

Clark,Harry W - PTL-5

From: Malin,Debra J - PTL-5
Sent: Monday, September 29, 2008 4:57 PM
To: Burbank,Nita M - PFP-6; Clark,Harry W - PTL-5; Wilson,Scott K - PS-6; Olive,J Courtney - LP-7; Larson,Cheryl A - PS-6
Subject: FW: PPC comments on EPP framework
Attachments: PPC Comments - EPP Framework.pdf

and this

From: Mark Thompson [mailto:mthompson@ppcpdx.org]
Sent: Thursday, November 08, 2007 12:33 PM
To: Wilson,Scott K - PS-6; Chalier,Annick E - PFP-6; Malin,Debra J - PTL-5
Subject: PPC comments on EPP framework

Attached is an informal write-up of PPC's comments on the EPP framework . . . Sorry it took so long to respond to your request to write these up.

Thanks,

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**PPC Comments on BPA's Proposed Framework for
Environmentally Preferred Power**

November 5, 2007

At BPA's November 1, 2007 Regional Dialogue Policy Implementation Workshop, PPC staff verbally communicated PPC's position with regard to BPA's proposed framework for offering Environmentally Preferred Power (EPP) under the Regional Dialogue contracts. This paper responds to a request from BPA staff to provide a written version of those comments.

PPC Principles Relating to "Green Attributes" of BPA Power

At its November 1st meeting, the PPC Executive Committee voted unanimously to advocate the following approach to BPA's dealing with the "green attributes" associated with renewable resources in BPA's generation portfolio (including existing resources, any Tier 1 augmentation resources, and resources used to serve Tier 2):

- All attributes associated with renewable resources in BPA's system (including Renewable Energy Credits and any future carbon credits), should pass through to the purchasers of the power from those resources.
- These attributes would pass through on a proportional basis, with customers receiving a share of such attributes based on the portion of the system output that they purchase from BPA (or, with regard to Tier 2 rate options, attributes of resources supporting those rates should pass through to those customers purchasing power at those specific rates proportionally to the amount of power purchased under those rates).
- Customers would not pay any additional premium for those attributes, as the costs of those attributes are already included in the costs of the resources that are accounted for in rates.

Implementing the Principles

In order to make this approach work, BPA should not prohibit the subsequent transfer of such attributes by customers, since prohibiting any transfers by customers could prevent those in need of additional attributes or RECs from receiving them, and would prevent customers that do not wish to retain those attributes from receiving any value for them. At BPA's November 1st workshop, BPA staff raised a concern that allowing a transfer of green attributes by customers could violate the prohibition on resale of federal power. PPC staff is willing to assist in any further exploration of that issue that is necessary, but does not believe the prohibition on resale of federal power bars the transfer of renewable resource attributes as outlined in the suggested approach. Allowing transfer of green attributes received under BPA purchases is consistent with the approach being contemplated for green attributes associated with Tier 2 renewable rate

resources, which can be remarketed by customers purchasing under those rates. In that regard, PPC staff believes BPA has correctly decided that no prohibition on the resale of federal power prevents customers from selling green attributes that they receive as part of a BPA rate. Staff is willing to work with BPA to explore this issue, and any potential alternatives, such as allowing customers that wish to do so to put their green attributes to BPA for BPA marketing, with revenues credited to those customers' rates.

An additional concern was raised by BPA staff at the November 1st BPA workshop, about whether adopting the proposal would have unintended consequences by affecting BPA's analysis of whether a resource is "cost-effective." BPA staff reasoned that in the past BPA has been able to consider revenues associated with the sale of green attributes as an offset to the resource's cost, but that it may not be able to take those revenues into account in the future if the customers directly received the attributes associated with the output from those resources. PPC is willing to work with BPA to evaluate the alternatives available for determining whether a resource is cost-effective, and does not believe that a material change would be required simply because the value of those attributes would pass through to the customers. The fact that the value is directly passed through to the customers rather than separately marketed by BPA does not seem to require BPA to disregard that value when determining the value of resources.