

**CALIFORNIA ENERGY COMMISSION**

In the Matter of: )  
)  
Proposed Adoption of Regulations )  
Establishing a Greenhouse Gases )  
Emissions Performance Standard )  
For Baseload Generation of Local )  
Publicly Owned Electric Utilities )  
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Docket No. 06-OIR-1

<b>DOCKET</b> <b>06-OIR-1</b>
DATE <u>FEB 02 2007</u>
RECD. <u>FEB 02 2007</u>

**COMMENTS OF POWEREX CORP.**  
**ON**  
**STAFF-PROPOSED REGULATIONS FOR IMPLEMENTING THE GREENHOUSE**  
**GAS EMISSIONS PERFORMANCE STANDARD FOR LOCAL PUBLICLY OWNED**  
**UTILITIES**

Dated: February 2, 2007

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Docket No. 06-OIR-1

### **COMMENTS OF POWEREX CORP. ON STAFF-PROPOSED REGULATIONS FOR IMPLEMENTING THE GREENHOUSE GAS EMISSIONS PERFORMANCE STANDARD FOR LOCAL PUBLICLY OWNED ELECTRIC UTILITIES**

Powerex Corp. (Powerex) respectfully submits these comments on the staff-proposed regulations establishing a greenhouse gases (GHG) emissions performance standard (EPS) for baseload generation of local publicly owned electric utilities (POUs).

Powerex is the marketing subsidiary of British Columbia Hydro and Power Authority (BC Hydro). Powerex sells power at wholesale in the United States pursuant to market-based rate authority granted by the Federal Energy Regulatory Commission, including supply from competitively-priced renewable (small hydro, biomass and landfill gas) generation facilities. As a supplier of electricity to California, and an active participant in the market, Powerex is interested in proceedings that have the potential to impact that market or create unintended consequences.

In that context, Powerex is closely following the rulemaking of the California Public Utilities Commission (CPUC) regarding the development of a GHG EPS for load-serving entities. Powerex has reviewed the CPUC's interim decision issued on December 13, 2006; its

final decision issued on January 25, 2007; and the comments filed by participants in that rulemaking.

Powerex is also following the proceeding of the California Energy Commission (CEC) regarding the implementation of a GHG EPS for POUs, and attended (via telephone) the CEC's workshops on January 11 and January 18, 2007. Powerex was very interested in the workshop discussions on the issue of unspecified energy; in the CPUC's decisions on that issue; and particularly with respect to the restriction on unspecified energy set out in the CEC's staff-proposed regulations.

Powerex believes it is important that California's GHG emissions policies are closely coordinated with decisions and regulations issued by the CPUC as part of its Resource Adequacy Program and the Renewable Portfolio Standard: it is important to ensure there are no unintended conflicts between the goals of reducing GHG emissions and ensuring the adequacy of resources required to reliably meet California's electricity supply needs.

Powerex recognizes that the CEC's GHG EPS will serve as a bridge until an enforceable load-based GHG emissions limit is established. Nevertheless, Powerex urges the CEC to be mindful that a significant amount of the import energy/capacity supply that California currently relies upon to meet the state's energy needs is provided under contracts that are backed by system rather than unit-specific resources.

Powerex suggests that the CEC develop procurement policies that recognize the importance of system-backed imports as a California supply source and avoid the creation of unnecessary obstacles to California's continued reliance on such supplies.

To this end, Powerex suggests that, when determining the EPS-related treatment to be given to contracts involving unspecified energy, the CEC should adopt policies for limiting GHG

emissions which encourage maximum access to the California market for electric supply resources that are consistent with and advance California's procurement-related goals, including resource adequacy and the promotion of renewable resources.

In this regard, Powerex notes that some suppliers in the California market are backed by control areas in the Pacific Northwest consisting of primarily hydro-electric resources and, as such, purchases from those systems are consistent with California's resource adequacy policies, its goal of increasing reliance on renewable resources, and the limitation of GHG emissions. Given the compatibility between such unspecified resources and California's overall energy-related policy goals, Powerex urges the CEC to explore methods by which system-backed imports from predominately hydro-electric control areas – and other low emission systems -may be considered EPS-compliant.

Powerex agrees with parties that have commented on the potential negative cost and reliability impacts that could result from a prohibition on the use of unspecified energy. Powerex also agrees that requiring sellers to commit specific resources long before delivery is required may reduce both market liquidity and reliability and increase costs. In addition, Powerex notes that the CPUC's resource adequacy program has determined that import contracts, unlike unit specific resources, count 100% towards its resource adequacy requirements.

In view of all these factors, Powerex supports the recommendations of those parties who have asked the CPUC and the CEC to implement a proxy for imputing GHG emissions characteristics to system-backed energy contracts with unspecified energy.

Powerex suggests that the CEC consider allowing POUs to make purchases from suppliers providing system-back energy if the POU can demonstrate, to the CEC's satisfaction, that the GHG intensity rates from those systems is EPS-compliant. The control areas in those

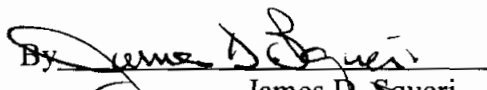
systems have defined boundaries, and it is possible to determine the GHG intensity rate from a particular control area. Allowing POUs to make purchases from control areas that have a GHG intensity rate that is equivalent to or less than the rate set by the GHG EPS is consistent with California's goal to reduce GHG emissions. Furthermore, such an approach would be in harmony with evolving RPS policies which would not exclude unspecified resources that otherwise meet eligibility requirements from counting toward RPS compliance.

In summary, Powerex recommends that the CEC continue to explore whether it is possible to develop a methodology under which unspecified energy from suppliers of system-backed energy that have a low GHG intensity rate may be considered EPS-compliant. Powerex also urges the CEC not to adopt an EPS that excludes electricity supplies from the California market that would otherwise advance the state's commitment to resource adequacy, greater reliance on renewable resources, and reduction of GHG emissions.

Powerex appreciates the opportunity to provide comments and looks forward to continued participation in this proceeding.

Respectfully submitted this 2nd day of February, 2007 at San Francisco, California.

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