



February 16, 2024

***VIA ELECTRONIC FILING***

Mr. Jeff Killip  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
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**RE: Docket U-210183 - Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act “use” Rules – PacifiCorp Comment**

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) respectfully submits these comments in response to the Washington Utilities and Transportation Commission’s (WUTC or Commission) Notice of Opportunity to File Written Comments on Draft Rules (Notice) issued in Docket U-210183 on January 25, 2024, relating to electricity markets and compliance with the Clean Energy Transformation Act (CETA) “use” rules.

The Company continues to appreciate the Commission’s proactive and measured implementation of CETA and concern for the impacts on Washington customers and utility operations, and requests the Commission consider the comments below.

**I. Should retained nonpower attributes be allowed to demonstrate compliance with CETA’s 80 percent greenhouse gas neutral standard in RCW 19.405.040?**

Yes. This is reasonable because it aligns with regulations adopted by the Department of Commerce for consumer-owned utilities.

It is also a good-faith implementation of CETA for two reasons. First, the law requires multi-year planning efforts to accomplish the 2030 and 2045 requirements. Utilities should *plan* to build a system to meet these requirements with a fleet of generation resources and related transmission and distribution investments. This is consistent with PacifiCorp’s current planning efforts, which does not separately consider nonpower attributes when planning to comply with the law. However, second, because CETA compliance is based on actual utility operations over successive four-year periods from 2030-2045, the Commission’s proposed regulations allows utilities to demonstrate compliance over this compliance period through the use of retained nonpower attributes.

Without this ability, it could be interpreted that utility compliance must be demonstrated on a more granular interval, which would necessarily require over-build of CETA-compliant resources to ensure utilities are “using” renewable or non-emitting energy in the smaller time interval. This would contradict CETA’s four-year compliance period, and result in greater costs to customers.

The Commission's proposal is generally a reasonable compromise, because it allows for aspirational planning (without retained nonpower attributes), while ensuring realistic compliance (with retained nonpower attributes) to account for circumstances beyond utility control, like unpredictable weather patterns or unexpected load events.

**II. If retained nonpower attributes cannot be used to comply with CETA, how would this affect PacifiCorp's planning processes, costs, and operations? What impact would this restriction have on customers?**

PacifiCorp's customers would see increased costs in direct relation to the amount of retained nonpower attributes that would need to be replaced to demonstrate compliance with CETA, as well as the potentially significant impacts from inefficient dispatch of generation resources across the West to otherwise meet CETA-loads.

Regarding planning, while "retained" nonpower attributes could be interpreted differently for various transactions and resources, the impacts to planning can be logically deduced based on experience with other resource-based policies. Any restriction on the accounting of renewable resources towards compliance would impact modeling, analysis, reporting, time commitment and costs. To account for these impacts, proxy-based qualifications for resources would have to be estimated by an as-yet undetermined means, and with unknown impacts on resource value to account for the exclusion of retained nonpower attributes toward compliance. Alternative versions of resources to distinguish those retaining nonpower attributes from those that would not retain then would be applied to modeling. A post-model assessment would be produced to determine compliance, accounting for this exclusion in the resulting resource portfolios. As these steps involve applying estimates to proxies, the results might be considered speculative until common understandings can be established and evaluated in practice. These additional planning steps would be time-consuming, and until additional guidance from the Commission or industry best-practices were developed, could be speculative.

Regarding operations, an alternative Commission regulation that did not allow nonpower retained attributes for compliance would impact regional utility dispatch and market liquidity. This is because utilities would need to move CETA-compliant generation to CETA-load. The Company has not conducted analyses of these cost impacts, but they would likely be material.

**III. If retained nonpower attributes cannot be used to plan to comply with CETA, but are allowed for compliance, how would this affect PacifiCorp's planning processes, costs, and operations? What impact would this restriction have on customers?**

As discussed above, PacifiCorp does not currently rely on retained nonpower attributes in its planning processes to determine the most appropriate strategies to comply with CETA. Accordingly, as long as the Commission does not mandate a specific time interval to plan for CETA compliance (for example, hourly), there should only minor impacts to PacifiCorp's planning processes.

However, the Commission's proposal for hourly analyses in WAC 480-100-670(4) would be problematic, because the Company does not currently conduct hourly analyses to plan for compliance with CETA. While the Company has not had time to analyze the potential impacts from this issue, it is reasonable to assume that an hourly analysis would require substantial over-build of CETA-compliant resources based on the inability of renewable and non-emitting resources to be reliably dispatched in each hour.

It is unclear why the Commission would require this over-build of resources to ensure that PacifiCorp is *planning* for a system that is 80 percent CETA-compliant in any given hour, when *compliance* would be based on actual generation from these resources over a different compliance period.

The Company would like to learn more about why this hourly time interval is necessary, given that it does not align with the time interval to use retained nonpower attributes to demonstrate compliance with CETA. The Company would request additional Commission discussions on this issue prior to adopting this sub-section of the regulation.

#### **IV. How would a restriction on retained nonpower attributes interact with utility requirements under the Climate Commitment Act?**

The Company does not believe that restricting retained nonpower attributes would be good policy, because it would unreasonably and unnecessarily limit the pool of resources that are CETA-compliant. By limiting the pool of resources, it would require utilities to build more CETA-compliant resources, or procure the same in the market. While the Company has not analyzed the cost implications from a proposal like this, it is reasonable to assume it would materially increase the costs to comply with CETA.

That said, if the Commission decided to pursue this route, the Company does not believe that it would directly impact CCA compliance, because compliance is determined by emissions allowances, and not RECs or nonpower attributes.

#### **V. If a utility engages in a day-ahead market, such as SPP's Markets+ or CAISO's Extended Day-Ahead Market, how would a restriction on retained nonpower attributes affect market participation?**

It is widely understood that organized market expansion will reduce emissions in the Western footprint due to the benefits of avoided renewables curtailment and optimized dispatch. Consider the EIM, which estimates that since inception, 2.16 GWh of renewable curtailment and over 925 thousand MT CO<sub>2</sub> emissions have been avoided.<sup>1</sup> PacifiCorp emphasizes that expansion of organized markets will contribute to the broader emissions reduction objectives of Washington's CETA and the Climate Commitment Act. Conversely, Washington should avoid

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<sup>1</sup> 4 CAISO, Western Energy Imbalance Market Benefits Report, Fourth Quarter 2023, at <https://www.westerneim.com/Documents/iso-western-energy-imbalance-market-benefits-report-q4-2023.pdf>

policies that would impede the expansion of organized markets and thus undermine broader Western emissions reduction objectives.

With that as context, the Company notes that there are no current or proposed options to transact RECs through organized markets (including the SPP's Markets+ and CAISO's EDAM). Accordingly, it can be interpreted that utilities cannot rely on energy purchased through organized day-ahead markets, even if the energy is clean, for compliance with CETA.

That said, there would be material impacts to markets and to individual utilities if the Commission restricted how retained nonpower attributes could be used to comply with CETA. Without the ability to use retained nonpower attributes to comply with CETA, utilities would likely withhold CETA-compliant resources from participating in organized markets to the extent those resources would be needed to demonstrate compliance with CETA. This would decrease the reliability and economic benefits that would result from a larger pool of generation resources that participate in day-ahead markets, while at the same time increasing costs to customers and markets as a result of less market liquidity. Importantly, this would impact not only the SPP's Markets+ and CAISO's EDAM but would also impact CAISO's Energy Imbalance Market.

## **VI. Conclusion**

PacifiCorp appreciates the Commission re-starting its CETA rulemaking efforts, and requests the Commission consider the brief comments above.

Sincerely,

                  /s/                    
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