U-230161

PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

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Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Docket U-230161—PacifiCorp's Comments on the Commission-led Workshop Series on the Climate Commitment Act

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) respectfully submits the following comments in response to the Washington Utilities and Transportation Commission (Commission) Notice of Workshop and Opportunity to Provide Comments issued on August 30, 2023. The brevity of the comments are, in part, due to the unusually short timeline put forth in the notice.

1) *What are the necessary elements for an equitable, fair, and reasonable risk-sharing mechanism, as required by Order 01 in Docket UG-230470?*

The Company acknowledges that Order 01 in UG-230470 mandates Puget Sound Energy (PSE) to collaborate with its stakeholders in crafting a proposal for a risk-sharing mechanism that effectively "equitably distributes the compliance risk under the [Carbon Commitment Act (CCA)] between the Company and its natural gas customers." It is important to note that PacifiCorp does not have natural gas customers, has not participated in these discussions and has not yet put forth any recovery mechanism for the expenses and revenues associated with the procurement of CCA allowances.

The Company contends that implementing a risk-sharing mechanism is unnecessary since the associated costs are obligatory for utilities. Noncompliance is not a viable option and carries financial penalties. It's important to recognize that policy decisions cut both ways – if taxes are reduced, utilities are obliged to pass those savings on to their customers. Utilities should not be burdened with shouldering the compliance costs of policy choices made by policymakers, especially for a program that is less than nine months old and inherently challenging to predict. The prospect of jeopardizing customer funds due to potential disallowance is already a strong incentive for utilities to act in the best interests of their customers. The Commission has the opportunity to assess the fairness and reasonableness of costs through standard rate recovery proceedings. Implementing a specialized risk-sharing mechanism that restricts full recovery of prudent compliance costs would only compound regulatory burdens without serving any meaningful purpose to enhance regulatory incentives.

2) *At what frequency, and under what conditions, should utilities be required to file CCA forecast updates, as required by Order 02 in Docket UE-220797?*

In the Company's Petition Requesting Approval of Forecasts Pursuant to RCW 70A.65.120, the Company requested the Commission to allow the Company to update its forecasts as needed based on future multistate protocol negotiations, as well as permit the Company to biennially update its four-year demand and resource forecasts, consistent with the Company's integrated resource plan and Clean Energy Implementation Plan filing and update cycles. The Company has not changed its position. The Company uses the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol, which includes the Washington Interjurisdictional Allocation Methodology (WIJAM), to allocate costs across PacifiCorp's six states. If the Commission approves a new cost methodology, then the Company may need to file a new forecast methodology. However, such a requirement to update the forecast would be unnecessary if the costs do not change much under a new protocol and the true-up mechanism was designed to address variations in the forecast.

3) *Under what circumstances should utilities create separate tariffs for recovery and pass-back of CCA costs and proceeds?*

Separate tariffs for recovery and pass-back are appropriate, generally, when there is higher variability or if state policy seeks to incentivize certain actions. Costs and benefits are tracked together to avoid discrepancies in recovery/refund amounts. Separate tariffs may be appropriate for CCA costs and proceeds because of their nature to ensure that they are fully collected or refunded. Inclusion in base rates or power costs may be inappropriate because the costs and benefits are outside the control of the utility and sharing bands may limit either recovery or refund.

4) *Under what circumstances should utilities incorporate CCA costs and proceeds into general rate cases?*

CCA costs are imposed on and incurred by utilities to serve customers. Accordingly, CCA costs and proceeds should be addressed in either general rate cases or other regulatory mechanisms.

That being said, PacifiCorp encourages additional guidance from the Commission to assist in the impact analysis. As stated in comments submitted by the Company on May 11, 2023, the Commission should provide guidance on how administrative costs should be accounted and reported. Utilities are already incurring costs to track and engage with the cap and invest program and dockets, but the process for how the customer's cost burden will be mitigated through additional no cost allowances remains unclear. PacifiCorp would appreciate guidance on, for example, what "audited financial statements" or other administrative cost accounting procedures would provide the Commission with adequate information to verify annual utility CCA administrative costs in its discussions with the Washington Department of Ecology (Ecology).

5) *In Workshop 2, interested persons indicated that utility Low-Income Advisory Groups were best situated to discuss the requirements concerning low-income customers under the CCA. Should the Commission convene a "Joint Low-Income Advisory Group," which could convene, discuss outstanding issues relating to low-income customers under the CCA, and submit a proposal to the Commissioners? The outstanding issues include those identified in the agenda for Workshop 2 and discussed in comments in this docket.*

   The Company has been pleased with the feedback it has received from the Low-Income Advisory Group and continues to meet regularly with group members. The Company, however, believes that any recommendation should be developed through broad stakeholder input. The Company would also prefer to maximize time with its individual Low-Income Advisory Group focusing on the customers and communities we serve.

6) *What guidelines should the Commission issue to ensure long-term utility plans are consistent with CCA rules? For example: What should the ramifications be if a utility's long-term plans: 1) Exceed the emissions ceiling set by RCW 70A.45.020, 2) Require purchasing excessive price ceiling units pursuant to RCW 70A.65.160, or 3) Model allowance purchases that are greater than a utility's proportional share of statewide allowances? In the case of the scenarios above, how should utilities demonstrate that decarbonization, or other methods for CCA compliance, are NOT the least reasonable cost pathway?*

   The Climate Commitment Act was designed to serve as a market-driven, economy-wide carbon reduction goal, not a company-by-company goal. Electric utilities set supply and demand forecasts and are allocated no cost allowances to cover their emissions.[1] Companies, including electric utilities, must make investment decisions based on the allowances available in the market and the decarbonization options available to them.

   The emissions ceiling set forth by RCW 70A.65.160 is not intended to measure individual covered entity performance but to create an allowance market constraint and financial drivers.

   The Company would caution the Commission from setting forth any guidelines to ensure long-term utility plans are consistent with CCA rules. The cap and invest program was intended to be a market-driven solution in which covered entities make investment decisions based on decarbonization technologies and the cost of emissions in the market. One industry can neither be held responsible nor predict if all covered entities will trigger a price ceiling unit sale or require purchase of price ceiling units. Regardless, Ecology has issued rules that forbid disclosing information about market participation and strategies.

[1] WAC 173-446-230(2)(a)-(c).

7) Are there any other priority issues that have arisen since comments were last filed?

The Company does not have comments on this question.

Please direct inquiries to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

Sincerely,

/s/

Zepure Shahumyan
Director, Energy and Environmental Policy
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
(971) 291-9787
zepure.shahumyan@pacificorp.com