PACIFIC POWER
A DIVISION OF PACIFICORP

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Submitted via Ecology's Online Public Comment Form

Washington Department of Ecology
Climate Pollution Reduction Program
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Re: PacifiCorp's Informal Comments on Ecology's June 26, 2025, Cap-and-Invest Linkage Workshop on Centralized Electricity Markets

On June 26, 2025, the Washington Department of Ecology (Ecology) requested informal comments on its Climate Commitment Act (CCA), cap-and-invest centralized electricity markets topics. PacifiCorp receives no cost allowances commensurate with its service of retail customers in Washington 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 in and out of Washington and as an investor-owned electric utility (IOU). PacifiCorp is also committed to the California Independent System Operator's (CAISO) Extended Day Ahead Market (EDAM), slated to go live in May of 2026.

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, consistent pricing, and expand opportunities for the jurisdictions to achieve program goals. However, as discussed below, some of the proposals offered by Ecology during the June 26, 2025, workshop frustrate these linkage efforts for several reasons. In particular, Ecology's GHG Zone proposal directly conflicts with PacifiCorp's interjurisdictional cost allocation methodology approved by all six states of the Company's service territory, the GHG framework established by California for multi-state jurisdictional retail providers (MJRPs) like PacifiCorp, and the federally-approved CAISO tariff governing the Energy Imbalance Market (EIM) and, in the future, EDAM. Additionally, these proposals are in direct conflict with existing state law and create outcomes that do not fully capture the emissions associated with serving the state of Washington, pitting Washington against some of its neighboring states with similar utility decarbonization goals. Unless resolved, these problems discussed further below, will unnecessarily raise costs for Washington retail customers, will unlawfully interfere with wholesale price formation within the EIM and EDAM, will misappropriate environmental and economic benefits paid-for by PacifiCorp's non-Washington retail customers and those of other utilities. Neither PacifiCorp's ratepayers, nor the goals of CCA, would be served by proposals subject to such significant legal deficiencies, so PacifiCorp appreciates the opportunity for continued dialogue with Ecology to help address these concerns.

As a multijurisdictional retail provider, PacifiCorp shares its entire generation and transmission system among all six of the states PacifiCorp operates in (California, Idaho, Oregon, Utah, Wyoming, and Washington). The Washington Utilities and Transportation Commission (UTC), and the public utility commissions in the Company's other jurisdictions approve a cost allocation methodology for the Company's system that allocates costs are across its customers in each state. Today, PacifiCorp participates in the CAISO EIM and the costs and benefits resulting from the market dispatch of resources are allocated to each state based on PacifiCorp's 2020 inter-jurisdictional cost-allocation methodology.[1] PacifiCorp's shared system has provided substantial reliability and affordability benefits for its customers for decades.

In the EDAM, the Company will continue to allocate its system, as approved by the UTC and other state commissions, with the understanding that it will be treated as "outside" of the GHG Zone. This is the same treatment that has been adopted by the California Air Resources Board (CARB) under California's Cap-and-Trade program. Maintaining PacifiCorp's shared system as outside the GHG Zone is critical to protect the capital investments made by Washington and the other five states as this centralized electricity market (CEM) design is integrated into the Company's accounting practices, emissions reporting, and renewable portfolio standards.

Treating PacifiCorp's system as inside the GHG Zone will undermine the Company's long standing, six-state cost allocated methodology, and will have negative impacts on customers. For example, resources that are physically located within the state of Washington will be deemed to primarily serve Washington load, even though they have been paid for and allocated, in part, by and to PacifiCorp's other five states. The approved cost allocation methodology allocates PacifiCorp's Washington customers roughly eight (8) percent of PacifiCorp's renewable resources, leaving ninety-two (92) percent of resources to PacifiCorp's remaining states.[2] Therefore, the Company's customers in other states will be excluded from the costs and benefits of the resources within the state. Stated differently, this effectuates a regulatory taking of the economic and environmental benefits paid for by PacifiCorp's other retail customers. Similarly, including PacifiCorp' load in the GHG Zone would effectively disconnect Washington's load from out-of-state investments made on behalf of Washington customers, since all of Washington's load would be served through the market dispatch, requiring GHG bid adders. As a result, this would unnecessarily raise costs to Washington retail customers.

[1] https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2025-irp/2025_IRP_Vol_2.pdf

[2] Some resources are not allocated 8% to Washington. For example, some resources are "situs" assigned, meaning the resource is 100% allocated to a state, and the other five states do not pay for the resource. "Qualifying facilities" (QFs) under the Public Utility Regulatory Policy Act of 1978 (PURPA) are small generation facilities the Company must purchase power from and are often situs assigned. Additionally, certain emitting resources located in Oregon and Washington are allocated at 22% to Washington.

The following comments address Ecology's requested feedback in the order presented in the workshop materials.

I. MJRP Non-Retail Load: Ecology Should Define "Non-Retail Load" When Defining Load Not Serving Washington Retail Customers in an MJRP

Ecology proposed changes to WAC 173-446-124(2)(f)(i) to identify an electricity importer for electricity serving Washington load for a balancing authority area (BAA) not entirely located in Washington for "other than retail load." During the workshop, Ecology stated that the term "non-retail load" should mean "point source large customers like industrial customers" who purchase from a third-party marketer.[3] The Company requests that Ecology provide an explanation of what the agency is trying to accomplish with this proposed rule change. Also, Ecology should include a definition of "non-retail load" or "other than retail load" to reduce potential confusion later.

II. Balancing Energy and Wheel-throughs:

PacifiCorp supports Ecology's decision to not pursue amendments to separately account for balancing energy provided to in-state generators at this time, especially given the importance of other questions raised in this workshop.

III. PacifiCorp recommends that any additional definitions or clarifications regarding wheel-throughs should make clear that hubbing is a wheel-through category, whether the energy is specified or unspecified.

Wheel-throughs are a tool used during tagging primarily in the bilateral market in the day-ahead and real-time markets. Ecology described two categories of wheel-throughs, the first, which is a straightforward transaction where a purchaser tags energy and wheels through the state on a single tag, clearly indicating that no energy sank into the state. PacifiCorp interprets the second category of wheel throughs as a lesser-of analysis for wheel-through transactions under the hubbing arrangement concept (hubbing), as described in the utilities' white paper.[4] Under the

[3] Ecology's statements should be consistent with the Clean Energy Transition Act's definition of "Retail electric load" as "the amount of megawatt-hours of electricity delivered in a given calendar year by an electric utility to its Washington retail electric customers. 'Retail electric load' does not include (a) Megawatt-hours delivered from qualifying facilities under the federal public utility regulatory policies act of 1978, P.L. 95-617, in operation prior to May 7, 2019, provided that no entity other than the electric utility can make a claim on delivery of the megawatt-hours from those resources; or (b) Megawatt-hours delivered to an electric utility's system from a renewable resource through a voluntary renewable energy purchase by a retail electric customer of the utility in which the renewable energy credits associated with the megawatt-hours delivered are retired on behalf of the retail electric customer." RCW 19.405.020(35).

[4] See Appendix 2, page 37, EPE Documents - White Paper

hubbing paradigm, if a purchaser tags energy into the state and also tags energy out of the state for a single hour, then it can be inferred that no energy sank into Washington for that hour as the same quantity netted out.

Utilities have advocated that if a utility is sinking energy in one hour and exporting energy in the same hour, the energy is considered hubbing and therefore should not carry an obligation. During the workshop, Ecology described a scenario where a solar resource was assumed to serve load, but a gas resource was also imported for the same hour. Ecology highlighted that this could harm the integrity of the program if this practice continues. However, hubbing is a common practice that primarily occurs in the day-ahead bilateral market, and is not a result of centralized electricity market transactions.

Hubbing should be considered a wheel-through category, whether it is specified or unspecified, because whether those MWs are exported as system power at the same quantity, it is difficult to discern which resources are backing the transaction as it is now viewed as a common system pool of resources. Day-ahead energy is purchased at a specified resource, sunk into the system, and exported out of the system mix. In that same instance, the same quantity of energy is exported from the system and there is no clear path for discerning what resources were exported if not specified. As there is no clear path to discerning what resources are being exported out, if not specified, PacifiCorp believes Ecology should adopt hubbing. In real-time operations, if a utility purchases energy that sinks in its system, that energy would remain as it was purchased for either economic displacement opportunities or reliability reasons making this practice a non-issue for real-time.

IV. CEMs Timing: Aligning Treatment of EIM/EDAM

Ecology's current rule requires EIM participants to report their purchases to Ecology for the 2023-2026 compliance period, but the purchases do not count toward their CCA obligation.[5] There is no similar rule for EDAM participants and EDAM is set to go-live in May of 2026, prior to the end of the first CCA compliance period. Due to EDAM's go-live date near the end of the CCA's first compliance period, the most reasonable approach would be for Ecology to provide guidance to CAISO to not implement the GHG design for Washington for calendar year 2026, resulting in no compliance obligation for EDAM and EIM participants, and give market participants, regulators, and stakeholders more time to develop a suitable process beginning no earlier than 2027.

PacifiCorp is currently the only stakeholder serving Washington retail customers that will be an EDAM participant in 2026 and as such, supports Option C at this time. Option C ensures that

[5] WAC 173-441-124(3)(a)(v)

Ecology and stakeholders have sufficient time to appropriately define the GHG Zone. Option C will also allow Ecology, the market operator, and market participants to evaluate the emissions intensity of energy serving Washington from the centralized market by providing several months of valuable data. Finally, Option C also gives Ecology and stakeholders an opportunity to discuss outstanding issues on incorporating CEM purchases and sales into reporting. Some of these issues include if – and how – to incorporate a market's emissions accounting proposal, like that of CAISO's Greenhouse gas coordination working group ("GHG Working Group"), into reporting and if – and how –MJRPs will incorporate CEM purchases and sales into their reporting. PacifiCorp does not support Option D, as that could create a mismatch in obligations and may corrupt valuable EDAM data and insights in 2026.[6]

V. Surplus and Emissions Leakage

Ecology requested feedback on leakage, including input on Ecology's initial assessment of leakage risk and mitigation associated with each market's GHG design, and what other market elements increase or decrease the risk of emissions leakage. Generally, emissions leakage is an increase in GHG emissions outside of a jurisdiction resulting from emissions reduction requirements inside the jurisdiction. PacifiCorp stands by prior comments that assert deferring specific regulatory action on leakage until market data is available to assess potential leakage resulting from market participation.

a. Ecology is not Considering Leakage from Resources Located in Washington State But Cost Allocated to Other States

Ecology's presentation does not discuss the leakage resulting from resources cost allocated to states other than Washington but placed in a GHG Zone under Ecology's proposal. PacifiCorp balances the generation and load of the entire system across its six states. This balancing happens without consideration of state borders, but rather generation and transmission connectivity. Some resources – like PacifiCorp's hydroelectric generation fleet located in the state of Washington – are committed to serve load inside and outside of Washington in PACW. This means, that if these resources are considered inside the GHG Zone, EDAM may count their non-emitting generation as having served Washington when in fact, others states paid for that energy and are entitled to the benefits.

PACW's generation located in Washington is often higher than the load located in Washington. If the Company's generation located in Washington is considered inside the GHG Zone, the market optimization will count PACW's generation, in excess of its native load, as dispatched to serve other Washington load. Under the current state, PacifiCorp's generation is considered outside the

[6] UE-210183, April 1, 2025 draft rules

GHG Zone and this excess generation is exported and used to support PacifiCorp's load in Oregon and California, which generally have less generation than their load.

Counting PacifiCorp's generation, located in Washington, but cost allocated to all its states inside the Washington GHG Zone results in the market overcounting the generation that is dispatched to serve Washington and undercounting imported electricity, that would have otherwise been deemed to serve the state, leading to leakage. This situation materializes as there is not a mechanism to include or exclude a percentage of a resource as inside the GHG Zone.

The simplest way for Ecology to avoid this leakage scenario described above is to exclude PacifiCorp's generation from the GHG Zone, described further below. This would ensure the market runs most efficiently and respects the cost allocation methodology of resources approved by all six states, akin to the treatment of committed capacity and committed contracts included in the EDAM design.

b. CARB's Outstanding Emissions Calculation should be Improved Before Ecology Considers Implementing it in Washington

As a covered load-serving entity in California, PacifiCorp has direct experience with CARB's existing EIM Outstanding Emissions calculation and has identified two issues with the calculation.

First, the Outstanding Emissions calculation causes leakage and undercounts emissions by including EIM purchases for load-serving entities that are not in CAISO, like PacifiCorp, in the calculation. PacifiCorp's EIM purchases are counted as part of the reported EIM imports used to serve California but are not included as part of the resources deemed delivered to the state. This means CARB is undercalculating emissions from every MWh that a non-CAISO load-serving entity reports. Ecology should be mindful of how MJRPs are considered in calculating any Outstanding Emissions calculation and ideally, exclude them from the calculation.

Second, assuming Ecology adopts CARB's Outstanding Emissions calculation, the calculation would not be applied based on the Washington BAA that caused the electricity to get imported into the state; it would be applied based on retail sales. This means a Washington retail provider that causes disproportionally more imports to the state by having their generation not dispatched, as opposed to other retail providers, does not bear more of the responsibility for outstanding emissions. Outstanding emissions should be based on CEM settlement data that shows which entities were importing more into the GHG Zone, and thus more responsible for any leakage.

Given the importance of addressing leakage thoroughly, PacifiCorp recommends a separate workshop or set of comments dedicated to leakage. A leakage framework is not necessary prior to EDAM go-live. CARB waited until 2018 to address leakage with the Outstanding Emissions calculation, nearly four years after EIM go-live in 2014 and after substantial stakeholder engagement.

If Ecology does choose to move forward with an Outstanding Emissions calculation, PacifiCorp recommends EIM and EDAM purchases to serve load outside the GHG Zone should not be included in the Outstanding Emissions calculation and the obligation should be split up based on the entities responsible for energy imported to the GHG Zone.

VI. MJRP and WA GHG Zone: Ecology's Proposal to Consider MJRP Load as "Inside" the GHG Zone Raises Significant Cost, Policy, and Legal Concerns

Ecology's proposal to consider MJRP load as "inside" the GHG Zone, as shown in the June workshop materials,[7] raises unnecessary and significant cost implications for Washington retail customers, as well as substantial legal and policy concerns. Specifically, Ecology's proposal is inconsistent with the statutory definition of "imported electricity," and the agency does not have the discretion to define the GHG zone inconsistent with existing state law. PacifiCorp continues to strongly support Ecology treating PacifiCorp's PACW load as outside the Washington GHG Zone, as shown on slide 76 of the workshop materials, and reiterates its prior comments submitted on the topic.[8] In addition to the substantive problems posed by Ecology's proposal, which are outlined below, PacifiCorp is greatly concerned about raising such a complex issue ten months before EDAM is scheduled to go-live. Ecology had not publicly expressed a preference for departing from California's treatment of MJRP load as outside the GHG Zone until this workshop. Nor was such a policy departure by Ecology foreseeable, given that it directly contradicts state law and Ecology's articulated goal of linking with the California GHG market—which expressly excludes MJRP load from the California GHG Zone. PacifiCorp strongly supports Ecology issuing guidance stating that MJRP load and generation are both outside the GHG Zone, at the very least, for 2026, while stakeholders, including the UTC, evaluate the ramifications of considering MJRPs as inside the GHG Zone and provide feedback to Ecology.

a. Ecology's Proposal is an Arbitrary and Capricious Policy Departure that Jeopardizes the Efforts to Link Washington's GHG Market to California and Quebec's Markets

As noted previously, PacifiCorp supports efforts to link Washington's carbon market with those of California and Quebec — but Ecology's GHG Zone proposal would do just the opposite. Specifically, a policy that deems MJRP load as "within" the Washington GHG Zone expressly *diverges* from the policy approach taken by CARB under California's cap-and-trade program. As recognized by California's regulators, excluding MJRP load from the applicable GHG Zone enables MJRPs to continue cost-effective service to California residents by ensuring proportional cost sharing consistent with approved multi-state frameworks. Indeed, a CARB policy of assuming PacifiCorp's MJRP load as *within* the California GHG Zone would risk raising costs on

[7] June Workshop presentation at Slide 75.
[8] April 18, 2025, electricity forum comments

Washington ratepayers, and potentially confiscate Washington ratepayer-paid environmental benefits in the same manner that Ecology's proposal threatens to do to California and Oregon retail ratepayers. This approach is not only bad policy that is misaligned with Ecology's broader goal of strengthening — not weakening — links to California's GHG market, but it would also represent an arbitrary and capricious policy departure from that clearly articulated policy goal.[9]

b. Deeming MJRP Load (and System Resource Located in Washington) as "in" the Washington "GHG Zone" Will Significantly Impact PacifiCorp's Current EIM Participation and Future EDAM Participation — Raising Costs for Washington and Serious Legal Questions

In addition to drastically departing from California's established, and effective, approach to addressing MJRP load, Ecology's proposal would adversely impact PacifiCorp's current EIM participation and future EDAM participation in a way that will likely raise costs for PacifiCorp's customers and raise serious regulatory takings and dormant commerce clause concerns.

First, as discussed further below, Ecology's proposal to consider MJRP load as "in" the Washington "GHG Zone" would increase costs on PacifiCorp's Washington customers.[10] This is largely due to the interplay between market dispatch protocols in the EIM currently (and in in EDAM in the future) and PacifiCorp's cost-allocation framework.

It is impossible to trace MWs and electrons from the generating resource to the load being served. This is true both on PacifiCorp's six-state system and in a larger CEM. Therefore, in EDAM the GHG accounting is done by deeming resources to have served load within a GHG Zone using a GHG allowance price that is reflected in the resources GHG bidder adder for resources that are physically located as outside of the GHG Zone on a voluntary basis. Generation physically located in the GHG Zone includes the GHG costs embedded in its normal energy bid. The load within the GHG Zone pays the marginal GHG price on all imported energy into the GHG Zone. In other words, if any portion of PacifiCorp's Washington load (or any Washington load) is served by even a single MW from a GHG-emitting resource, and that GHG resource were to set the market clearing price, every Washington customer served during that same interval will pay the marginal GHG costs of that single MW of GHG generation. To illustrate: assume that during a single hourly interval, the EIM serves PacifiCorp Washington load from 99 MW of non-emitting Wyoming wind resources and 1 MW from a Wyoming gas-fired generator, which, because it is more expensive, sets the marginal GHG clearing price for the interval. Because PacifiCorp's Washington load would be deemed "in" the Washington GHG Zone, all Washington ratepayers would pay the

[9] *See, e.g.,* RCW 34.05.570(2)(c), (3); *Hillis v. Dep't of Ecology*, 131 Wn.2d 373, 383 (1997) ("Agency action is arbitrary and capricious if it is willful and unreasoning and taken without regard to the attending facts or circumstances.").

[10] PacifiCorp understands that Ecology's proposal was limited to considering WA MJRP load as within the GHG Zone, but, as explained further in Part VI.d, PacifiCorp's position is that both PacifiCorp loads and resources must be deemed outside the Washington GHG Zone.

marginal GHG cost of that 1 MW of gas-fired generation on all imported electricity despite having invested in renewable resource outside of Washington. Washington ratepayers would be forced to pay twice for the same clean generation (once under CETA in proportion to Washington's allocated costs for that generation) and again through a GHG Bid Adder for that energy to import into Washington.

Using the same example outlined above, assume further: during that same market interval, Washington load constituted only 20% of the 99 MW being served from PacifiCorp's Wyoming wind fleet. Because PacifiCorp's Washington load would be deemed "in" the Washington GHG Zone, Washington could claim entitlement to nearly 20 MW of environmental benefits (i.e., 20% of 99 MW), rather than the cost allocation approved approximately 8 MW of environmental benefits, which represents Washington state's 8% allocation of those wind resources. Every MW of environmental benefits beyond what Washington state's entitled 8% allocation is, by definition, taken from non-Washington customers.

Second, by both raising costs on Washington ratepayers and confiscating the environmental benefits owed to non-Washington ratepayers, Ecology's proposal raises significant legal concerns. In essence, Ecology's proposal could be challenged as depriving non-Washington ratepayers environmental benefits to which they are entitled without just compensation.[11] For these same reasons, this proposal could also be vulnerable to dormant commerce clause violation claims, as the practical result is a discriminatory impact on non-Washington ratepayers.[12]

To illustrate some of the practical implications of Ecology's proposal, below PacifiCorp outlines the various approaches to defining "GHG Zone" relative to MJRP resources and load. PacifiCorp appreciates Ecology's description during the workshop of different scenarios of MJRP load as inside and outside the GHG Zone. The following descriptions provide detail on the market operation and participation and potential implications of MJRP treatment inside and outside the GHG Zone.

MJRP generation **inside** the GHG Zone and Washington load **outside** the GHG Zone:

- When Washington is importing, all in-state generation would have been assumed to serve Washington load, and in the future California load is programs link, before importing from external resources. This is a cause for concern as PacifiCorp's owned Washington

[11] U.S. Const. Fifth Amend.

[12] *See, e.g., Nat'l Pork Producers Council v. Ross,* 598 U.S. 356 (2023); General Motors Corp. v Tracy, 519 U.S. 278, at 298, n. 12 (citing to *Pike v. Bruce Church, Inc*., 397 U.S. 137, 142, 25 L. Ed. 2d 174, 90 S. Ct. 844 (1970) for the proposition that "even nondiscriminatory state legislation may be invalid under the dormant Commerce Clause, when, in the words of the so-called Pike undue burden test, 'the burden imposed on [interstate] commerce is clearly excessive in relation to the putative local benefits,'"); *Rosenblatt v. Santa Monica*, 940 F. 3d 439, 452 (9th Cir. 2019).

in-state generation would be taken from non-Washington customers who have invested those resources.

- With PacifiCorp’s Washington load as outside, will allow for market transfers to flow from the broader market without the need for GHG bid adders to do so. This allows for resources, such as Wyoming wind and Utah solar that Washington customers are paying for, to serve the PacifiCorp Washington load.

- Washington (inclusive of non-PacifiCorp Washington load) will have the first pass on PacifiCorp generation located within the state to serve load. This causes concern as those resources have been cost allocated to non-Washington PacifiCorp customers.

- GHG Zone counting a BAA’s generation without the same BAA’s load creates a large oversupply of generation in the state.

- Downstream impacts would disallow PacifiCorp generation to be allocated to its other five states on the system.

MJRP generation and load both **inside** the GHG Zone

- GHG Zone counts generation cost allocated to all six states PacifiCorp serves as dispatched to Washington. Washington would have exceeded its eight (8) percent allocation on PacifiCorp resources.
    - It is up to utility discretion whether they *willingly* wish to serve load in a GHG Zone and this change would take that choice away from the utility.

- PacifiCorp's generation in Washington exceeds its load and as such, would have its resources dispatched within the state to serve Washington prior to the GHG Zone importing from external resources.

- This would not serve to attract additional supply to the state from the broader market which was communicated as a priority for Ecology. PacifiCorp resources would be used to serve Washington load first.

- To combat the dispatch of PacifiCorp’s in-state resources to outside of Washington, PacifiCorp would need to self-schedule resources to parts of its system outside of the GHG Zone so that they would not be used to serve Washington load.
    - Self-schedules will assume the locational marginal price (“LMP”) of the market, even if that LMP is below resource costs.
    - PacifiCorp views this to harm benefits sought out by market participation and understands that this is not a desired outcome.

- PacifiCorp's Washington customers have already invested in clean resources on the system. Including its load within the GHG Zone will result in a double payment of renewables by PacifiCorp Washington retail customers. The first payment would have been the cost allocated share, and the second payment would be the GHG marginal price.
    - If the marginal resource to serve Washington is an emitting resource, then PacifiCorp's Washington customers would be paying a premium for renewable generation that it would have already been allocated.

MJRP generation and load **outside** the GHG Zone – most consistent with the CCA, EIM/EDAM dispatch protocols, and PacifiCorp's cost allocation framework approved by all six states:

- PacifiCorp is still able to receive renewable resources from the broader market footprint without being restricted by requiring GHG bids.

- No PacifiCorp generation cost allocated to the other five PacifiCorp states would be at risk of being within the first market pass to be dispatched to Washington load.

- Mitigation of risk for resources dispatched to serve Washington when in fact, they should not be included in the market dispatch algorithm.

- PacifiCorp's resources will not require a GHG bid adder to serve PacifiCorp Washington load.

c. Ecology's Proposal to Treat MJRPs as inside the Washington GHG Zone is Also Inconsistent with State Law

Interpreting MJRP systems and loads to be "in" the Washington GHG Zone is inconsistent with the CCA's statutory framework as well as the UTC-approved cost allocation methodology. Through the CCA, the Washington Legislature seeks to, in part, reduce Washington greenhouse gas emissions through a cap and invest program.[13] Ecology's proposal purports to be consistent with the CCA's "imported electricity" framework, but it ignores key language from the CCA itself. Under the statute, "imported electricity" means "electricity generated outside the state of Washington with a final point of delivery within the state."[14]

The more applicable statute is the imported electricity definition specific to a multijurisdictional electric company, shown below (bolded for emphasis):

[13] *See* RCW 70A.65.005, .010(58), .060-.080.
[14] RCW 70A.65.010(42).

(e) For a multijurisdictional electric company, "imported electricity" means ***electricity, other than from in-state facilities, that contributes to a common system power pool****. Where a multijurisdictional electric company has a cost allocation methodology approved by the utilities and transportation commission, the allocation of specific facilities to Washington's retail load* ***will*** *be in accordance with that methodology.*

The statute clearly states that in-state generation facilities are the only resources that do not contribute to the common system power pool. The legislature chose not to exclude CEM imports as a contributor to a common system power pool, implying that they are part of the common power pool that, as a whole, is considered an import to the state. The statute's use of "electricity … that contributes to a common system power pool" implies a variety of electricity resources can be used to serve customers, including generation, bilateral purchases, and CEM energy transfers, and market purchases. If the legislature intended for CEMs to be excluded from the notion of "common system power pool", the legislature would have clearly specified that treatment (e.g., by limiting "common system power pool" to owned generation or bilateral purchases). The statute does not use such limiting language, however, which is appropriate, given the well-established trend in the West, including among PacifiCorp and other Washington utilities, toward incremental expansion into organized wholesale markets, due to the significant cost-savings potential for customers. Ecology cannot claim that the legislature overlooked electricity market purchases as part of the common system power pool; the legislature was aware of electricity markets' importance and required Ecology to adopt a methodology for addressing centralized electricity market purchases.[15]

Moreover, nothing in RCW 70A.65.010(42) or elsewhere in statute describes if and how Washington load should be treated. As PacifiCorp understands, Ecology interprets RCW 70A.65.010(42)(e) such that that anything "imported" into Washington must be imported into the Washington GHG Zone, which implies that all Washington load must thereby be in the GHG Zone. However, the statute does not say whether all Washington load must be considered in the Washington GHG Zone. Rather, the statute merely describes what an electricity import is. In addition, interpreting "electricity…other than from in-state facilities" to refer to Washington-located generation — and, thus, that such generation must not be "imported" and impliedly within the "GHG Zone" — runs headlong into a statutory interpretation problem: if generation is considered within the GHG Zone, how can Ecology ensure that "the allocation of specific facilities Washington retail load will be in accordance with" the "cost allocation methodology approved by the utilities and transportation commission." In other words, Ecology's preferred reading of the statutory definition of "imported electricity" as applied to MJRPs like PacifiCorp would read the final sentence out of the statute.[16] Rather, the only statutory construction that is consistent with existing PacifiCorp cost allocation framework and EIM/EDAM dispatch protocols — over which Ecology has no jurisdiction to change or influence — is a construction that interprets all PacifiCorp

[15] RCW 70A.65.080
[16] *Stone v. Chelan County Sheriff's Dep't,* 110 Wn.2d 806, 810 (Wa. 1988) ("Statutes should not be construed so as to render any portion meaningless or superfluous").

load and Washington resources as outside the Washington "GHG Zone". This approach would also be consistent with previous Ecology action regarding other Washington state generation. For example, Ecology has made exceptions for load or electricity in the state borders of Washington but outside the GHG Zone; parts of the MID-C trading hub are one such example.

Additionally, Ecology's GHG Zone proposal would reallocate costs to Washington ratepayers in violation of the cost-allocation methodology approved by the UTC and the other five states. As relevant to these comments, the UTC, and not Ecology, has exclusive retail electric ratemaking authority,[17] and is tasked with setting "just, fair, reasonable and sufficient" rates.[18] The UTC has effectuated this jurisdiction through the cost allocation methodology, which allocates to Washington state customers a proportionate share of PacifiCorp's system-wide transmission and pooled generation costs. As discussed previously, Ecology's proposal to include MJRP loads within the Washington GHG Zone — in combination with EIM (and EDAM) dispatch and the cost allocation — could impose a system-wide GHG Bidding Adder on PacifiCorp's entire fleet in order to be deemed to serve PacifiCorp's Washington load.

Ecology lacks any authorization over cost allocation of retail electric rates. In fact, the imported electricity framework under the CCA explicitly contemplates adherence to PacifiCorp's existing cost allocation methodologies — which Ecology cannot lawfully read out of the statute.[19] Ecology's GHG Zone proposal, without authorization from the Legislature or apparent coordination with UTC, would effectively implement its own cost allocation methodology that does not adhere to longstanding cost allocation principles approved by the UTC and the other five states. Stated differently, beyond the federal takings and dormant commerce clause concerns articulated above, Ecology's GHG Zone proposal encroaches on the UTC's exclusive retail rate authority by reallocating GHG costs in violation of the UTC-approved cost allocation framework.

d. Including MJRP Washington Load as in the Washington GHG Zone Would Prevent the MJRP from Bidding Resources to Serve its own Washington Load and Negatively Impact Other States

The practical implications of Ecology's GHG Zone proposal become clearer particularly in the context of how PacifiCorp's system-wide pool of resources is utilized within EIM and will be utilized in EDAM in the future. Simply put, including MJRP load in Washington within the Washington GHG Zone, prevents MJRPs from bidding their own resources to serve their Washington load, even if those resources are partially cost-allocated to Washington. California's CARB recognizes this practical reality, and, unlike Ecology's proposal, considers MJRP system to be outside the California GHG Zone. MJRPs with generation costs shared across multiple states

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[17] *See* RCW 80.01.040(3) The Commission shall "Regulate in the public interest, as provided by the public service laws, the rates, services, facilities, and practices of all persons engaging within this state in the business of supplying any utility service or commodity to the public for compensation."
[18] RCW 80.28.010.
[19] *See* RCW 70A.65.010(42)(e).

have the ability to bid MW capacity into the GHG Zone, however, there's no way to bid in a percentage of a resource into the GHG Zone which is what the cost allocation alignment would require.

For example, if PacifiCorp has a 100 MW capacity wind generation facility, under its approved cost allocation methodology, Washington's share of that resource would be 8 MWs out of the 100 MWs. If PacifiCorp's generation was to be included in the GHG Zone, the entirety would be dispatched to serve total Washington load even though Washington customers only paid for 8 MW (i.e., 8%) as a specified sale. Furthermore, if the 100 MW resource was dispatched at 20 MWs, there is no way to restrict the market dispatch to only account for 8% of that dispatch to Washington (i.e., Washington's share of in-state resources) which would serve to restrict the quantity that Washington is allowed to claim as serving load in the state.

e. Including Generation Cost Allocated to Other States in a GHG Zone Would Misallocate the Environmental and Economic Benefits Paid for by Non-Washington Ratepayers

As discussed above, Ecology creating a GHG Zone that includes MJRP generation cost allocated to states other than Washington means the GHG Zone includes generation that Washington is not paying for, therefore overcounting the generation that is considered to serve Washington and undercounting the energy the state needs to serve the GHG Zone.

The EIM and EDAM do not – and cannot – separate generation as partially inside or outside a GHG Zone, which effectively means that Ecology's proposal will foist additional costs on Washington ratepayers and unduly reallocate environmental benefits all in violation of PacifiCorp's six state approved cost allocation framework. As discussed previously, PacifiCorp must serve all retail customers across its six states through a cost-allocation framework that is vetted by multiple regulators, including the UTC. Ecology's proposal would upend this framework, impose increased costs on PacifiCorp's Washington customers, confiscate economic and environmental benefits that were paid-for by non-Washington retail customers, and prohibit Washington customer from the benefits of out-of-state renewables that they have paid for.

The treatment of generation located in Washington, but cost allocated to other states, as inside the GHG zone effectively pits Washington against its neighboring states that have similar decarbonization laws. For example, if a renewable resource located in Washington and cost allocated to Oregon and Washington is considered in Washington's GHG zone, it will be deemed to serve Washington load. However, since the resource is cost allocated to Oregon, Oregon law would require PacifiCorp to include its portion of this resource in its greenhouse gas reporting and fuel mix reporting requirements, directly inconsistent with the market run of the resource. Therefore, Washington's proposal to include PacifiCorp's generation in GHG Zone puts Washington in conflict with neighboring states.

f. Splitting Market Dispatch From Cost Allocation and Carbon Accounting Jeopardizes Adoption of CEM Carbon Accounting Frameworks

Ecology setting a GHG Zone that includes generation neither paid for nor cost allocated to Washington jeopardizes adoption of CEM carbon accounting frameworks, like May 16, 2025, CAISO GHG Accounting and Reporting Straw Proposal (the straw proposal). The straw proposal offers an after-the-fact report that provides transparency into the emissions associated with the dispatch of an entity's portfolio. The straw proposal was developed with feedback from the CAISO GHG Working Group, of which Ecology is a regular participant. Under the straw proposal, a BAA's dispatched owned and contracted resources serve its load – subtracting for owned or contracted resources attributed to a GHG Zone or GHG pricing region. PacifiCorp's customers in its six states pay for the entirety of its Washington hydroelectric fleet and should claim those resources in their dispatched owned resources in a CEM carbon accounting framework. However, if these resources are in the Washington GHG Zone, Washington would first count this generation to solve for any shortfalls within the GHG Zone and serving Washington prior to giving additional excess generation to the residual market rate. Double counting has been a major concern in the CAISO GHG Working Group, but Ecology's proposal to include PacifiCorp's load in the GHG Zone creates the exact issue CAISO and Ecology seek to manage either taking the claim to zero-emission energy from other states or potentially double counting that zero-emission energy. CAISO's after-the-fact approach has not explored how to account for electricity generation inside of a GHG Zone that is cost allocated to states that do not have a GHG Zone.

g. Including PacifiCorp's System in the GHG Zone Would Likely Increase Costs for Washington Customers

The market is resource agnostic and will optimize based on price. While clean resources are typically cheaper to dispatch due to GHG costs associated with bid adders, emitting resources may still set the market clearing price as the marginal resource to meet supply. This outcome would have significant cost implications when paired with Ecology's GHG Zone proposal. For example, hydro is a non-emitting resource that would have a GHG bid adder of $0 if it were dispatched to serve a GHG Zone.[20] Also, there may be instances where clean resources are not the most economic to serve Washington. In this case, a gas resource could be picked to serve Washington load over a hydro resource due to the bid stacking order. If hydro was then selected, because it was the next marginal resource, Washington customers would still pay for the marginal GHG cost due to the price curve and would also require that a hydro resource has a GHG bid adder signaling its willingness to serve the GHG Zone. This essentially means that Washington customers are charged twice, once as part of PacifiCorp's investment in the hydro resource (for which Washingtonians are allocated costs), and again through the GHG bid adder.

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[20] There are instances in which non-emitting resources, like hydro, may have a high price reflecting its costs to serve load as higher due to it being a use-limited resource.

h. PacifiCorp Disagrees with Ecology's View that CEMs Will Significantly Impact Emissions Calculations in Washington and Requests that Ecology Discuss how CEM Accounting will be Incorporated into Reporting

Ecology's exploration of MJRP GHG Zone treatment rests on a concern that MJRPs are a sizable portion of the state's electricity sales and CEMs will drastically shift how electricity serves retail load in Washington. While MJRPs serve about 10% of Washington's load, emissions accounting will not dramatically change under Ecology's current or proposed Linkage rules. PacifiCorp supports Ecology first determining the extent to which CEM market accounting frameworks will be adopted before treating MJRP CEM participation as a key driver of the state emissions and a priority for regulatory and stakeholder consideration.

Currently, Ecology's emissions accounting largely rests on calculating obligations using emissions from owned generation, purchased electricity, and sold electricity.[21] CEMs are just one piece of the electricity bought and sold, and market participants will still largely rely on their own generation and purchases to meet their own energy needs to ensure reliability and resource adequacy. EDAM participants will bid all resources into the market but will only count emissions from transfers into their BAA toward their compliance obligation. For example, in 2023, PacifiCorp's EIM purchases – whether counted as part of the company's out-of-state system mix in Workbook TWO or as an unspecified import reported in Workbook ONE – accounted for roughly 1% of all MWh used to serve its Washington retail customers. Assuming other MJRPs also serve 1% of their load with market purchases and MJRPs make up 10% of the state's load, this would amount to 0.1% of all electricity delivered to Washington customers in 2023.

As stated above CAISO's straw proposal outlines how CAISO would calculate energy and emissions for market participants using an after-the-fact accounting methodology. This approach allows market participants to choose what resources it would count towards its own emission accounting and what resources to put into the residual mix, which net buyers would use to calculate obligations from their short positions. This proposal, if adopted in whole or in part, would mark a significant change compared to how utilities currently calculate emissions under Ecology's rules. Most, if not all, emissions reporting under the CCA is self-reported, but the straw proposal, if adopted by Ecology as a whole or in part, would likely be the first time Ecology would use market operator data to calculate a residual emission rate, emissions obligations, or allow an entity to choose what resources it counts towards its obligation.

Ecology has not indicated if, or how, CAISO's accounting proposal or its Markets+ counterpart would be incorporated into electricity reporting. PacifiCorp finds it premature for Ecology to suggest that CEMs will dramatically change emissions reporting in Washington without knowing how Ecology will incorporate market purchases into reporting.

[21] WAC 173-441-124(3)(b)

PacifiCorp requests that Ecology discuss if and how CEM accounting proposals will factor into emissions reporting at an upcoming workshop. Given the complexity of these proposals and CEM transactions, stakeholders should be given ample time to discuss how these transactions will flow through and allow covered entities to make any necessary changes to their practices to ensure they know how transactions will be properly accounted for in reporting and as part of their obligation.

i. PacifiCorp Supports Subtracting MJRP Generation Supporting Market Load From MJRP Owned Generation

PacifiCorp supports specified MJRP generation supporting market load to be subtracted from MJRP owned generation, much like EIM specified sales to California are considered today. This treatment best reflects how the Company allocates proceeds from market sales to states based on cost allocation and ensures that market dispatch, cost allocation, and emissions are aligned.

PacifiCorp cannot comment on the consideration of unspecified generation being subtracted from MJRP owned generation until more is known on how Ecology intends to define the GHG Zone, whether Ecology will adopt, entirely or in part, the CAISO straw proposal, and how CEM purchases will be incorporated into MJRP reporting.

j. Ecology's Washington GHG Zone Proposal Raises Troubling Legal Concerns

As discussed briefly above, Ecology's proposal to consider MJRP load to be "in" the GHG Zone raises significant policy and legal concerns. First, Ecology appears to have arbitrarily and capriciously departed from previous policies favoring strengthening links to GHG markets in California and Quebec—when its proposal would do just the opposite as the approach taken in California. Second, when considered in tandem with EIM and EDAM market rules and PacifiCorp's multi-state cost-allocation framework, Ecology's proposal would significantly increase costs on Washington through an overly expansive GHG Bid Adder application and would unduly confiscate environmental benefits from non-Washington ratepayers. Such cost decisions are solely the province of UTC and, in any event, directly contravene the cost allocation framework approved by all six states — a framework to which Ecology must adhere, pursuant to the CCA.[22] Third, state law concerns aside, Ecology's proposal also raises significant federal regulatory Takings concerns through cost reallocation and environmental benefit confiscation adversely impacting non-Washington ratepayers. Fourth, for these same reasons Ecology's Proposal would also discriminate against interstate commerce. That is to say, Ecology's proposal would result in

[22] RCW 70A.65.010(42)(e) ("For a multijurisdictional electric company, "imported electricity" means electricity, other than from in-state facilities, that contributes to a common system power pool. ***Where a multijurisdictional electric company has a cost allocation methodology approved by the utilities and transportation commission, the allocation of specific facilities to Washington's retail load will be in accordance with that methodology***.") (emphasis added).

discriminatory treatment of non-Washington retail customers.[23] Indeed, as set forth above, Washington ratepayers could be allocated environmental benefits from PacifiCorp's system-wide generation pool well in excess of Washington's approved cost allocation — which, by definition, means that fewer environmental benefits flow to non-Washington ratepayers who rightfully paid for them.

PacifiCorp does not believe that CCA implementation must necessarily conflict with long-standing cost allocation requirements or CEM dispatch protocols. In fact, California's GHG framework demonstrates how such frameworks can coexist while ensuring customer protections are ensured and GHG goals are met. PacifiCorp encourages Ecology to adopt this model, which has proven to be durable and effective. As it stands now, however, Ecology's proposal to include MJRP load within the Washington GHG Zone would have exactly the opposite effect, which would needlessly increase costs to Washington ratepayers and shroud CCA implementation in unnecessary regulatory and legal uncertainty.

k. PacifiCorp Requests that Ecology Describe How and if it has Engaged with the UTC and Washington Department of Commerce in this Rulemaking

The Climate Commitment Act requires Ecology to consult with the Washington Department of Commerce (Commerce) and the UTC in its adoption of a rule for the methodology for addressing imported electricity associated with a CEM.[24] Ecology's workshop slides state that the agency wants the market to "consistently signal" for lower emitting electricity.[25] However, the UTC is responsible for evaluating and approving cost allocation proposals, ensuring just and reasonable rates for Washington customers, and measuring compliance under the state's primary electricity decarbonization driver, the Clean Energy Transformation Act. PacifiCorp is concerned that Ecology may be overstepping its role and requests that Ecology demonstrate if and how it has consulted with UTC and Commerce to arrive at its policy direction.

l. MJRP Load *and* System Generation Should be Outside the GHG Zone

Previously, PacifiCorp submitted comments recommending Ecology define the GHG Zone in guidance, consistent California's treatment of MJRPs in its GHG Zone, and based on an existing imported electricity statutory framework.[26] PacifiCorp reiterates these comments and urges Ecology to consider an MJRP's load and generation as both outside the GHG Zone, consistent with its cost allocation methodology approved by all six states, in order to reduce risk to the market,

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[23] *See, e.g.*, *Healy v. Beer Inst*., 491 U.S. 324, 336-337 (1989) ("Generally speaking, the Commerce Clause protects against inconsistent legislation arising from the projection of one state regulatory regime into the jurisdiction of another State."); *see also Nat'l Pork Producers Council v. Ross,* 598 U.S. 356, 354 (2023) (citing additional support).
[24] RCW 70A.65.080(1)(c)(ii)
[25] June 26, 2025 Ecology workshop, slide 75
[26] PacifiCorp's April 18, 2025, informal comments, available here: https://ecology.commentinput.com/comment/extra?id=3EcWra5QH

lessen the potential for leakage, and maintain affordability for PacifiCorp's customers. If PacifiCorp's load, located in Washington, is considered inside the Washington GHG Zone, it will be separated from the rest of the PACW system and will require a GHG bid adder to be served from resources outside of Washington, as discussed above. This will cost Washington customers more, challenging affordability, and it will undermine the cost allocation methodology approved by all six states. Market dispatch, cost allocation, and emissions accounting should align as much as possible to ensure that energy serving customers is appropriately accounted for from a cost-allocation and emissions reporting standpoint. Misalignment between these three pillars results in double-counting and leakage and may infringe on other state's clean energy claims. Therefore, for the best market, emissions, and customer outcomes, MJRP generation and load should be bundled and considered outside the GHG Zone.

VII. Conclusion

PacifiCorp appreciates the opportunity to provide informal comments in response to Ecology's Linkage Workshop on Centralized Electricity Markets. As detailed above, some of Ecology's proposals present significant risks to PacifiCorp and its customers. We appreciate Ecology's thoughtful consideration of this program, and we look forward to further opportunities to comment and provide feedback.

Sincerely,
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