

CON - 005

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Sent: Friday, May 09, 2008 7:52 AM
To: Burbank, Nita M - PFP-6
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Subject: GENX8032.DOC
Attachments: GENX8032.DOC

<<GENX8032.DOC>> comments regarding treatment of RECs and other environmental credits

**COMMENTS OF THE PUBLIC UTILITY COMMISSION OF OREGON
REGARDING DISPOSITION OF ENVIRONMENTAL ATTRIBUTES AS
PROPOSED IN DRAFT MASTER REGIONAL DIALOGUE CONTRACT
TEMPLATE**

The Public Utility Commission of Oregon (“OPUC”) submits the following comments regarding the disposition of environmental attributes by draft **Exhibit H** (04/06/08 *Version*) of the **Master Regional Dialogue Contract Template** (04/07/07 *Version*).

Exhibit H governs the disposition of Environmental Attributes associated with energy acquired by the Bonneville Power Administration (“BPA”), which include (i) Renewable Energy Credits (“RECs”) and (ii) carbon credits. The definition of “Environmental Attributes provides, “[o]ne megawatt hour of energy generation from such renewable resource is associated with 1 megawatt hour of Environmental Attributes.”

Under Exhibit H, BPA would transfer to the contracting customers a pro rata share of Tier 1 RECs based on the customer’s Rate Period High Water Mark (RHWM), without any charge additional to the charge for the associated electrical power. BPA also would transfer to the contracting customer “the value of any future carbon attributes on a pro rate basis with all other Contract High Water Mark (CHWM) contract holders. This value may be conveyed as a revenue credit after BPA markets such attributes.” Any carbon attribute would also be transferred without additional charge.

BPA’s proposed treatment of the RECs is inequitable. BPA assigns the costs of its acquired power resources to both the PF Preference Rate and the PF Exchange Rate. Accordingly, it is inappropriate to assign all the environmental attributes associated with these resources only to the PF Preference Rate customers. Instead of transferring the RECs and any other credits to just the public agency customers, BPA should consider transferring to all BPA 5(b) and 5(c) customers in an equitable manner. For 5(c) customers the proportion of credits going to such customers would equal the relative share of exchange loads to total BPA 5(b) and 5(c) loads, but no greater than 15%--roughly the historic share of total BPA benefits assigned to residential and small farm consumers of the PNW investor-owned utilities.

An alternative is for BPA to market or monetize the RECs and any other environmental credits (not transfer the credits) and adjust the PF Preference Rate and correspondingly the PF Exchange Rate downward to reflect the benefit from the environmental attributes associated with the power resources.

In any event, it is clearly inequitable for BPA to assign to its PF Exchange Rate customers 100 per cent of any RECs and other environmental credits.