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STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
ENERGY POLICY DIVISION
906 Columbia St SW, Fl. 5 • PO Box 43173 • Olympia, Washington 98504-3173 • (360) 725.3118
Email: Energy_Policy@cted.wa.gov

July 10, 2007

To: California Public Utilities Commission and California Energy Commission

Comments on Rulemaking 06-04-009 on California Energy Commission staff's proposed methodology for estimating the generation mix of California's electricity imports

Thank you for the opportunity to provide comments on the California Energy Commission staff's proposed methodology for estimating the generation mix of California's electricity imports.

We recognize the critical importance of tracking emissions related to the production and use of electricity and the difficulties in trying to coordinate across political boundaries for multiple states. We are concerned that methodologies that California feels under deadlines to adopt now will not serve the multiple states well over time and at the most basic level will encourage double-counting of the low-emission resources and under representation of the high-emission resources.

Our high-level message is that Washington State is involved in multiple state and regional processes now to obtain more accurate data on our electric industry emissions profile and to develop an accurate tracking or reporting mechanism; the methodologies proposed by the California Energy Commission's staff at this time reduce the accuracy of the west's overall emissions tracking rather than enhances. More specifically, Washington State is concerned that the Commission's staff are using a low default value of 419 pounds of CO2 per megawatt-hour for unspecified imports from the Pacific Northwest. From our Utility Fuel Mix Disclosure process, we determine the emissions from the "net system mix", or electricity available for export, to be 1,014 lbs. CO2/MWh in 2006 and 1,062 lbs CO2/MWh in 2005.

We do not believe this problem will persist into the future as much, because we expect that all hydropower-based transactions will be labeled as such in the future, due to the higher market value that such sales will carry. However, it is problematic for the 1990 base period.

We believe it is desirable for California and the Northwest states to reach a mutual agreement on an appropriate methodology for determining both historical baselines and future measurement. We are far from that point at the present time. The current methodologies in use by Oregon, Washington and California result in a good deal of double-counting of hydropower. Pacific Northwest utilities claim their hydropower first, leaving thermal for export, while the CEC methodology claims Pacific Northwest hydro, leaving northwest thermal resources to serve native load in the Northwest. A fundamental difference exists in the CEC staff model that uses

non-economic dispatch of Pacific Northwest resources for serving Pacific Northwest loads. Thus, the CEC model dispatches coal first, whereas the Northwest energy industry dispatches firm hydropower (and nuclear), then non-firm hydropower to serve native loads.

A Concept for Discussion

We believe that it is essential for the two regions to use a consistent methodology for valuing both imports and exports. There is no perfect system, and every system will have flaws. We have a suggestion to open the discussion, and welcome alternative approaches. We suggest that an adopted approach would then be applied equally to historical periods (i.e., 1990 baselines, or more recent entity-specific baselines) and to future unspecified sales.

For example, here is one model for consideration. Each region could reserve for its own use all firm hydro, nuclear, and renewable energy generated in-region, except for any that is subject to unit-specific contracts. All unit-specific contracts (not system sales) would flow in accordance with the contracts. All remaining residual resources: non-firm hydro, coal, and natural gas, would be pooled each month, based on actual generation. All transactions to the south could be rated at the Pacific Northwest average of these resources in the month in which the transaction takes place. All transactions to the north would be rated at the California / DSW (I don't know what DSW is) average of these resources in the month in which the transaction takes place.

Thanks for considering our views on this issue. If you have any questions, please call me at 360.725.3110 or email at tonyu@cted.wa.gov

Sincerely,

/s/

Tony Usibelli
Assistant Director

(END OF ATTACHMENT B)