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PacifiCorp CEC Power Source Disclosure Comments 16-OIR-05

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

Power Source Disclosure: Assembly Bill 1110 Implementation Rulemaking	Docket No. 16-OIR-05

COMMENTS OF PACIFICORP ON THE PROPOSED CHANGES TO THE REGULATIONS GOVERNING POWER SOURCE DISCLOSURE BY INVESTOR OWNED UTILITIES

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BEFORE THE CALIFORNIA ENERGY COMMISSION

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COMMENTS OF PACIFICORP ON THE PROPOSED CHANGES TO THE REGULATIONS GOVERNING POWER SOURCE DISCLOSURE BY INVESTOR OWNED UTILITIES

In accordance with the schedule established in the September 6, 2019 Notice of Proposed Action issued in Docket Number 16-OIR-05,[1] PacifiCorp, d/b/a Pacific Power (PacifiCorp) submits these comments regarding the proposed modifications to the Power Source Disclosure Program established under the Public Utilities Code section 398.1 *et seq*. and codified in regulations found in Title 20, California Code of Regulations, Sections 1390-1394.

PacifiCorp appreciates this opportunity to provide comments and notes the progress these proposed rules will make towards improving the California Energy Commission's (Commission) Power Source Disclosure Program. PacifiCorp's comments includes general comments and suggestions as well as specific comments based on PacifiCorp's unique requirements under both the California Air Resources Board (CARB) Mandatory Reporting Regulation (MRR) and California's renewable portfolio standard (RPS). Unique treatment under both the MRR and RPS programs is based upon PacifiCorp's status as a multi-state investor-owned utility. As it applies to PacifiCorp, the Power Source Disclosure Program and associated Power Content Label (PCL) should reflect how PacifiCorp complies with both the RPS and MRR.

[1] The deadline for providing comments was subsequently extended to October 28, 2019 pursuant to the notice issued on October 11, 2019.

PacifiCorp is classified as a multi-jurisdictional electric utility (MJU) under California's RPS program and a multi-state jurisdictional retail provider (MJRP) under the MRR. PacifiCorp has approximately 1.9 million customers in California, Idaho, Oregon, Utah, Washington and Wyoming. Approximately 45,000 of those customers are located in Shasta, Modoc, Siskiyou and Del Norte counties in Northern California, representing less than two percent of the total retail load served across PacifiCorp's six-state system. PacifiCorp's California service territory is not connected to the California Independent System Operator (CAISO), but rather PacifiCorp is the balancing authority for its California service territory, which is operated on an integrated basis with other states in its multi-state territory.

I. General Comments

PacifiCorp understands, and is sympathetic to, the challenge faced by the CEC to enable consumer access to reliable, accurate, timely, simple to understand, and consistent information regarding fuel sources offered for retail sale in California and the associated greenhouse gas emissions. CEC's task, in part, is to reconcile the fundamentally different and irreconcilable energy accounting regimes adopted in the RPS and MRR programs. Ultimately, if specific comments below are addressed, PacifiCorp supports the CEC's approach as crafting the best solution to a problem not easily solved. However, from a long-term perspective, having a customer PCL with fuel mix calculated using one methodology and emissions calculated using another is simply not durable. This approach results in multiple illogical outcomes, the most obvious of which is that some energy classified as renewable may have emissions associated with it. These outcomes are not easily reconciled or explained.

As California and a number of other Western states work to decarbonize, the wholesale energy market is being transformed. Regulatory regimes developed during a period of renewable resource scarcity may need to be revisited as many more renewable resources are added to the

western grid. A single accounting methodology should eventually be adopted to ensure certainty and consistency in terms of information communicated to customers as well as the value of specific types of RECs and wholesale energy products. In the short-term, and at a minimum, the CEC should ensure that the fuel mix accounting methodology is as consistent with the RPS as possible and similarly that the emissions accounting is consistent with the MRR. As explained below, the CEC's proposal deviates from the MRR source-based approach in that emissions would be imputed to renewable energy without a renewable energy credit (REC) and deviates from both the RPS and MRR as those programs apply to PacifiCorp.

II. The Proposed Rules Create Inconsistencies in Mandatory Reporting Obligations

Under proposed rules section 1393(c)(1)(B), greenhouse gas emissions from specified purchases shall be calculated based on delivered electricity and electricity purchases from an eligible renewable generator without the associated RECs shall be classified as unspecified power. PacifiCorp understands this to mean that, in accordance with section 1393(c)(3), this unspecified power shall be assigned the default emissions factor. This creates an inconsistency with the MRR, which requires energy directly delivered through owned generation or a written power contract to be reported as a specified source. CEC's rationale for not allowing unbundled RECs to be used in the calculation of the fuel mix or greenhouse gas emissions is, in part, due to stakeholder concerns about the accuracy of using RECs for greenhouse gas accounting and concerns that the inclusion of unbundled RECs in the greenhouse gas emissions intensity would contradict CARB's established accounting practice.[2] The exact same rationale applies when imputing emissions associated with energy delivered that is known to be non-emitting: 1) it is

[2] Docket No. 16-OIR-05 *Initial Statement of Reasons*, at 13.

inconsistent with the approach taken in the MRR; 2) it is not accurate from a greenhouse gas perspective because the energy "delivered" to California is known to be non-emitting.

As more fully described below, under Section 95111(b)(4) of the MRR, PacifiCorp develops a system emissions factor which is multiplied by PacifiCorp's California retail load to establish PacifiCorp's retail obligation under the cap-and-trade program. To develop a system emission factor, PacifiCorp reports total generation and purchases for PacifiCorp's entire six-state system. Though PacifiCorp allocates a proportionate share of RECs to California for RPS compliance that are incorporated into fuel mix reporting, other states require PacifiCorp to monetize RECs and, in some instances for PURPA qualifying facilities in some states, PacifiCorp does not receive RECs from a specified source as a function of that state's regulation. PacifiCorp is concerned that a strict reading of the CEC's proposed language will require PacifiCorp to apply an emissions component to renewable energy in its portfolio without RECs, even if those RECs are associated with energy attributed to a different state. For all of these reasons, CEC should realign its regulations to be consistent with the MRR and to align with the logic applied in the Initial Statement of Reasons.

III. The Proposed Methodology Could Result in a Misrepresentation of Resource Mix

PacifiCorp shares the concern of Anaheim Public Utilities (Anaheim) in its October 17, 2019 comments filed in this proceeding (Anaheim Comments) that the proposed methodology of REC-accounting creates a resource-to-REC stacking approach that may unintentionally misrepresent a utility's resource mix and actual dispatch decisions. This may happen in cases where a utility has an excess of resources relative to load in a given interval. The company agrees with Anaheim that all resources, including unspecified electricity, should be equally reduced if the Commission decides to adopt a REC-accounting approach. This would lead to the most accurate picture of resource procurement for customers.

IV. The Proposed Definition of Unbundled REC Should Be Revised

The proposed regulations include a new definition for "Unbundled REC." Specifically, the proposed regulations define unbundled renewable energy certificates (REC) as follows:

> "means a REC from an eligible renewable energy resource that is not procured as part of the same contract or ownership agreement with the underlying energy from the eligible renewable energy resource; this includes a REC that was originally procured as a bundled product but was subsequently resold separately from the underlying energy."

The company suggests that this definition be revised as follows (proposed new language is underlined for ease of review):

> "means a REC for an eligible renewable energy resource that is not procured ~~as part of the same contract or ownership agreement~~ <u>together</u> with the underlying energy from the eligible renewable energy resource; this includes a REC that was originally procured as a bundled product but was subsequently resold separately from the underlying energy."

The company proposes this revision to the proposed definition to reflect situations where a vertically-integrated investor-owned utility, such as PacifiCorp, owns generation outright without a contract or ownership agreement in place. In this instance, the energy is generated and REC created from the eligible renewable resource concurrently. Similarly, the modified definition would include a situation where RECs are created concurrently with energy delivered but REC acquisition is memorialized in separate agreements due to pricing or other commercial or regulatory compliance considerations. The definition proposed would result in bundled RECs being considered unbundled RECs even though a utility is acquiring energy and RECs at the same time from the same eligible resource. It does not appear that this narrow definition of a bundled REC is what was intended with the proposed definition because it is inconsistent with footnote regarding unbundled RECs that would be required under the proposed regulations.

The proposed regulations would require the following language to be included in a

footnote on the company's power content label:

> "Unbundled renewable energy credits (RECs) represent renewable investments that do not deliver electricity to the retail suppliers customers."[3]

In situations where the company acquires both the electricity and RECs from the same renewable energy resource at the same time, but pursuant to two separate contracts or agreements, such RECs would be considered unbundled RECs under the proposed definition set forth in § 1391of the proposed regulations but not unbundled RECs as defined through the required footnote language. PacifiCorp's proposed revisions to the definition section of the proposed regulations would eliminate this inconsistency without expanding the type of RECs that can be considered bundled because the definition explicitly requires that the electricity from the eligible, renewable resource be acquired at the same time that the corresponding RECs are acquired.

Further, the company's proposed revision would align with definitions of unbundled RECs used in other states. For example, the relevant Oregon regulations define an unbundled REC as a REC "for qualifying electricity that is acquired by an electric utility or electricity service supplier by trade, purchase or other transfer without acquiring the electricity that is associated with the [REC]".[4]

V. The Power Content Label Template Must be Modified to Accommodate PacifiCorp's Unique Compliance Position

As the CEC is aware, PacifiCorp complies with its RPS obligations by procuring RECs categorized as PCC 3. PacifiCorp does not procure any RECs categorized as PCC 1 or 2 because the PacifiCorp is not considered a California balancing authority area and therefore cannot

[3] Proposed Regulations, § 1394(l)(1).

[4] ORS 469A.005(14).

directly deliver energy to a California balancing authority.[5] As a result, all of the RECs procured by PacifiCorp are categorized as PCC 3. However, this does not mean that all RECs procured by PacifiCorp are unbundled RECs. The PCL template that has been proposed and circulated by the CEC does not include a space to provide this category of procurement.[6] Using the current version of the template would require PacifiCorp to categorize all of its RPS REC procurements as "specified non-renewable procurements" even though these procurements include bundled RECs that would be categorized as "directly delivered renewables" if the Company was a California balancing authority. PacifiCorp proposes revising the template to include a category that is specific to PacifiCorp as a multi-jurisdictional utility operating outside of the California balancing authority area. This category could allow the Company to insert facility names, fuel types, location, WREGIS ID, etc. consistent with the data requested for "Directly Delivered Renewables;" PacifiCorp would report any unbundled RECs under Schedule 2 of the template consistent with how other utilities report this same information.

PacifiCorp also requires accommodations with respect to its emission reporting. As noted above, as an MJRP under the MRR, the Company already develops an emissions intensity factor associated with its California retail service territory.[7] The most logical approach to maintain consistency with MRR is to simply allow PacifiCorp to use the emissions intensity factor developed pursuant to MRR in its power source disclosure. PacifiCorp recommends adoption of the same methodology for an emissions intensity calculation set forth in section 95111(b)(3) of the MRR. This is the same methodology used to develop asset-controlling

[5] *See* California Public Utilities Code § 399.16.

[6] CEC circulated a proposed template for 2019 in October 2019. Schedule 1 of the template includes the following options: (1) directly delivered renewables; (2) firmed-and-shaped imports, (3) specified non-renewable procurements; and (4) procurements from asset-controlling suppliers.

[7] *See* 17 CA Code of Regulations § 95111(b)(4).

supplier system emission factors, and is already cross-referenced in proposed section 1393. PacifiCorp recommends a similar reference to establish its requirements applicable to greenhouse gas emissions accounting.

VI. The Proposed Timing is Not Sufficient to Facilitate Mailing of Power Content Labels

The proposed regulations would require utilities to mail the power content label to customers on or before August 30th.[8] This requirement updates the current requirement to mail these annual disclosures by the end of the first complete billing cycle for the third quarter of the year. As noted in the comments filed by the Anaheim Public Utilities Department on October 17, 2019, the requirement to mail the power content label on or before August 30 is unworkable unless the power content label template is provided with the updated California Power Mix in early June. Without this information in early June, there is insufficient time to prepare the power content label and subsequently prepare the associated mailing. The 2018 PCL template was released on August 5th. Assuming a similar timeline going forward, the company supports Anaheim's proposal to change the date for mailing of the power content label until October 31st. Alternatively, PacifiCorp proposes that the deadline for mailing the PCL be set at ten weeks following receipt of the PCL template with the annual power mix. Ten weeks allows sufficient time for preparation and mailing and without a firm deadline customers will receive the updated label as soon as feasible.

VII. Clarification is Necessary Regarding Treatment of Voluntary Renewable Bulk Purchase Options

As the Commission is aware, the company offers a voluntary bulk purchase option that allows customers to purchase unbundled renewable energy certificates in blocks in order to

[8] Proposed Rules, § 13940(b)(2).

offset their energy usage. This program is offered through Schedules RO-1 and RO-3. Pursuant to the proposed rules, the accounting methodology to determine fuel mix and GHG emissions does not allow for use of unbundled RECs.[9] The proposed rules also acknowledge that a retail supplier may have more than one electricity portfolio.[10]

A determination that more than one electricity portfolio exists may be based on (1) the assignment of a discrete fee or rate by the retail supplier; (2) assignment of a discrete title or name by the retail supplier; (3) marketing as a discrete portfolio; or (4) a portfolio that contains a different proportion of fuel types compared to other portfolios offered by the retail supplier.[11] All of these criteria apply to the company's bulk purchase option. This bulk purchase option is a discrete fee on top of a customer's underlying bill pursuant to the applicable tariff service; it is the customer's option to purchase a certain number of blocks of renewable energy (*i.e.*, blocks of unbundled RECs); these tariffs are advertised under the name "Blue Sky Program;" and the company purchases unbundled RECs in quantities equal to the blocks purchases by customers. These unbundled REC purchases are separate and apart from any RECs acquired on behalf of customers for purposes of PacifiCorp's integrated resource plan or renewable portfolio standard requirements.

Therefore, based on the proposed definition of an electricity portfolio it appears that the company's Bulk Purchase Options would be considered separate electricity portfolios from PacifiCorp's general electricity portfolio that provides retail service to its customers. This would mean that any fuel mix calculation associated with these Bulk Purchase Options would

[9] Proposed Rules, § 1393(a)(1) (stating "Unbundled RECs, including those from a non-eligible renewable energy resource, shall not be used to calculate or adjust the fuel mix or GHG emissions intensity of an electricity portfolio")

[10] Proposed Rules, § 1391.

[11] Proposed Rules, § 1391.

necessarily require consideration of unbundled RECs. However, as noted above, the proposed rules do not allow for use of unbundled RECs in the calculation of fuel mix or GHG emissions. Taking these provisions of the proposed rules together it appears that no power content label would be required for the company's bulk purchase option tariff electricity portfolios.

This interpretation is further supported by the goal of the power content label to provide customers with "a simple, quick check of your electric retail supplier's power sources and renewable energy profile, and its performance relative to other retail suppliers and the state as a whole."[12] This goal is not met through inclusion of a secondary power content label for the Blue Sky Program because this program is a voluntary program and the program does not result in electricity supplied to customers. Therefore, it would not provide customers with the information they may desire about where their electricity is coming from or how PacifiCorp compares to other retail suppliers in the state. In fact, it could lead to customer confusion and thereby work against the goals of the power content label purpose. PacifiCorp respectfully requests confirmation that its interpretation of the proposed rules is consistent with the Commission's intent that retail suppliers offering voluntary bulk purchase options using purchases of unbundled RECs need not prepare a second PCL or include these unbundled REC purchases in a PCL in some other way.

To make this clear, the company suggests the following revision to the second sentence of the definition of Electricity Portfolio (suggested new language is underlined):

> It does not include the provision of electric services on site, sold through an over-the-fence transaction, as defined in Section 218 of the Public Utilities Code, ~~or~~ sold or transferred to an affiliate, as defined in subdivision(a) of Section 372 of the Public Utilities Code, or any voluntary, retail option providing only Unbundled RECs as defined in this section.

[12] Commission Power Content Label Website, https://ww2.energy.ca.gov/pcl/power_content_label.html

The company further suggests that Section 1394.1(a) be revised to read as follows (the following revisions accept the edits proposed by the Commission as set forth in the proposed rules and propose adding the underlined language):

> Pursuant to Section 398.4 of the Public Utilities Code, each retail supplier shall provide to consumers a power content label that discloses the fuel mix and GHG emissions intensity of each electricity portfolio that was sold during the previous calendar year, and separately discloses the fuel mix and GHG emissions intensity of total California system electricity, using the schedule and format specified in this section. A power content label is not required for any electricity portfolio pursuant to which the retail supplier sells only unbundled RECs.

VIII. Conclusion

For the reasons set forth above, PacifiCorp respectfully requests that its suggested revisions to the proposed rules be incorporated into the final version and that clarification be provided regarding voluntary bulk purchase options.

Respectfully submitted,

/s/

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