

MEMO

March 27, 2007

To: Interested Parties in the Western Interconnection

From: Phil Carver, Oregon Dept. of Energy

Re: **A Proposed Process for Consistent State, Provincial, and Tribal Estimates of Utilities' Electric CO₂ Emissions**

Background:

Many western states and Canadian provinces have estimated the CO₂ emissions from their electric sector. Several western states are considering design issues for a load-based cap and trade program. To accomplish this, states and provinces need a reasonably consistent accounting of electric CO₂ emissions. The best outcome would be a consistent framework for the whole Western Interconnection.¹

State, tribal, and provincial estimates of load-based CO₂ emissions should sum to the total emissions in the Western Interconnection. California, Oregon and Washington have adopted similar but not identical load-based accounting methods. These were initially adopted under state requirements to provide retail customers with the generation mix of their electric utility or retail supplier.

The guidelines for western load-based CO₂ estimates should assign the emissions from utility-owned power plants to those utilities. Emissions from power plants with long-term contracts which, in effect, confer ownership-like rights might be assigned to the purchasing utilities. The guidelines will need CO₂ emissions values (pounds per MWh) for utility wholesale purchases that do not come from specific power plants.

Process Proposal

The goal is a consensus of western states, provinces and tribes on guidelines for counting CO₂ emissions from the electric sector. There are several desirable properties for this accounting system.

First, the emission values the states assign to their utilities and other retail suppliers should sum to the western U.S. total, with appropriate consideration of imports from Canada and Mexico. A second design principle is to minimize shifts in the emissions that states assign to utilities where there is not a corresponding change in actual western emissions.

¹ The Western Interconnection is the Western Electrical Coordination Council (WECC) area of Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, Washington, Wyoming, Alberta, British Columbia and parts of Montana, New Mexico, Texas, Nebraska and South Dakota and northern Baja Mexico. There is only limited electricity trading between the WECC and the Eastern and Texas interconnections.

For example, the accounting structure should minimize the ability of utilities to reassign their wholesale power contracts to shift CO₂ emissions to non-participating western states (contract shuffling). Another anomalous shift would be if the emissions assigned to a utility changed solely because additional western states joined the load-based cap and trade program.

To pursue these and other design principles, a technical work group of western agency staff would be established. A key focus of the work group would be agreement on a methodology to calculate CO₂ values (pounds per kWh) for unspecified wholesale electric purchases. This could yield different values for different western regions. This activity could be chartered as a work group of the CREPC, the WRAP or a subset of western states and provinces.²

The work group would consult regularly with CREPC and WRAP to explain progress, discuss issues, and receive comments and ideas. Funds would be sought to hire technical consulting services to support the work group and for expenses for interstate travel by agency staff. Administration of the funds would depend on the source.

Any interested environmental, energy or utility regulatory agency from a western state province or tribe would be invited to join the work group. The California Climate Action Registry (or a new multi-state registry) would also be invited to join the work group.

Most of the work would be done through conference calls and e-mail exchanges. Observers would be allowed, but logistical concerns may require limiting the number of observers who participate on the conference calls. All would be welcome to be on the e-mail list. The few in-person meetings would be co-scheduled with other widely attended western electric or air quality meetings.

There will be a short presentation on this issue at the April 5 CREPC meeting in Denver.

The California Public Utility Commission is holding a workshop on this issue in Docket R.0604009 at their office in San Francisco on April 12 and 13. Interested agency staff are encouraged to get on the e-mail list for this docket by responding to process_office@cpuc.ca.gov (underscore between “process” and “office”). Please include your postal address and phone number and indicate you want to be put on the list for R.0604009.

² The CREPC is the Committee on Regional Electric Power Cooperation, which consists of the public utility commissions, energy agencies and facility siting agencies in the western states and Canadian provinces in the western electricity grid. The WRAP is the Western Regional Air Partnership (WRAP), a collaborative effort of air quality agencies from western tribal governments, state governments and various federal agencies.