jurisdiction and may not be appropriate to explore in the CAT venue. Elements of smart-grid technology are needed to unlock additional renewable resource alternatives. • Note, overlaps with RCI 6.1.//
6.2	Improve transmission and distribution system efficiency	10	<ul style="list-style-type: none"> • Regulatory obstacles exist for IOUs, especially if deploying new technologies means retiring resources that have not been fully depreciated or that are still operating cost-effectively. These obstacles could be examined and removed. Financial incentives could also be made available for utilities to deploy their capital on significant T&D efficiency measures.// • Incentives should be established to encourage deployment of capital for T&D efficiency improvements, including smart-grid technologies.// • Regulatory obstacles exist for IOUs, especially if deploying new technologies means retiring resources that have not been fully depreciated or that are still operating cost-effectively. These obstacles could be examined and removed. Financial incentives could also be made available for utilities to deploy their capital on significant T&D efficiency measures. Elements of smart-grid technology are needed to unlock additional renewable resource alternatives.// • Improving efficiency and changing the way transmission capacity is purchased will go a long way to support new renewables generation without the need for new capacity.//

Option	GHG Reduction Policy Option	Vote	Comment
6.3	General distributed generation support	4	<ul style="list-style-type: none"> • Washington already has uniform interconnection standards for small DG resources and net-metering laws.// • We do not support increased return on investment for utilities, which will only increase customer costs. • I-937 needs to be amended to include organic pulping byproducts as renewable fuels. • Utilities need to establish accurate avoided costs that reflect true higher incremental costs (e.g. - new natural gas fired Combined Cycle Turbine generation). Avoided costs that are accurately filed with the utility commission can optimize existing CHP generation, and create the appropriate economic driving force needed to build new cost-effective CHP generation. Avoided costs are the most important barrier that have prevented GHG-reducing CHP development since the early 1990's in WA State. • CHP plants are 1/3 more efficient, produce 50% less GHG, and save 100% of the transmission costs per MW generated. • This option also presents an important opportunity for WA to implement ways to promote and incent CHP up to 100 MW's. It is important to include generating plant sizes up to at least 100 MW's for barrier removal and incentives for up to 50% reductions in GHG per MW generated by CHP. High interconnection costs and regulatory access barriers need also to be removed similar to OR Public Utility Commission ruling under UM 1129. • Tax credits for efficient resources should be provided such as investment and production tax credits, government loan guarantees, and low interest loans. • Oregon's Business Energy Tax Credit system works well to encourage renewable energy generation and energy efficiency projects at commercial sites and industrial plants. A system that incorporated changes in the Washington's B&O tax to provide tax incentive credits similar to BETC could provide the tipping-force to more GHG reduction projects forward.//
6.4	Environmental (GHG) disclosure	3	
6.5	Support and/or promotion of smart grid development	4	<ul style="list-style-type: none"> • Combine with 6.2 above.// • Elements of smart-grid technology are needed to unlock additional renewable resource alternatives. We would suggest rolling this into Option 6.2.// • Combine with 6.1 or 6.2 • Overlaps with RCI 6.4// • This should link to the RCI efforts in this area//

