UE-210183

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

RE: Docket UE-210183—Relating to Electricity Markets and Compliance with the Clean Energy Transformation Act "use" Rules—PacifiCorp Comments on Draft Final Rules

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp) respectfully submits these comments in response to the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to File Written Comments on Final Rules (Notice) issued in Docket UE-210183 on April 9, 2024, relating to electricity markets and compliance with the Clean Energy Transformation Act (CETA) "use" rules.

PacifiCorp believes that the draft rules would result in unequal treatment between investor-owned and publicly owned utilities, and as a result would increase costs to customers. Additionally, in several instances it appears it would not be possible for either single- or multi-state utilities to comply with the draft rules, because utilities cannot track electricity from specific resources to Washington retail customers, and serve other customers besides Washington retail load.

To address these issues, the Company recommends the Commission either revert to the draft rules proposed on October 25, 2023, or adopt the redlines proposed by Puget Sound Energy in its concurrently filed comments. Regardless of which approach the Commission pursues, the Company seeks clarification if it will provide opportunity for subsequent rounds of comments and workshops to continue to address issues raised by the new proposals.

I. Monthly compliance will increase costs for customers, and result in unequal treatment of investor-owned and publicly owned utilities that are subject to the same or similar requirements under CETA.

PacifiCorp and the other Washington investor-owned utilities agree that the draft proposal for monthly compliance periods departs significantly from the annual compliance period adopted by the Department of Commerce for publicly owned utilities. If approved, monthly compliance would lead to an inequitable and disparate application of the law between Washington electric utilities. This would put customers of investor-owned utilities customers at a disadvantage compared to publicly owned utilities, because monthly compliance would result in higher costs compared to annual compliance.

For example, a more granular monthly compliance period would require customers of investor-owned utilities to pay for more CETA-compliant resources to ensure adequate resources are available in each month. Given not only the seasonality of wind and solar resources (which impacts what resources should be procured for a given month), but also daily variable weather patterns, which impact specific resource capacity factors, monthly compliance would result in a substantial overbuild of CETA-resources.

The Company would be happy to provide quantitative analyses that demonstrates the significant difference between these two compliance approaches if the Commission felt it would be helpful and could inform rulemaking efforts.

II. It does not appear possible for either single- or multi-state utilities to comply with several of the regulations.

It appears that utilities will not be able to comply with the currently proposed requirements. For example, under current practices no utility that participates in any market transaction can demonstrate that it "did not use electricity for any purpose other than supplying electricity to its Washington retail customers" as proposed by the "Use of NPAs to comply with the 100 percent renewable or nonemitting standard." This is because utilities regularly engage in transactions to serve customers besides Washington retail customers, for example wholesale customers, utilities, and customers located out-of-state. Because electrons cannot be traced once they enter the grid, the draft rules would need additional revisions or clarity to allow utilities to comply with this proposal.

There are also specific PacifiCorp concerns due to PacifiCorp's nature as a multi-jurisdictional utility. PacifiCorp operates a complex electrical system that consists of two balancing authority areas (BAA) with more than 10,000 MW of peak load and retail customers in six western states, over 10,000 miles of transmission lines, and a diverse generation fleet. PacifiCorp's Washington retail customers are served by that vast electrical network using network generation, wholesale market purchases, and network transmission. Electrons cannot be tracked in the way the current draft rules are suggesting. Additionally, PacifiCorp participates in the Western Energy Imbalance Market (WEIM), along with approximately 80% of the load in the western interconnect. The WEIM co-optimizes load, generation, and available transmission in real-time across the West on a 15-minute and five-minute basis and has provided customers with more than $5.4 billion in savings since inception, including $819 million of savings to PacifiCorp customers. These savings are realized by gaining access to the larger western electrical grid. Washington customers greatly benefit from being connected to the larger electrical system, which also makes it impossible to track specific generation sources to Washington retail load.

Because of this, it has been the longstanding Commission practice (as well as all precedent from each of the five other states where the Company operates) for PacifiCorp to engage in a multi-state cost allocation process in which the Company allocates *costs*, as opposed to tracking *energy,* from specific resources that serve Washington retail customers on an annual basis. This means that PacifiCorp meets its Washington load with allocated generation from various

generation resources (including variable renewable resources), and as a result would not be able to show an exact match on a monthly basis between specific resources and Washington load.

In addition to allocation concerns, because PacifiCorp operates two BAAs, it appears that PacifiCorp would still be unable to comply with the draft rules. This is because it is not possible to determine what specific resource delivers to which state across BAAs.

PacifiCorp operates two BAAs, PacifiCorp West (PACW) and PacifiCorp East (PACE). PACW spans California, Oregon, and Washington, and PACE spans Idaho, Utah, and Wyoming. PacifiCorp is required to constantly balance customer load, imports and exports (net interchange), and generation in each BAA. To remain in balance, an originating BAA reports a scheduled net interchange export and a receiving BAA records an actual net interchange import (any generation resource across the western interconnect could report the net interchange). But importantly here, neither BAA can identify the specific source of electricity serving transfers between the two BAAs.

This means that PacifiCorp lacks the information it needs to comply with the proposed regulations to match monthly retail sales to specific CETA-compliant generation resources.

This concern, caused by the net interchange or inter-BAA transfer of electricity, would essentially require all exports and imports in PACE (and most in PACW) to be from an identified source, even though almost all transfers likely occurred at an intertie outside of Washington. But this is not possible under current federal BAA requirements. Based on the Company's interpretation of the Commission proposed regulations, it appears that the Western Electricity Coordinating Council (WECC) and North American Electric Reliability Corporation (NERC) would need to propose, and the Federal Energy Regulatory Commission would need to approve, amendments to federal reliability standards to appropriately implement Washington's proposed rules.

In addition to these inter-BAA transfers, there are also intra-BAA concerns for any BAA like PACW that serves multiple states. Within any given BAA, each operator records real-time generation and load data, and dispatches resources up or down to maintain system balance. However, BAA operators do not dispatch resources for specific customers; BAA operators only manage the overall net of generation and load. In other words, generation internal to the BAA is dispatched to serve load in the BAA without identifying specific resources for specific loads within the BAA. Similar to the inter-BAA transfer concern, the Company currently lacks the ability to match retail generation to retail sales, even for resources within our multi-state PACW BAA.

For these reasons, PacifiCorp does not believe it is possible to demonstrate that: (1) it "did not use electricity for any purpose other than supplying electricity to its Washington retail customers" as proposed by the "Use of NPAs to comply with the 100 percent renewable or nonemitting standard;" (2) the "amount of renewable or nonemitting energy that a utility counts towards compliance with 19.405.050(1) in each month may not exceed the load served by that utility within the same month," for complying with the "Use of NPAs to comply with the 100

percent renewable or nonemitting standard;" (3) the "amount of renewable or nonemitting energy may not exceed the load served by that utility within the same month" for complying with "Use of NPAs to comply with the 100 percent renewable or nonemitting standard;" or (4) the requirement that the "amount of renewable or nonemitting energy that a utility designates for primary compliance in each hour may not exceed the load served by that utility within the same hour" for complying with the "Portfolio planning requirements to comply with the greenhouse gas neutral standard" draft rule.

Each of these proposed regulations would appear to require tracking of specific CETA-compliant resources to Washington load on a monthly basis, and if correct, would raise the concerns above.

III. The proposed rules would undermine the potential benefits of organized markets.

To comply with the proposed hourly planning requirement, utilities would need to withhold CETA-compliant resources from the market to ensure that the Company had adequate resources to plan for hourly compliance. This exacerbates an existing problem. Because organized markets are expected to reduce emissions, as CETA-compliant resources have generally lower variable costs than non-CETA-compliant resources and would be dispatched more frequently than resources with higher variable costs, utilities withholding CETA-compliant resources from the market to ensure they are appropriately planning for hourly compliance would degrade market benefits over time. This practice would also lead to potential reliability issues because it would limit resources that could otherwise be more economically dispatched through an organization market.

IV. The Company seeks clarification if parties will have subsequent opportunities to submit comments or workshop issues raised by this current proposal.

The Commission's initial CR-101 notice was issued May 3, 2021, which indicated that the Commission would consider, among other issues, "an interpretation of compliance with RCW 19.405.040(1)(a)."[1] The current proposed rules issued April 9, 2024, were not included within a CR-102 notice. Accordingly, the Company assumes that the Commission will provide additional opportunities for comment and potential workshops on the currently proposed rules. PacifiCorp seeks clarification on this point.

V. Conclusion

PacifiCorp appreciates the Commission re-starting its CETA rulemaking efforts, and requests the Commission consider reverting to the draft rules issued on October 25th, 2023, or issue a revised rulemaking draft that incorporates that additional redlines proposed by Puget Sound Energy in its comments. Either way, the Company looks forward to additional opportunities to submit comments and workshop the issues presented by the new rules.

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[1] CR-101, at 2.

Sincerely,

______/s/_______

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