PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

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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—PacifiCorp's Comments on November 4, 2024 Draft Rules

PacifiCorp dba Pacific Power & Light Company (PacifiCorp) appreciates the opportunity to comment on the Washington Utilities and Transportation Commission's (Commission) recent Notice of Opportunity to File Written Comments on draft rules implementing Washington's Clean Energy Transformation Act (CETA).

I. PacifiCorp supports the Commission's broad compliance approach, and offers modest clarifying language for accuracy

Throughout the course of this docket, the utilities' fundamental concern has been that a restrictive interpretation of CETA's bundled energy-and-renewable energy credit (REC) requirements would not allow a path for resources to fully participate in organized markets and also be claimed for CETA compliance. There is universal recognition that expansion of organized markets will reduce costs and lower emissions for customers throughout the West. PacifiCorp has declared its intent to join the California Independent System Operator's (CAISO) Extended Day-Ahead Market (EDAM) and anticipates significant cost and emissions benefits for its customers.

The Commission's new draft rules appear to create an acceptable framework that furthers this goal: They would allow for resources to participate in organized markets and to be claimed for CETA. Provided the company's interpretation is correct, PacifiCorp supports the Commission's approach, which will allow Washington customers to experience the benefits of organized markets participation, align resource assignment with CETA's incentives to procure clean energy, and ensure that RECs or nonpower attributes (NPAs) are not double counted for another program.

a. PacifiCorp supports using RECs or NPAs for primary compliance, if the resource is not bid in an organized market as attributable on a specified basis

PacifiCorp supports the latest set of "Use" rules, which intend for the utility to use RECs or NPAs for CETA primary compliance while also allowing those resources to participate in organized markets. This would be acceptable when the resource is bid into an organized market *without* a bid adder—which renders that resource unable to be deemed to another jurisdiction on a specified basis. EDAM's market design, coupled with voluntary bidding practices adopted by

participants, would accommodate this treatment and avoid double counting these attributes because no other entity could claim that same MWh as nonemitting if PacifiCorp had already claimed it for its CETA compliance.[1]

To the point, PacifiCorp would continue to transact in organized market energy on an unspecified basis, and—similar to its practice today—would not claim any clean attributes associated with its unspecified purchases. Therefore, PacifiCorp is still incentivized by CETA to plan for and operate primary compliance requirements with specified owned and purchased clean resources (plus their associated RECs and NPAs), commensurate with its Washington retail sales. This proposed treatment is consistent with today's treatment of unspecified bilateral transactions, which is also affirmed in the proposed rules.[2]

PacifiCorp, however, believes it is critical that the Commission clarify this proposed framework in its rules that allow market-participating resources to be used for CETA compliance, to remove any doubt in future proceedings.

b. PacifiCorp requests the Commission revise the language in WAC 480-100-6xxa(8) to better reflect the functionality of EDAM

PacifiCorp understands the above-articulated bidding practices that communicate a resource's emissions, are what is referred to in proposed WAC 480-100-6xxx(8) as "offering for sale" an associated REC or an NPA. If that is the case, clarity of language is needed because there is no ability to transact RECs or attributes in an organized market. PacifiCorp recommends redlines such as the below, which better describe how resource bids reflect their emissions characteristics in the organized market.

> Proposed WAC 480-100-6xxx(8):
> "…utility must not offer ~~for sale as~~ a renewable or nonemitting resource with an emissions bid in any organized electricity market ~~without~~ if its associated RECs or NPAs are claimed for primary compliance"

c. The Company requests the Commission replace the term "renewable attribution framework" with "organized market energy and emissions accounting framework" and modify its definition to reflect EDAM functionality

For the same reasons discussed in 1.b., PacifiCorp recommends a different name and modified description to the new term "renewable attribution framework," and its specific usage in proposed WAC 480-100-6xxx(a). Rather than the specified source attribution framework,

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[1] EDAM does not transact or associate RECs or NPAs with unspecified electricity. In utility emissions reporting paradigms, regulations currently assign an annual fixed emissions factor to unspecified electricity purchases, such as those from organized markets. See section 1c. for discussion on evolution of the residual mix factor as applied to unspecified purchases.

[2] Proposed WAC 480-100-6xxx(8) ("…any bilateral sale of electricity without its associated RECs or NPAs must include terms stating that the sale is of unspecified electricity").

PacifiCorp requests rules that confirm the framework refers to accounting methodologies currently in development in organized markets.

The proposed definition of "Renewable attribution framework" states that organized markets have the ability to "allow for the attribution of renewable or nonemitting nonpower attributes"; and WAC 480-100-6xx(a)(6) states that dispatched electricity is eligible for CETA compliance if it is "attributed to the utility." As discussed organized markets have no ability to assign renewable or nonemitting power attributes to individual utilities. This language could be interpreted to refer to specified source assignment of resources to states with carbon pricing—but in these cases, when a resource is deemed delivered, the resource is assigned on a specified basis to a region, not to an individual utility.

PacifiCorp understands that instead of the above interpretation, the Commission is referring to accounting frameworks under development in the organized markets that assign participating resources to load and incorporate double counting in the market residual mix. In the case of EDAM, stakeholders have broadly agreed on a framework under development in the CAISO GHG Working Group.[3] In principle, the approach allows for resources to be accounted for on an out-of-market basis and "assigned" to a utility's retail load to meet state compliance obligations. Subsequently those MWh are eliminated from the market's accounting of its residual mix, so that they would not appear in the emission factor as nonemitting in another entities' unspecified purchase if assigned the residual rate. PacifiCorp understands the Commission's intent to be that resources dedicated to CETA compliance are ab example of resources "dedicated to load" under this framework; as such, their renewable and nonemitting MWh would be eliminated from EDAM residual mix accounting—as those MWh were already assigned to Washington.

In this case, PacifiCorp proposes that term "Renewable Attribution Framework" be replaced with "Energy and Emissions Accounting and Reporting Framework" and defined as follows:

- (#) ~~"Renewable Attribution Framework"~~ Energy and Emissions Accounting and Reporting Framework means, within the context of an organized electricity market, a system or protocol that allows for the attribution of renewable or nonemitting resources to specific retail loads while preventing ~~nonpower attributes with protections against~~ double counting

Similarly proposed WAC 480-100-6xx(a)(6) should be edited as follows:

- "if the electricity is attributed to the utility by the organized electricity market's ~~renewable attribution framework~~ energy and emissions accounting and reporting framework, or the utility separately acquires the RECs or NPAs associated with the renewable or nonemitting electricity from the resource or system that was acquired in the organized electricity market."

[3] https://stakeholdercenter.caiso.com/StakeholderInitiatives/Greenhouse-gas-coordination-working-group; See e.g. session 4/17/24.

II. PacifiCorp greatly appreciates the Commission's return to the statutorily required four-year approach to demonstrate compliance with CETA

WAC 480-100-6xxa(2) ties to CETA's statutorily required four-year approach to demonstrate compliance with the law: "The vintage of the RECs being retired must be dated within the four-year compliance period that the RECs are being claimed, whether for primary or alternative compliance."

The Company greatly appreciates this clarification, and believes, consistent with the Joint Party Comments earlier in this proceeding, that it faithfully implements CETA, and will ensure utilities have "flexible tools to address the variability" of renewable and non-emitting resources to comply with CETA.[4]

The only clarification that the Company requests is to include NPAs in this language, if they are to be used as a compliance "instrument." This change is incorporated into Section IV of these comments.

III. PacifiCorp does not oppose the hourly compliance planning requirements in proposed WAC 480-100-6XXb, yet requests acknowledgement of the different compliance obligations

Proposed WAC 480-100-6xxb (2) states that to meet the requirement defined in subsection (1), at a minimum, "an hourly analysis of the renewable or nonemitting output of the preferred resource portfolio, and how this intended to meet its primary compliance obligation".

Consistent with PacifiCorp's earlier representations on this issue,[5] the Company believes that CETA would be better implemented if the law's planning and compliance periods were aligned: Utilities should plan to comply with the law with the same time horizon that the law requires for compliance purposes.

Yet the Company understands that a more granular hourly planning requirement can incentivize earlier compliance with the law compared to a four-year planning period. For that reason, PacifiCorp does not oppose an hourly planning obligation—so long as the Commission acknowledges that reviewing a utility's compliance with the law in annual CETA progress reports (based on a four-year compliance period[6]) has the potential to be misconstrued if compared directly to the utility's annual interim target that was established in a prior CEIP (based on an hourly planning requirement).

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[4] *In re CETA Rulemaking,* Docket UE-210183, Joint Comments (Jun. 21, 2024).
[5] *Id.* at PacifiCorp Comments, at 3 (Feb. 16, 2024) ("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.") (original emphasis).
[6] Proposed WAC 480-100-6xxa ("The vintage of RECs being retired must be dated within the four-year compliance period that the RECs are being claimed…"

Given this potential mismatch between hourly planning and four-year compliance, the Commission should make clear in its rulemaking adoption order, or in utility-specific Clean Energy Implementation Plans or annual CETA progress reports, that compliance remains based on an aggregate four-year period. While implementation issues may arise from these diverging time periods, PacifiCorp believes these could be effectively resolved in utility-specific proceedings.

IV. PacifiCorp will continue to use longstanding cost-based allocation methodologies to reflect resources serving Washington

Proposed WAC 480-100-6XXc (2) states that "[electricity associated with a given REC or NPA cannot be used] for any purpose other than supplying electricity to its Washington retail customers."

PacifiCorp does not have concerns with this language, provided that "supplying" electricity does not preclude PacifiCorp from reflecting for CETA compliance, the renewable or nonemitting attributes of resources that are cost-allocated to Washington customers per Commission-approved resource assignment methodology.[7] Cost-allocation factors are used to reflect each state's share of the system's resources, and are prepared and applied on an annual basis. This approach to assign multi-state system resources to states has long been accepted as the basis of PacifiCorp's ratemaking, reporting, and compliance frameworks in all of its states.

Similarly, the monthly reporting of RECs or NPAs as required by proposed WAC 480-100-650(l)(i), will reflect a monthly spread of the annual resource's generation as allocated to Washington.

V. PacifiCorp requests cleanup language reflecting the characteristics of NPAs and RECs

The definition of an NPA should reflect differences between NPAs and RECs, and clarified to reflect that NPAs are not instruments with a specific vintage, and are "presented" (as suggested in proposed WAC 480-100-6xxa(1) -- not retired, as RECs are – as demonstration of compliance. Suggestions as to how these differences between NPAs and RECs could be addressed by adjusting the definition of "vintage." (See below). Another option would be to adjust Proposed WAC 480-100-6xxa(4) to eliminate the word "vintage," and instead describe that NPAs associated with compliant electricity generated within the compliance period, and "presented" for compliance monthly.

> "Definitions: (#) 'Vintage' means the month and year in which electricity and its associated RECs ~~or NPA~~ is generated; in the case of an NPA, the month and year which the associated electricity is generated"

[7] Washington Interjurisdictional Allocation Methodology Memorandum of Understanding (November 22, 2019).

An apparent typo should also be addressed in Proposed WAC 480-100-6xxa(4):

> "…the vintage of the NPAs must be dated within the four-year compliance period that the ~~RECs~~ NPAs are being claimed, whether for primary or alternative compliance.

Language should be updated to reflect that resource owners, not WREGIS, register RECs should be adopted in Proposed WAC 480-100-6xxa(3):

> "WREGIS registration. If WREGIS ~~registers~~ creates RECs for a resource …"

VI. Conclusion

PacifiCorp appreciates the opportunity to provide comments and looks forward to additional discussions on these issues going forward.

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

Sincerely,

/s/
Matthew McVee
Vice President, Regulatory Policy & Operations
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
(503) 813-5585
matthew.mcvee@pacificorp.com