



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Office of the Governor

LAURA NELSON, Ph.D.
Energy Advisor
Executive Director

June 21, 2017

California Independent System Operator

Re: EIM Greenhouse Gas Enhancement Draft Final Proposal

Governor Herbert believes that a diverse, resilient, and affordable electricity supply provides the best path for Utah in achieving its energy, environmental and economic goals. As the State evaluates any policy options, those assessment will be on the basis of how well each of those arrangements provides that necessary diversity, resilience, and affordability. Utah must ensure that the Utah generators and customers are not adversely impacted by policy decisions of other States.

While this proposal raises immediate questions about the impact of California's GHG compliance on Utah generators and rate-payers, it also serves as a reminder that larger questions remain unsettled; implementation of California's GHG regulations occurs in the context of the EIM and a potential regional day-ahead wholesale electricity market. It is possible that the EIM, and the proposed day-ahead market, would result in net favorable or unfavorable impacts for Utah, but we cannot definitively determine which at this time.

The GHG proposal identifies several principles that guided selection of the proposed approach, including the four principles repeated below.

- "Allow suppliers selling power to serve California load to recover their costs to comply with ARB's greenhouse gas regulations from the ISO market."
- "Mitigate the impact of the ISO market's GHG tracking mechanism on the ISO market's prices for electricity to serve load outside of California."
- "Resources located outside of California must be able to opt out of supporting EIM or regional transfers to serve California load that would be subject to ARB GHG regulations."
- "Output from resources located outside of California serving load outside of California cannot be part of a transfer into California and are thus not subject to ARB GHG regulations."

Utah strongly supports these objectives, and the proposed two-pass method for determining which generation resources should be associated with serving load inside and outside the ISO appears to be credible. Nevertheless, this is only one approach that might be utilized. (The existing, single-pass, method is another.) At this point, the State of Utah is not confident that the proposed implementation accomplishes the stated requirement of insulating Utah from GHG compliance costs, nor that it is the best approach. Although this approach may be appropriate, in the absence of additional information,



analysis and assurances, Utah cannot endorse it at this time.

Utah will continue to study these issues to ensure that costs are accounted correctly, and that Utah interests are protected.

Thank you,

A handwritten signature in black ink, appearing to read "Laura Nelson", written over a light gray rectangular background.

Laura Nelson
Energy Advisor

