SUMMARY:
- CAISO and PacifiCorp are currently exploring the feasibility, costs and benefits of PacifiCorp joining the CAISO.
- The integrated day-ahead electricity market would facilitate a full sharing of generation resources (coal, gas, and renewables) between California and the portions of five other states PacifiCorp serves (Wyoming, Utah, Idaho, Oregon, and Washington).
- New CAISO structure would eliminate California’s ability to implement policy governing its electric grid and cede that power to FERC.
- There is a substantial risk that access to California’s market would extend the lives of PacifiCorp’s coal plants.
- Unless PacifiCorp speeds transition of its extensive coal fleet, the integrated market could jeopardize California’s commitments to climate progress.

BACKGROUND: PACIFICORP TO JOIN CAISO TO FORM AN INTEGRATED REGIONAL ENERGY MARKET
The California Independent System Operator (CAISO) is proposing a single regional Balancing Authority that would expand its current footprint to include the transmission network owned by PacifiCorp across California and five other Western states. This expanded area would be operated as a single day-ahead electricity market to enable greater sharing of generation resources throughout the West.

CAISO portrays its proposed expansion into a regional market with PacifiCorp as a one-stop solution that will bring more renewable energy from across the West to California in order meet our state’s clean energy goals. However, this assertion presumes California will do nothing else and fails to consider the various technical and policy strategies that will be deployed to achieve California’s goal of reaching 50% renewable energy by 2030. The proposal also ignores the significant problems and loss of control over California energy policy that a regional energy market could cause.

PROBLEM: PACIFICORP IS THE LARGEST COAL PLANT OWNER IN THE WESTERN UNITED STATES
PacifiCorp fully or partially owns by far the largest number of coal plants among utilities in the West, totaling 24 boilers in Utah, Wyoming, Montana, Colorado, and Arizona. In 2015, 61% of PacifiCorp’s energy came from coal and 6% from renewable energy. In its newest preferred resource plan, the utility still anticipates getting nearly 1/3 of its energy from coal in 2034 and just 7% from renewables.

PacifiCorp is a laggard on reducing climate emissions. PacifiCorp alone emits 50% of the electric sector GHG emissions of California, while serving only about 6% of the customer base compared to California. Over the next 20 years, PacifiCorp’s current plans would reduce those emissions by only 20% — nowhere close to California’s goal to reduce GHG emissions to 40% below 1990 levels by 2030.
PROBLEM: CALIFORNIA WILL LOSE ITS ABILITY TO IMPLEMENT ENERGY POLICY

Proposed governance changes necessary to convert CAISO into a regional market would strip California of any direct role in selecting or approving CAISO’s board. CAISO management would be subject to oversight only by the Federal Energy Regulatory Commission (FERC). These changes would free the CAISO to adopt policies contrary to California interests without any ongoing accountability to the California Governor or Legislature, while at the same time giving more influence to coal-heavy states of Wyoming and Utah — states that have sued to overturn the EPA’s Clean Power Plan.

COSTS AND RISKS:

- **Lifeline for Coal Plants**: PacifiCorp’s numerous coal plants are on the margin economically. Giving these plants access to California markets could tip the scales in favor of major capital expenses, which would keep coal plants open for decades. Even if coal power is not delivered directly into California, resource shuffling could increase reliance on those coal units in the region.

- **Over-generation**: The CAISO-PacifiCorp “benefits study” released in October 2015 was based on superficial assumptions and false conclusions. The study failed to consider how PacifiCorp’s coal plants, which cannot efficiently ramp up and down to accommodate variations in clean energy production, are a poor fit for addressing over-generation of California’s renewable energy.

- **Wyoming Wind**: Proponents tout access to Wyoming wind power as a key benefit of the market, but it would not actually provide new energy deliveries into California and instead would mostly supply grid needs outside the state. By contrast, the current RPS program requires that each utility procure at least 75% of its renewable energy from resources that provide direct deliveries of clean energy to California. Eliminating this requirement runs directly counter to the stated objective that California’s RPS program should result in greater deliveries of renewable energy into California in order to displace the amount of fossil fuels consumed in the state, reduce air pollution and hedge natural gas price volatility.

- **Transmission**: Under an expanded balancing authority, approximately 80% of investments in new transmission would be allocated to California customers regardless of whether the transmission actually benefits California customers. PacifiCorp has proposed four major new transmission projects as part of its “Energy Gateway” plan that would cost in excess of $6 billion and would primarily benefit its own shareholders and prop up its coal and other fossil fuel generation facilities.

SOLUTION:

Partnering with California in an energy market must include a balanced commitment on climate leadership. PacifiCorp has spent at least $2 billion in just the last few years to prolong the lives of coal plants in its fleet and has aggressively shielded its coal plants from reasonable regulation. As recently as December 17, 2015, PacifiCorp came out against EPA’s proposal to require modern pollution controls for its Hunter and Huntington coal plants in Utah, which pollute Utah’s five national parks. PacifiCorp’s insistence on coal use clashes with California’s environmental leadership. Before allowing PacifiCorp to join CAISO, California leaders must demand that PacifiCorp change its polluting ways and demonstrate climate leadership through the prompt retirement of its coal fleet.

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1 Total California electric sector emissions, in-state generation and import, including non-CAISO.