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To: California Public Utilities Commission/California Energy Commission

Re: Rulemaking 06-04-009 (CPUC)
Docket 07-OIIP-01 (CEC)

The Oregon Public Utility Commission (Commission) and Oregon Department of Energy (ODOE) appreciate the opportunity to provide comments on California's draft protocol to account for greenhouse gases emitted by out-of-state generation serving the state's retail load.

We recommend California adopt a methodology to account for greenhouse gas emissions from non-specific Northwest imports consistent with the accounting procedures used by Oregon and Washington. We further recommend a uniform methodology for the West be developed through a regional forum such as the Western Climate Initiative.

Since 2002, Oregon law has required Portland General Electric and PacifiCorp to disclose regularly to customers emissions such as CO_2 from power sources serving retail load. To ensure consistency, Oregon and Washington developed a joint methodology for allocating emissions associated with purchases from unspecified sources. First, specific Oregon and Washington claims are deducted from generation data for the U.S. portion of the Northwest Power Pool. Then exchanges with the three other U.S. sub-regions in the West are added or subtracted to derive the Northwest net system mix.

Oregon and Washington's approach subtracts claimed resources, including most firm and some non-firm hydro, from the gross Northwest system mix to produce a net (or "residual") system mix. The result accounts for actual dispatch of resources, avoids under- or over-counting of emissions claims, minimizes incentives for contract manipulation, and provides a workable approach for West-wide emissions accounting.

California's draft protocol conflicts with Oregon and Washington's methodology. California's methodology assumes most of its imports from the Northwest are hydro on the basis that our thermal resources, including merchant plants, first serve Northwest retail loads. This does not reflect actual practice.

California's draft protocol results in a CO_2 emissions value from non-specific sources in the Northwest imported to California that is less than half the value assigned through the Oregon/Washington methodology. The draft protocol also assigns CO_2 rates for imports from the Southwest that are significantly different than for imports from the Northwest without sufficient justification.

Unresolved discrepancies of this magnitude raise concerns about incentives for market participants to rearrange contracts under the proposed protocol – for example, to wheel power over certain transmission paths, to sell to one region vs. another, and to arrange power sources so they cannot be tracked. Ultimately, this raises concerns about actual reductions in CO_2 emissions that may result from any multi-state cap and trade system, including the Western Climate Initiative, of which Oregon, Washington and California are members.

We welcome the opportunity to explore these issues further. If you have questions about our comments, please call Lisa Schwartz at the Commission (503-378-8718) or Phil Carver at ODOE (503-378-6874). Thank you for your consideration.

Sincerely,

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
Commissioner

Michael W. Grainey
Director, Oregon Department of Energy

(END OF ATTACHMENT A)