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COPY: Government Performance & Finance Committee; Chris Robinson, Power Superintendent; Ray Johnson, Power Section Manager; Andy Cherullo, Finance Director
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SUBJECT: Washington’s Climate Commitment Act (CCA) and impacts to Tacoma Power’s wholesale trading
DATE: 08/15/2023

PRESENTATION TYPE:
Informational Briefing

SUMMARY:
This is an informational briefing regarding the Washington State Climate Commitment Act (CCA), remaining uncertainty with the program, and the impacts to Tacoma Power’s wholesale trading.

BACKGROUND:
In 2021, the Washington State Legislature passed the Climate Commitment Act (CCA) which establishes a market-based program to reduce carbon pollution and achieve the greenhouse gas (GHG) emission reductions set in state law. The program, which started in January 2023, caps overall carbon emissions by requiring businesses with covered GHG emissions to obtain emission allowances equal to those emissions. These allowances can be obtained through quarterly auctions hosted by the Department of Ecology.

Tacoma Power’s resource portfolio is comprised of predominantly zero-carbon generation. However, we incur CCA-driven costs every time we import “unspecified” power into Washington State, including purchases through the Energy Imbalance Market (EIM). We receive no-cost emission allowances intended to mitigate the cost burden created by the CCA. In addition, the CCA provides a no-cost allowance allocation adjustment mechanism designed to adjust future allocation of no-cost allowances as necessary to account for any differences in reported greenhouse gas emissions and the number of allowances that were allocated. It is still unclear whether we were allocated sufficient allowances and how this mechanism will be applied.

Tacoma Power historically has used our operational flexibility to buy low-cost power during periods of excess wind and solar generation, store water in our reservoirs, and produce power during higher priced periods. This practice includes purchasing via the EIM. As a result of the uncertainty of CCA, we are being more selective about these types of transactions to ensure that there is sufficient difference between the purchase prices and sales price to account for any emissions liability.

ISSUE:
This is an information briefing only

ALTERNATIVES:
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FISCAL IMPACT:
This is an informational briefing only

RECOMMENDATION:
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