

# ENERGY FACILITY SITE EVALUATION COUNCIL

## Carbon Dioxide Rulemaking Stakeholder Questions

*EFSEC intends to adopt a rule that establishes a CO<sub>2</sub> mitigation standard for all newly sited thermal power plants. To help the Council in refining it's thinking on this issue, EFSEC has developed questions listed below on which they would like your comments.*

**To provide a forum where EFSEC can hear comments, we have scheduled a public meeting on this issue at 1:00 p.m., Thursday, July 17, 2003, in Senate Hearing Room 3, Joel M. Pritchard Building, on the Capitol Campus in Olympia, WA. At that time the public and other interested parties will have an opportunity to present their comments to the Council. The Council will also accept written comments.**

*Written comments should be addressed to Allen Fiksdal, Council Manager, EFSEC, P.O. Box 43172, Olympia, WA 98504-3172, and postmarked no later than July 31, 2003, or e-mailed to [efsec@ep.cted.wa.gov](mailto:efsec@ep.cted.wa.gov) by midnight July 31, 2003. If you have any questions, you may contact Irina Makarow at 360/956-2047.*

- A. One-time payment versus annual payments. Should the developer be permitted to either meet the mitigation requirement through an upfront one-time payment or through annual payments over the life of the facility?
- A.1. What are the benefits to an upfront payment?
  - A.2. What are the benefits to annual payments?
  - A.3. What are the drawbacks to upfront or annual payments?
  - A.4. Should the one-time “up front” payment be based on capacity production over a 30-year life expectancy of the plant while the annual payment is based on actual production as long as the plant operates?
  - A.5. What additional suggestions would you make regarding these two options?
  - A.6. Would the upfront payment be more acceptable if the developer was given a limited time-period to complete the payment? If so, how many years and should interest be applied to the payments?
  - A.7. If an annual payment is allowed, should the annual amount paid (based on the mitigation requirement) be adjusted based on a price index? If so, what kind of index?
  - A.8. Should the annual payment also be adjusted periodically to reflect the plant's actual heat rate, rather than the heat rate at the launch of the plant?

- A.9. Should EFSEC retain discretion to grant credits to developers pursuing annual credits in the event that Congress passes Federal legislation that requires less mitigation than that required by the State, assuming that Federal supremacy is not asserted?
- A.10. What happens to mitigation payments if a facility shuts down before 30 years? If paid upfront shall they be reimbursed?
- B. Performance Standard and Cost of Mitigation. Should the applicant install the most efficient turbine commercially available as measured by its efficiency and greenhouse gas emissions? This would be determined as part of the siting process for that plant. Mitigation will be required as a percent of the plant's total emissions. This differs from Oregon which has a specific emission standard that must be adjusted by rule as the technology improves.
- B.1. What is your view? Why?
- B.2. What percent of the amount of CO<sub>2</sub> emitted from a power plant should be mitigated? One hundred percent or some lesser percentage?
- B.3. Why this percentage?
- B.4. How much should power plant operators/owners be expected to pay to mitigate a ton of CO<sub>2</sub>?
- B.5. Why this amount?
- B.6. EFSEC has an obligation to assure abundant power at reasonable cost, protect the environment, and the public interest. Please explain how you think your views on the percentage of CO<sub>2</sub> mitigated and the cost per ton will allow these statutory mandates to be achieved.
- B.7. Because it costs to administer a CO<sub>2</sub> mitigation program, how should administration of a mitigation program be paid for?
- B.8. Should the administrative fee be included in the mitigation price per ton, or should it be kept as a separate percentage? If so, what percentage, and why?
- C. Direct Investment. The direct investment idea requires the developer to acquire the offsets for the mitigation requirement rather than pay a set dollar amount to a third party.
- C.1. Do you think that direct investment on an annual basis should be allowed, or would it be too administratively difficult?
- C.2. Is six months prior to beginning of plant operation the proper amount of time to require approval of the offsets? When should offsets be actualized, at start of operation, or at some later date?
- C.3. Should sequesters or offsets be for a period of not less than 30 years. What is your opinion on this time frame? What about preference for permanent offsets?

- C.4. Should the State prioritize direct offsets, such as those related to transportation, or those where funds could be leveraged, such as matching dollars with other Federal or State grant-in-aid programs?
- C.5. What other issues or concerns do you have about the direct investment option?
- C.6. Investment through a Qualified Organization. What type of Qualified Organization should be qualified? Does that issue need to be decided now or can it be decided after a rule is developed and adopted? On what basis should they be qualified?
- C.7. Should mitigation requirements be met by paying a dollar amount to a qualified organization that would acquire the offsets? Please comment on the project approval process, administration percentage and the process by which the dollar amount is adjusted annually.

D. Mitigation in Washington

- D.1. Should EFSEC state a preference and priority for mitigation projects located in Washington State?
- D.2. If so, how many projects/how much mitigation must be in Washington?
- D.3. What are the benefits/disadvantages of allowing mitigation in the Pacific Northwest, or in other Countries?
- D.4. Can mitigation that is purchased outside of North America remain viable for the life of the project?

E. Level Playing Field

- E.1. How should the State of Washington ensure that a level playing field is maintained for all power plants, both those above the 350 MW EFSEC thresholds well as those below the 350 MW threshold? For power plants smaller than 350 MW, to what size power plants should this rule apply?
- E.2. Should the Bonneville Power Administration consider adopting a rule that requires power plants throughout its service area that interconnect with its main grid transmission to provide mitigation for CO<sub>2</sub>? If so why, and if not why not?

F. CO<sub>2</sub> Rule Updates

- F.1. Should EFSEC update the CO<sub>2</sub> rule every few years to capture changes in cost of CO<sub>2</sub> mitigation or adjust it automatically by some price index?

G. Appropriate Decision Maker

- G.1. Assuming EFSEC has the statutory authority to require CO<sub>2</sub> mitigation, should it do so or should it defer any action until federal or state legislative action is taken? What are the advantages and disadvantages to each approach?