PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

August 15, 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 July 22, 2025, Cap-and-Invest No Cost Allowance Workshop

On July 22, 2025, the Washington Department of Ecology (Ecology) requested informal comments on Climate Commitment Act (CCA) cap-and-invest no cost allowance topics. 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 in and out of Washington and as an electric investor-owned utility (IOU).

As an initial matter, PacifiCorp reiterates its prior comments and urges Ecology to recognize the well-established position that Washington's Clean Energy Transformation Act (CETA)—not the CCA—is the *primary* driver of decarbonization in the electricity sector. Ecology's characterization of the CCA and CETA as "complementary tools" under the state's "portfolio approach" overlooks key distinctions between the two laws and the legislature's clear intent. For example, while Ecology correctly highlighted CETA's direct and enforceable electricity-specific mandates—such as the coal generation prohibition and the carbon neutrality standard—it did not clearly connect these mandates to CETA's essential planning and procurement requirements. These requirements provide utilities with a framework to justify investments in renewable energy and incorporate vital considerations of equity, reliability, and affordability into decarbonization. In contrast, the CCA is a market-based program that applies broadly across sectors and does not prescribe industry-specific, justifiable decarbonization pathways for utilities. Although the CCA may *support* CETA's carbon neutrality standard after 2030, PacifiCorp is concerned by Ecology's reluctance to acknowledge CETA's primacy as the key driver of electric sector decarbonization. PacifiCorp urges Ecology to prioritize affordability and honor the legislature's intent to regulate electricity decarbonization primarily through CETA, while minimizing the cost impacts of the CCA on electricity customers in all current and future rulemaking and guidance related to utilities.

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

I. Use of No-Cost Allowances

a. The CCA Does Not Require Electric Utilities to Consign No-Cost Allowances in and Beyond the Second Compliance Period

Neither the text nor the context of the CCA require electric utilities to begin consigning no-cost allowances in the second compliance period. The relevant section of the statute reads:

> *By October 1, 2026, the department, in consultation with the department of commerce and the utilities and transportation commission, must adopt rules governing the* ***amount*** *of allowances allocated at no cost under subsection (2)(c) of this section that must be consigned to auction. RCW 70A.65.120(3)(b) (emphasis added).*

The legislature's use of the word "amount" clearly gives Ecology the discretion to adopt a rule that requires the consignment of *zero* allowances allocated at no cost. The plain meaning of the word "amount" includes a value of zero, because zero is a quantitative value, or, as applied to the statute, an amount of allowances. In short—no allowances are an amount of allowances. This interpretation of the statute is bolstered when contrasted with the treatment of natural gas utilities, which are expressly required to consign 65% of allowances starting in 2023, and increasing by 5% annually until reaching 100%.[1] If the legislature intended electric utilities to consign a specific, non-zero amount of allowances, it would have enacted language similar to what applies to natural gas utilities. Therefore, the text and context of the statute give Ecology the discretion to adopt a rule that allows electric utilities an *option* to consign any amount of no cost allowances beyond the first compliance period. PacifiCorp urges Ecology to use its discretion under the CCA to adopt a rule requiring that no no-cost allowances must be consigned at auction in and beyond the second compliance period. This will prevent potential costs to Washington ratepayers.

b. Requiring Consignment of No-Cost Allowances Risks Negative Cost Impacts on Customers

If Ecology *requires* electric utilities to consign all or part of their allocated no-cost allowances, it may result in costs to ratepayers and negative market outcomes. By requiring electric utilities to consign no-cost allowances, electric utilities will need to purchase allowances back to meet their compliance obligations. Allowance markets are volatile and difficult to predict and requiring utilities to consign allowances—that they will have to repurchase—creates a risk that utilities may have to purchase allowances at a higher price for which they were sold, resulting in unnecessary costs to ratepayers.[2] Furthermore, a utility may purchase the same number of allowances it consigned to auction, which would result in no additional liquidity for the market.

---

[1] RCW 70A.65.130(2)(a)

[2] PacifiCorp recognizes that there is also the potential for a utility to pay less than the price it recoups for allowances it is required to consign. However, the potential market gains may not justify the equivalent risks to customers. It is

Unlike CETA, there is no cost cap under the CCA, meaning *all* of the potential loss from requiring the consignment of allowances could flow back to Washington ratepayers. A utility could mitigate this mismatched auction outcome by bidding well above market price for its consigned allowances to ensure a purchase. However, this approach may artificially inflate the auction settlement price, adversely affecting all covered entities—not just utilities. Therefore, requiring utilities to consign no cost allowance may have negative outcomes for Washington ratepayers and the carbon market, in direct conflict with the intended purpose of no-cost allowances.

c. Required Consignment is Unnecessary to Incent GHG Reductions and Contrary to the Primary Purpose of No Cost Allowances

Ecology can maintain the appropriate incentive to reduce GHG reductions, without requiring the consignment of no-cost allowances. PacifiCorp agrees that the ability to consign no-cost allowances incents GHG reductions. Put simply, if a utility can emit less than forecasted, then it will need fewer allowances to comply, and it will have more allowances available for consignment, the proceeds of which will be used for customer programs and to offset rate impacts. However, the primary purpose of no cost allowances is to protect ratepayers, not introduce risks of additional costs, as described above. By adopting a rule requiring the consignment of **no** no-cost allowances, but giving electric utilities an option to consign, Ecology will maintain an appropriate GHG reduction incentive *and* ensure the purpose of no-cost allowances is not compromised.

d. Non-Volumetric Credits Obscure the True Credit Customers Receive and Create Unnecessary Administrative Costs

As a load-serving entity subject to California's Cap-and-Trade program, PacifiCorp has experience administering non-volumetric credits to its California retail customers. As required by the California Public Utilities Commission and the California Air Resources Board, PacifiCorp issues two California "climate credits" annually to California customers in the form of a bill credit that includes most revenues from the required consignment of no-cost allowances.[3] However, PacifiCorp also flows through the costs of purchasing allowances in its annual fuel rider, called the Energy Cost Adjustment Clause ("ECAC"). For illustrative purposes, PacifiCorp's biannual "climate credit" can be roughly $150 but customers pay $120 in annual fuel rider costs throughout the year. When paired with a requirement to consign no cost allowances, non-volumetric credits obscure the true credit and costs of Cap-and-Trade that customers receive by emphasizing the "climate credit" of the program and hiding its true costs.

---

unrealistic to expect all utilities to outperform the allowances, and smaller utilities with lesser allowance allocations may be unable to justify investing in market tracking and staffing.

[3] The California Public Utility Commission and Legislature are considering limits on climate credits for customers with private generation and have already restricted credits for recipients receiving over 100 per cycle, citing concerns about businesses with multiple addresses. If Ecology requires utilities to return funds via climate credits, it should seek input on these California policies to proactively address potential redistribution issues.

Furthermore, non-volumetric credits do not create predictable bill schedules for customers. Cost predictability and rate stability are priorities for utilities and state commissions alike, and PacifiCorp offers programs that allow customers to pay a level amount for 12 months. These programs help smooth large bills that may occur seasonally, due to increased electricity consumption. However, biannual climate credits disrupt predictability by essentially raising bills for ten months out of the year and drastically lowering them for two.

Furthermore, California's twice-yearly climate credit is administratively burdensome, as customers may move, create new accounts, or encounter an error on their credit. The need to fix these discrepancies, at a twice-yearly frequency, creates unnecessary costs to administer the program. Non-volumetric credits can become even more expensive to administer if the credit is offered more than twice per year or if there are different credit amounts for different customer classes. High administrative costs are unnecessary, and Washington's retail customers could be better served, and greater proceeds could flow back to customers, if Ecology allows proceeds to flow to customers through an existing mechanism.

As an alternative to non-volumetric credits, allowance proceeds should flow through to customers via existing and established cost recovery mechanisms. For example, Ecology could leverage Washington's annual fuel rider, called the Power Cost Adjustment Mechanism, or "PCAM" to apply allowance proceeds credits. This will ensure that all revenues and costs are adjusted regularly to account for the most accurate financial circumstances. In addition, it will eliminate the unnecessary administrative costs of frequent climate credits.

e. Ecology May Also Use Existing Programs to Advance the CCA's Equity Goals

PacifiCorp supports returning revenues to customers through the same mechanism used for costs, but also supports Ecology allocating funds to existing programs to advance the CCA's equity goals. For example, the Low-Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP), both administered by the Washington State Department of Commerce and local agents, may be utilized to advance the CCA's equity goals. Proceeds from no cost allowances may be used to fund these well-established programs, leveraging their existing assistance frameworks to maximize benefits for low-income ratepayers. Conversely, creating a new program, funded solely with CCA proceeds, will take significant time and resources for utilities, Ecology, the Washington Utilities and Transportation Commission (Commission), interested parties, and program beneficiaries to establish and navigate. Many existing affordability programs attempt to lower barriers to assistance programs and streamline access to varied services. A new program, will be duplicative and add unnecessary access complexity for already overburdened low-income ratepayers.

f. "Benefit of Ratepayers" Should be Interpreted Broadly to Give Utilities Flexibility in the Use of Proceeds

Ecology should interpret the CCA's requirement that the proceeds from no cost allowances must be used for the "benefit of ratepayers"[4] broadly, such that the utilities have the flexibility to use proceeds to achieve the CCA's overarching goals. For example, if the proceeds could be used for energy efficiency and demand response investments, not only would ratepayers benefit, but the proceeds would help reduce a utilities covered emissions under the CCA and advance progress towards CETA targets. In addition, proceeds could be used to fund energy transformation projects and advance alternative compliance under CETA, which would, in turn, benefit ratepayers by offsetting costs associated with CETA compliance, such as the purchase of unbundled RECs.[5] PacifiCorp supports Ecology issuing guidance regarding allowable uses of proceeds and allowing utilities to pursue creative solutions to furthering decarbonization.

II. Allocation Timing

a. PacifiCorp Generally Supports Ecology's Proposed Changes to the Revised Forecast Timing and Encourages Ecology to Distribute Administrative Cost Allowances as Soon as Possible

PacifiCorp appreciates Ecology's receptiveness to comments provided after the previous allowance workshop and generally supports Ecology's proposed direction regarding no cost allowance allocation timing.

First, PacifiCorp supports amending WAC 173-446-230(2) to extend the deadline for an investor-owned utility to receive Commission approval of a revised supply and demand forecast from July 30 to September 5. Second, PacifiCorp encourages Ecology to distribute administrative cost allowances in early 2026, ahead of the October 2026 no cost allowance distribution schedule, so that they may be consigned during at least one auction in 2026. Ecology requires utilities to submit allowance transfer proposals by a consignment deadline, which is 75 days prior to each auction date.[6] The final auction in 2026, which is also the final auction of the first compliance period, will likely be held in December 2026. If the administrative cost allowances are not distributed until October 2026, utilities cannot consign them to any of the first compliance period auctions. Furthermore, linkage with California and Quebec will likely take place after the end of the first compliance period, and, as a result, Washington allowance prices are expected to drop significantly in January 2027 as they reach an equilibrium with the linked markets. Assuming Washington allowance prices fall after the first compliance period, if Ecology calculates administrative costs, and allocates a number of administrative allowances based on a

---

[4] RCW 70A.65.120(3)(a) and (4).

[5] See RCW 19.405.040

[6] See Washington State Climate Commitment Act, Allowance Consignment Guide, Publication Number 23-02-056, available here: https://apps.ecology.wa.gov/publications/documents/2302056.pdf

2026 price, but fails to allow an opportunity for utilities to consign administrative cost allowances in 2026, then Ecology will severely *under* compensate utilities for the administrative costs they incurred. Put another way—utilities, and their customers, will not be made whole for their calculated administrative costs if Ecology allocated administrative allowances based on a first compliance period allowance price, but does not allow consignment during the first compliance period. Ecology should seek to avoid this negative result by distributing administrative cost allowances well in advance of the final 2026 consignment deadline.

III. Administrative Allocation: Data

a. PacifiCorp Supports a Calculated Method to Determine Administrative cost Allowance Allocation and Requests Ecology Clarify What Activities Qualify for Administrative Allowances.

PacifiCorp supports Ecology's proposal to establish a calculated method for allocating administrative cost allowances to utilities. By adopting a standardized calculation, Ecology will ensure transparency, consistency, and fairness in the distribution of administrative allowances. Furthermore, this approach is appropriate because, to date, Ecology has not provided utilities with guidance as to what activities qualify for administrative cost allowances under the rule as "associated with establishing and maintaining compliance accounts, tracking compliance, managing compliance instruments, and meeting the reporting and verification requirements of this chapter."[7] PacifiCorp submitted comments in November 2024 requesting Ecology feedback on specific actions that could be interpreted as falling under WAC 173-446-230(2)(h). Without specific guidance, utilities have not been afforded an opportunity to conduct consistent and accurate recordkeeping and time accounting to appropriately document administrative costs dating back to 2022. Again, PacifiCorp appreciates Ecology's recognition of this challenge and its willingness to move forward with a revised rule to incorporate a calculated method.

PacifiCorp will endeavor to provide the best available data and documentation of administrative costs by the August 22, 2025, deadline. However, PacifiCorp reiterates its previous request that Ecology publish specific guidance on what activities qualify for administrative cost allowances, including the specific activities the Company identified in its November 30, 2024 comments. Without specific guidance, Ecology will likely receive varying administrative cost data and documentation from utilities—which may inhibit its ability to create an accurate calculated method.

IV. Allocation Adjustments

a. PacifiCorp Generally Supports Ecology's Draft Guidance Related to WAC 173-446-230(2)(g)

[7] WAC 173-446-230(2)(h)

PacifiCorp appreciates Ecology's consideration of past comments related to allocation adjustments under WAC 173-446-230(2)(g) and supports the agency's draft guidance. Specifically, PacifiCorp supports Ecology's proposal to "close the books" annually for past year post-verification, similar to the approach the agency expressed for the no cost allowance allocation for calendar year 2023. This practice will allow utilities to better plan for compliance and the consignment of no cost allowances throughout the compliance period. In addition, PacifiCorp supports Ecology's updated draft proposal that it may consider an adjustment if there is a divergence from forecasted retail load of over 15%. This clear, numeric standard for when Ecology will use its discretion to initiate an adjustment creates certainty and avoids the ambiguity of the previous "significant divergence" guidance language. Finally, PacifiCorp reiterates its previous comments on the allocation adjustment draft guidance and encourages Ecology to recognize that the plain meaning of a "misrepresentation" emphasizes both the falsity of the statement and the potential intent to mislead.[8] Given Ecology's recognition of the imprecision of supply and demand forecasts, especially out a four-year compliance period, Ecology should not initiate an adjustment under this criterion unless there is evidence of an intent to deceive the agency.

V. 2nd Compliance Period: Forecasts and Approach

a. At This Time, There Are No Apparent Hurdles to Submitting a 2nd Compliance Period Forecast Consistent with WAC 173-446-230(2)

At this time, PacifiCorp has not identified any challenges to submitting to Ecology a resource supply and demand forecast for the second compliance period by the proposed date of September 1, 2026. On April 1, 2026, PacifiCorp will file an Integrated Resource Plan (IRP) Update and the Company may use this plan as a source of the 2nd compliance period forecast.

b. Ecology Should Not Issue Guidance Related to the Content of Supply and Demand Forecasts, Including Treatment of Storage, Demand Response, and Distributed Resources and Energy Efficiency Programs

PacifiCorp strongly discourages Ecology from issuing guidance on utility forecasting, particularly for IOUs regulated by the Commission. The Commission, not Ecology, has long held jurisdiction and expertise over the operations of IOUs and long-term electricity planning. If Ecology were to issue guidance on utility supply and demand forecasting, this clear jurisdictional division between the agencies will blur, unnecessarily complicating already complex processes.

[8] "misrepresentation" is defined as "a false or misleading statement or a material omission which renders other statements misleading, with intent to deceive." See Cornell Law School, Legal Information Institute, https://www.law.cornell.edu/wex/misrepresentation

Furthermore, such guidance may be perceived as regulatory overreach and erode confidence in the CCA.

c. Rule Amendments For the 2nd Compliance Period Could Improve Regulatory Certainty

PacifiCorp encourages Ecology to pursue rule amendments for the 2nd compliance period to improve allowance allocation certainty and accuracy. First, Ecology should consider moving to a streamlined annual forecast process, instead of relying on four-year compliance period forecasts that will become stale and inaccurate. Four-year forecasts inevitably require revisions as the compliance period progresses and as utilities flex their operations to achieve CETA compliance and maximize affordability for customers. A streamlined annual forecast process will improve the accuracy of no cost allowance distribution, representing the best estimate of most likely electricity resource mix year over year, and minimize the potential cost to Washington electric customers. Second, and building off of the proposed annual forecast, Ecology should remove the preference in WAC 173-446-230 for forecasts derived from long-term planning processes and instead rely on forecasts derived from power cost filings. These filings are the most accurate year over year because they model only existing resources and power purchase agreements and utilize the most recent fuel price curves. Finally, PacifiCorp does not support a defined allocation schedule. A fixed schedule will not incorporate utility operational flexibility year over year and may result in additional costs to Washington customers.

VI. Conclusion

PacifiCorp appreciates the opportunity to provide informal comments in response to Ecology's July 22, 2025 CCA Workshop on no cost allowance topics. PacifiCorp encourages Ecology to prioritize affordability and the legislative mandate to mitigate the cost burden of the CCA on electric customers, especially in the first two compliance periods leading up to CETA's 2030 carbon neutrality standard. I look forward to further opportunities to comment and provide feedback.

Sincerely,

Kieran O'Donnell
Director, Carbon Policy and Reporting
PacifiCorp
(503) 568-5305
kieran.odonnell@pacificorp.com