California Air Resources Board
100 I Street
Sacramento, CA 95804

Re: PacifiCorp's Comments on CARB's October 5, 2023 Cap-and-Trade Program Workshop

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) respectfully submits the following comments in response to the California Air Resources Board's (CARB) October 5, 2023 Cap-and-Trade Program Workshop.

I. Background and Unique Characteristics of PacifiCorp

PacifiCorp serves approximately 2 million customers in six western states (California, Idaho, Oregon, Utah, Washington, and Wyoming). The Company also operates two balancing authority areas (BAA), PacifiCorp East (PACE) and PacifiCorp West (PACW), that are both outside the California Independent System Operator's (CAISO) system. PacifiCorp has approximately 49,000 retail customers in California, amounting to less than 2 percent of PacifiCorp's total retail sales across its six states.

California regulators have long accepted and acknowledged the unique challenges of multijurisdictional utilities, and have adopted practices that better reflect PacifiCorp's comparatively small presence in California. These practices include CARB's specialized multijurisdictional reporting templates under the Mandatory Reporting Rule,[1] under which PacifiCorp's six-state system proportionally serves its retail share of California load; CPUC's recognition of PacifiCorp's Integrated Resource Plan as fulfilling California's long-term planning and procurement obligations;[2] and modifying reporting requirements to allow IRP reporting to support the Renewable Portfolio Standard.[3]

II. If CARB Updates EDU Allowances, CARB Should Leverage PacifiCorp's IRP As The Basis for Determining Its Allowance Allocation

CARB's workshop discussed considerations for new allocations of allowances for Electric Distribution Utilities (EDUs). CARB seeks comment on what data sources should be used for companies that do not submit S-2 forms, such as PacifiCorp,[4] and more broadly, on how CARB should update EDU allocation to reflect the state's climate policies, including updated RPS targets, revised sector emissions targets, and expansion of transportation electrification policies.

PacifiCorp plans and operates as a six-state system, and leverages its IRP to reflect California-attributed load and resource supply forecasts. For California reporting purposes,

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[1] Cal. Code Regs Title 17 § 95111(b)(4).
[2] Cal. Pub. Util. Code § 399.17
[3] *In re CPUC RPS Rulemaking,* Decision 08-05-029 (May 30, 2008).
[4] Completion of the S-2 Form is required for certain LSEs as part of the Integrated Energy Policy Report. Only LSEs with peak demand greater than 200 MW are required to report demand forecast information or other IEPR information to the CEC. PacifiCorp's peak load is below this threshold, and there is no associated CEC IEPR reporting requirement for PacifiCorp.

PacifiCorp submits supplemental filings on its IRP in odd-numbered years and its off-year supplemental IRP in even-numbered years. The California IRP supplement also contains a forecast of GHG emissions using a methodology that was approved by the CPUC in lieu of the Clean System Power (CSP) calculator, to describe its share of the 2030 California goal. This methodology, which was introduced in 2018, is described in detail in PacifiCorp's 2023 IRP On-Year Supplement.[5] PacifiCorp recommends CARB use this system emissions forecast as the source of PacifiCorp's allowance allocations. This is consistent in principle with the approach CARB took when it last updated electrical distribution utility allocations in 2016, when it used PacifiCorp IRP data to support these allocations.[6]

III. PacifiCorp should be exempted from the Outstanding Emissions Calculation Addressing EIM and EDAM Imported Electricity

CARB calculates Energy Imbalance Market (EIM) Outstanding Emissions annually pursuant to section 95111(h)(1) of the MRR. Each EIM Purchaser is responsible for its EIM Purchaser Emissions, a portion of the total EIM Outstanding Emissions, based on the EDU's share of annual retail sales. The intent is to address leakage from design of the organized markets, and CARB administratively retires these commensurate allowances.

CARB proposes to continue the practice of addressing leakage in organized markets with the EIM Outstanding Emissions and Purchaser Emissions calculation. CARB also proposes to expand the calculation to address CAISO's Enhanced Day Ahead Market (EDAM), and update the calculation to adjust the deemable amount available for each of these markets.

PacifiCorp generally supports this approach to address leakage from organized markets, and PacifiCorp continues to participate in the EIM and has declared its intent to join the EDAM. PacifiCorp is also currently an assigned Purchaser Emissions and has allowances administratively retired under the EIM Outstanding Emissions Calculation consistent with its share of California's load.

PacifiCorp's supports this methodology for addressing leakage for California LSEs that rely on EIM imports directly serving their load, but PacifiCorp should not be assigned a "Supplier Emissions" obligation in this way. As a multijurisdictional entity and BAA external to California, PacifiCorp's six-state system external to California is assumed to be the source of "imported" power serving its retail load in California. Meaning, PacifiCorp retail load in California was not the cause of the EIM imports for which EIM Outstanding emissions are being calculated and attributed to load. Since PacifiCorp's retail load does not benefit or cause EIM imports into California, PacifiCorp should not be assumed to contribute to upstream secondary dispatch from organized markets and therefore should be exempted from the Outstanding Emissions calculation.

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[5] *In re CPUC IRP Rulemaking,* D.22-02-004, at 22 (Feb. 15, 2022).
[6] Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulations, 2021-2030 Allowance Allocation to Electrical Distribution Utilities, Attachment C, December 21, 2016, (available here: https://www.arb.ca.gov/regact/2016/capandtrade16/attachc.pdf?_ga=2.262303563.634566147.1698331375-1639159673.1689259412

CARB also proposes an update to the calculation that would limit the deemable amount to California for EIM and EDAM. Assuming the MRR continues to treat the PacifiCorp system as an "import" to serve its retail load in California, PacifiCorp should still remain exempt from this calculation regardless of the deemable amount available to California, or the organized market it purchases from.

IV. PacifiCorp's Energy Storage Resources Should Be Assigned PacifiCorp's System Emissions Factor, But Further Discussion Is Needed

CARB seeks comment on the tracking and reporting of ESS resources. To the extent storage resources are incorporated into the PacifiCorp six-state resource system and included as part of the system mix determined to serve California load as an import, these resources should be assumed to reflect the PacifiCorp system emissions factor. While this is a complex topic that requires future workshops, PacifiCorp does not believe that for its purposes, it will need additional specialized tools (such as Workbook 5) or reporting to develop this emissions factor, though these tools may be appropriate for resources directly imported to California.

There may be cases, such as colocation of batteries with renewable resources, where it is appropriate to assign PacifiCorp's ESSs the same emissions factor of the renewable resource.

PacifiCorp believes that issues regarding ESS treatment in Organized Markets (including such topics as the lesser-of analysis) should be the subject of future discussion prior to proposed rule language is developed.

V. CARB Should Exempt Already-Obligated Imports to California from Washington's Carbon Pricing Program

PacifiCorp appreciates CARB evaluating the treatment of electricity imports from unlinked jurisdictions that also have carbon pricing programs, and supports CARB developing a mechanism to address situations where power is subject to dual compliance obligations. For example, PacifiCorp has a natural gas generation facility in Washington State (Chehalis), the full output of which is subject to emissions obligation from the Washington Cap-and-Invest program. Chehalis is also a source of power serving California retail load according to the cost allocation methodology approved by California Public Utility Commission. In addition, Chehalis is an EIM participating resource that is deemed to California. The portion of Chehalis generation assigned to California for its retail loa, and as part of specified imports from EIM is assigned a GHG obligation for the same megawatt hours accounted for under Washington's program, creating a dual obligation between the two states.

CARB poses several options to address dual-obligation scenarios such as the above, all of which would address the issue. PacifiCorp takes no strong position on these approaches, but notes that the simplest path to eliminating dual carbon costs is for CARB to simply exempt already-covered imports from unlinked jurisdiction. This path also avoids relying on the other jurisdiction to change their regulatory treatment.

PacifiCorp appreciates the comment opportunity and looks forward to continued engagement in CARB's rulemaking.

Sincerely,

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