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Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket UE-190652 – PacifiCorp comments in Rulemaking to Amend Energy Independence Act WAC 480-109

PacifiCorp dba Pacific Power and Light Company (PacifiCorp), appreciates the opportunity to provide comments as part of the Clean Energy Transformation Act (CETA) rulemaking process at the Washington Utilities and Transportation Commission (Commission) and specifically to rules regarding implementation of the Energy Independence Act (EIA).

On March 27, 2020, the Commission issued a notice of opportunity to comment on the possible revision and adoption of rules modifying implementation of the EIA. To assist the consideration of the proposed revisions to rule, PacifiCorp provides the following recommendations:

CO_2e IRP Considerations for Rulemaking and Emerging Requirements

As set forth below, PacifiCorp seeks clarification regarding the proposed addition of CO_2 equivalent and greenhouse gas definition in the revised rules. These clarifications will inform the company's development of its next integrated resource plan (IRP). In order to assist the Commission with responding to the company's requests for clarification, PacifiCorp provides the following background information for context.

2019 IRP Background

In PacifiCorp's 2019 IRP, CO_2 equivalent (CO_2e)[1] was not measured or assessed and did not impact portfolio selection or valuation, and there were no state-specific emissions requirements modeled.[2] Instead, four scenarios of CO_2 (only) proxy pricing were evaluated: No CO_2, Medium CO_2, High CO_2, and Social Cost of Carbon (SCC) CO_2. The CO_2 cost for each scenario was imputed on emitting generation, effectively forecasting some form of future federal policy. The CO_2 price is also a factor in the development of market prices for the price-policy scenarios, assuming impacts on the energy price environment.

[1] See proposed revision to WAC 480-109-060(3) defining "Carbon dioxide equivalents" or "CO2e" as having the same meaning as in RCW 70.235.010 and the proposed revision to WAC 480-109-060(16) defining "Greenhouse gas," "greenhouse gases," "GHG," and "GHGs" as including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other gas or gases designated by the department of ecology in WAC 173-441-040 or its successor, should that provision be amended or recodified.

As CO_2e was not assessed and therefore carried no cost in the 2019 IRP, CO_2e had no impact on portfolio selection or valuation in case P-18 (Social cost of carbon (SCC)) or any case run under the four price-policy scenario assumptions, defined as Low Gas Price / No CO2 (LN). Medium Gas Price / Medium CO2 (MM), High Gas Price / High CO2 (HH), and Social Cost of Carbon (SCC).

PacifiCorp can calculate an estimate of CO2e emissions based on generation outcomes of the 2019 IRP if required to look backwards to assess the most recently submitted IRP. However, the impacts of incorporation of CO2e costs for inclusive decision making in the IRP at the resource portfolio building and/or dispatch levels may not be fully appreciated until included from the beginning as a new assumption, rather than a post-model calculation or adjustment.

Note, in advance of the 2021 IRP, PacifiCorp is currently working to adopt Plexos, a new modeling suite to replace Ventyx System Optimizer (SO) and Planning and Risk (PaR) modeling for the entirety of the 2021 IRP.

Looking forwards, the 2021 draft and final IRP will report out CO_2e emissions, either in aggregate or categorized per rulemaking distinctions (see Definitions (16), below), based on the best available rates or based on specified requirements in the rulemaking. **While CO2e emissions will be developed in all cases across the system, a methodology still needs to be determined to break out emissions state-by-state, presumably aligned with Multi State Protocol (MSP) or another methodology selected in advance of clarity from the MSP process**.

Request for Clarification on Aspects of CO2e:
As PacifiCorp moves toward the adoption of the Plexos system and plans to comply with the CO2e requirements as part of the 2021 IRP, clarification on the following points would be helpful:

- Will any assessment of CO_2e be required for any Washington Rulemaking outside of the 2021 IRP context?

- Unless the department of ecology establishes a new CO_2 rate for Unknown Generation Resources (i.e., market purchases), the company will assume the default rate of 0.437 metric tons of CO_2 per megawatt-hour of electricity in the 2021 IRP, consistent with WAC 480-109-300 (Greenhouse gas content calculation and energy and emissions intensity metrics) items (4), below.

- Where CO_2 modeling in the 2019 IRP assumes future *federal* policy, CO_2e is driven here by Washington rulemaking. Federal CO_2 modeling includes CO_2 emissions' cost effects on capacity expansion planning and emitting resources' dispatch costs. It seems clear that CO_2e modeling for Washington must apply to the economics of selecting Washington-contributing resources. It is less clear how CO_2e can or should impact emitting resource dispatch in the IRP based on the legislation. The Company requests clarity on this topic as it relates to the application of CO_2e in the IRP. The Company also notes that

depending on the final rules, the application of CO_2e in the IRP for Washington-contributing resources may not align with the economics encountered in operations.

Timing of acquisitions

PacifiCorp interprets the modifications to WAC 480-109-200 (1)(b) and (2) to mean:

a) Unbundled renewable energy certificates (RECs) a utility has purchased, or "acquired" for a given target year, must be contracted for by January 1 of the target year, and

b) RECs the utility generates or "uses" from owned resources can be generated in the year prior to the target year, the year of the target year, or the year after the target year.

For example, for the 2021 target compliance year, unbundled RECs must be purchased or acquired by January 1, 2021. But RECs generated by renewable resources (other than freshwater) may be generated in 2020, 2021, or 2022.

PacifiCorp believes this interpretation is permissible under the statute. RCW 19.285.070 states that:

> "On or before June 1, 2012, and annually thereafter, each qualifying utility shall report to the department on its progress in the preceding year in meeting the targets established in RCW 19.285.040, including expected electricity savings from the biennial conservation target, expenditures on conservation, actual electricity savings results, the utility's annual load for the prior two years, the amount of megawatt-hours needed to meet the annual renewable energy target, the amount of megawatt-hours of each type of eligible renewable resource acquired, the type and amount of renewable energy credits acquired, and the percent of its total annual retail revenue requirement invested in the incremental cost of eligible renewable resources and the cost of renewable energy credits. For each year that a qualifying utility elects to demonstrate alternative compliance under RCW 19.285.040(2) (d) or (i) or 19.285.050(1), it must include in its annual report relevant data to demonstrate that it met the criteria in that section. A qualifying utility may submit its report to the department in conjunction with its annual obligations in chapter 19.29A RCW."

The statute is similar to WAC 480-109-210, in that it requires the utility to report the amount of megawatt-hours needed to meet its target and the amount of megawatt-hours of eligible renewable resource acquired. However, the revised WAC section adds that the annual report must include the number of renewable resources needed to meet the annual target by January 1st of the target year. This concept is missing in the statute. In other words, the administrative rules require a specific plan for how the utility will comply, whereas the statute appears to require only a compliance report showing the utility's "progress in the preceding year."

Further, "acquired" is not defined in the statute, so there is no reason for the Commission to change its practical interpretation of this term, which has been interpreted as "acquired" in a contractual sense. For example, a PPA could be "acquired" before the counterparty begins delivery, or RECs could be "acquired" if payment has been tendered, but delivery has not been

made. Those RECs should be eligible for use in a given target year if they are expected to be generated at any point in the target year or the year following the target year.

Incremental cost calculation
Second, the company believes the inclusion of the incremental costs of such resources should be included in the target year in which they are used for compliance. In PacifiCorp's 2019 RPS report, staff's perspective of WAC 480-109-210 was that only the costs of eligible resources, "used for target year compliance," and that are operating as of January 1 of the target, could be included in the numerator of the equation described in section (2)(ii) (with the denominator being the utility's annual revenue requirement). However, "target year compliance" is a concept included in the administrative rules, but not the statute. The relevant statute, RCW 19.285.050, simply requires that the utility/the Commission compare the levelized cost of the eligible renewable resource with the levelized cost of a substitute resource – but not necessarily on this prospective basis as the Commission is currently requiring.

Lastly, because the EIA has a two-step compliance process, with this annual report being the first step, and actual compliance being determined two years after the compliance year, it would be logical for the June 1 report to be in the form of an estimate, given RECs can be used on a year-ahead, year-behind, or year-of-creation basis.

Portfolio Development[3]

WAC 480-109-100 (a)(ii) instructs utilities to develop a conservation portfolio that includes all available, cost-effective, reliable, and feasible conservation. PacifiCorp recommends the following addition to the language:

> "A utility must develop programs to acquire available conservation from all of the types of conservation identified in (b) of this subsection. The portfolio must include all conservation programs and mechanisms identified pursuant to RCW 19.405.120, which pertain to energy assistance and progress toward meeting energy assistance need, including the low-income conservation programs and mechanisms in subsection (10)(b) of this section."

Proposed changes to the process for pursuing all conservation will have a material and potentially adverse consequence on a single fuel provider such as PacifiCorp unless "Energy Burden" is more clearly defined to be specific to the utility services for which the utility bills its customers (please refer to proposed changes to the Energy Burden definition, below). Developing a portfolio funded by electric customers with all mechanisms to meet energy assistance need must be aligned with the Energy Burden and energy assistance need. This portfolio must be based on a) information known to the electric utility through its billing system; and b) provide an opportunity to mitigate the impacts through changes to electricity consuming equipment at the customer location. An "Energy Burden" definition that does not include these proposed changes could require an electric utility portfolio to include mechanisms to fund changes to customer equipment using natural gas, wood or other fuels. In addition to the added

[3] WAC 480-109-100 (a)(ii)

financial burden for electric customers of PacifiCorp, "all fuel" mechanisms would require expanding existing mechanisms to address changes to additional types of equipment.

The revised rules would add requirements to "include all conservation programs and mechanisms identified pursuant to RCW 19.405.120, which pertain to energy assistance and progress toward meeting energy assistance need, including the low-income conservation programs and mechanisms in subsection (10)(b) of this section." The added requirements incorporating "energy assistance" as defined in CETA and the change from "may" to "must" in 10 (a) and (c) represent material changes from how low income weatherization was included in the prior implementation of EIA. While the revised rules incorporate the legislative intent around mitigating energy burden as part of implementing CETA, PacifiCorp is proposing that the costs of "all programs and mechanisms devoted to meeting energy assistance need" be compared with a historical average of low income weatherization investments in prior biennial periods and that the difference, if any, be treated as incremental cost of CETA compliance.

Energy Burden

PacifiCorp proposes the following language change to clarify that "energy burden" is calculated based on the fuel that is provided by the utility – electric or natural gas – to customers"

> "(15) 'Energy burden' means the share of annual household income used to pay annual home energy bills <u>for the services delivered by the utility for which it bills its customers."</u>

Without the proposed clarification, the definition of "energy burden" could be misinterpreted as all energy costs – including non-electric transportation fuel, propane heating, or other sources – incurred by a household. PacifiCorp strongly supports the energy assistance concept proposed by Roger Colton in the presentation to the Washington Utilities and Transportation Commission as part of the January 28, 2020 workshop, which defined assistance programs as specific to utility service.

Qualifying Facilities

PacifiCorp is obligated under the federal Public Utility Regulatory Policies Act (PURPA) to purchase one hundred percent of the out from Qualifying Facilities (QFs). Though PURPA is a federal statute, states have jurisdiction over the avoided costs at which the energy from QFs must be purchased. States also have jurisdiction over the disposition of RECs from QFs. Under CETA, megawatt-hours of qualifying facility generation in operation prior to the effective date of the law are a reduction to the utility's compliance obligation. But RECs associated with new qualifying facilities, in operation after the effective date of the law, are not addressed in statute or the draft rules. If utilities do not receive or cannot procure RECs from new QFs in Washington, a penalty will be created under CETA that cannot legally be avoided. The penalty may come in the form of: 1) CETA penalties for unspecified energy; 2) imputed emissions; or 3) a requirement to purchase additional incremental energy that is not needed to meet the 80% 2030 requirement. PacifiCorp's perspective is that this is an unacceptable outcome, in particular because PURPA preferences non-fossil resources and in all likelihood the QFs will be renewable resources. The Commission should resolve this issue by requiring QFs to provide project RECs to the purchasing utility.

Conclusion

PacifiCorp appreciates the opportunity to provide comment at this early stage and looks forward to continued collaboration with stakeholders throughout the CETA implementation process.

It is respectfully requested that all communications related to this proceeding be sent to the following:

By Email: WashingtonDockets@pacificorp.com
IRP@pacificorp.com

Please direct informal inquiries to Jacob Goodspeed, Regulatory Affairs Project Manager, at (971) 804-5345.

Sincerely,

_____/s/____

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