

May 16, 2025

Submitted via Ecology's Online Public Comment Form

Washington Department of Ecology
Climate Pollution Reduction Program
P.O. Box 47600
Olympia, WA 98504-7600

Re: PacifiCorp's Informal Comments on Ecology's April 24, 2025, Cap-and-Invest Linkage Rulemaking Comment Period #1

On April 24, 2025, the Washington Department of Ecology (Ecology) requested informal comments on its draft rule amendments to WAC Chapters 173-441 and 173-446 under its Climate Commitment Act (CCA), Cap-and-Invest Linkage rulemaking. PacifiCorp receives no cost allowances commensurate with its service of Washington retail customers and is a covered entity under the CCA, both as the owner of an in-state emitting natural gas generation facility that serves retail customers inside and outside of Washington and as an electric investor-owned utility (IOU).

PacifiCorp continues to support Ecology's effort to link Washington's carbon market with that of California and Quebec. A linked carbon market with a higher volume of traded allowances will promote market stability, ensure consistent pricing, and expand opportunities for the jurisdictions to achieve program goals.

I. Ecology should exempt no cost allowances put into an Electricity Allocation Holding Account from the allowance holding limits.

To help utilities manage their no cost allowances and mitigate the cost burden of the CCA on Washington retail electricity customers, Ecology should consider exempting no cost allowances put into a utility's Electricity Allocation Holding Account from the holding limits in WAC 173-446-150(2).

As an electric utility subject to the Clean Energy Transformation Act (CETA), PacifiCorp receives no cost allowances for the portion of the CCA obligation associated with energy serving its Washington customers. Ecology deposits no cost allowances into an electric utility's Electricity Allocation Holding Account annually, based on an approved resource supply and demand forecast. WAC 173-446-230 and WAC 173-446-260. In addition, PacifiCorp must purchase allowances for emissions from in-state generation that does not serve Washington customers. Anticipating the correct number of allowances to purchase is a difficult task and often a moving target.

Linkage will complicate allowance holding limit management for registered entities with direct corporate associations. PacifiCorp has eight direct affiliates covered under California's cap-and-trade program, one direct affiliate covered under Washington's program, and a second direct affiliate will likely be added in the Washington program's third compliance period. While some covered entities utilize their entire holding limit, PacifiCorp and its direct affiliates must share holding and purchase limits, which becomes tighter as allowance sales decrease over time.

By exempting no cost allowances deposited in the Electricity Allocation Holding Account from the holding limits set forth in WAC 173-446-150(2)(a), Ecology will offer utilities more flexibility to manage allowances and mitigate the cost burden of the program to Washington customers. WAC 173-446-150(2)(c) and (d) explicitly exempt allowances deposited in a compliance account to cover "estimated GHG emissions for the current year or emissions for preceding years" and allowances "to be consigned to auction." These are generally referred to as the Maximum Potential Holding Limit Exemption and Limited Use Holding Account Exemption. However, once a utility transfers allowances into a compliance account it may not move them out. While these exemptions are helpful to stay under the cap, they force a utility to commit allowances to a compliance account or limited use holding account, meaning these allowances cannot be consigned to auction later or sold to another party. If no cost allowances deposited in the Electricity Allocation Holding Account were exempt from the holding limit, utilities would have greater license to pursue market-optimization behavior resulting in lower covered emissions or cost burden relative to forecasts based on best estimates of retail supply at the time. In turn, this flexibility would increase allowance sales and decrease allowance price pressure.

Exempting no cost allowances deposited by Ecology into a utility's Electricity Allocation Holding Account from the holding limits would more closely align the treatment of no cost allowances under California's cap-and-trade program. Similar to PacifiCorp's proposal, California exempts no cost allowances in the Annual Allocation Holding Accounts from the holding limit. Cal. Code Regs. Tit. 17, § 95920(b)(3). Aligning the treatment of no-cost allowances with California will assist in the effort to link Washington's carbon market with that of California and Quebec.

For all the reasons sated above, Ecology should consider exempting no cost allowances deposited into an Electricity Allocation Holding account from the holding limit by including in WAC 173-446-150(2) the following language:

(X) The holding limits set in (a) and (b) of this subsection do not apply to allowances held in an electricity allocation holding account.

II. Conclusion

PacifiCorp appreciates the opportunity to provide informal comments in response to Ecology's Linkage Rulemaking. Thank you for your thoughtful consideration of this program. We look forward to further opportunities to comment and provide feedback.

Sincerely,

/s/ Kieran O'Donnell

Kieran O'Donnell

Director, Carbon Policy and Reporting

PacifiCorp

(503) 568-5305

kieran.odonnell@pacificorp.com