

CON - 008

Larson, Cheryl A - PS-6

From: Burbank, Nita M - PFP-6
Sent: Friday, May 09, 2008 11:24 AM
To: Larson, Cheryl A - PS-6
Subject: FW: Comments to Regional Dialogue Contract
Attachments: Regional Dialogue Contract Comments 5-9-08.pdf

From: Swanson, Anita [mailto:Anita.Swanson@avistacorp.com]
Sent: Friday, May 09, 2008 11:21 AM
To: Burbank, Nita M - PFP-6
Subject: Comments to Regional Dialogue Contract

Hello Nita,

Attached are the "Initial Comments of the Pacific Northwest Investor-Owned Utilities Respecting Disposition of Environmental Attributes as Proposed in Draft Master Regional Dialogue Contract Template." These comments are submitted on behalf of Avista Corporation, Puget Sound Energy, Inc., Portland General Electric Company, PacifiCorp, and Idaho Power Company.

Please confirm receipt by return email. Thank you, Anita

<<Regional Dialogue Contract Comments 5-9-08.pdf>>

Anita L. Swanson

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May 9, 2008
**INITIAL COMMENTS OF THE PACIFIC NORTHWEST
INVESTOR-OWNED UTILITIES RESPECTING
DISPOSITION OF ENVIRONMENT ATTRIBUTES
AS PROPOSED IN DRAFT MASTER
REGIONAL DIALOGUE CONTRACT TEMPLATE**

Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company and Puget Sound Energy, Inc. (Pacific Northwest Investor-Owned Utilities) submit the follow comments respecting the disposition of environmental attributes by draft **Exhibit H** (04/06/08 Version) of the **MASTER REGIONAL DIALOGUE CONTRACT TEMPLATE** (04/07/08 Version), as distributed by BPA. A copy of the BPA proposed Exhibit H is attached.

Proposed Exhibit H would govern the disposition of Environmental Attributes associated with energy acquired by BPA, which include (i) Renewable Energy Credits (RECs) and (ii) carbon credits. The definition of "Environmental Attributes" notes that "[o]ne megawatt hour of energy generation from such renewable resource is associated with 1 megawatt hour of Environmental Attributes."

Under proposed Exhibit H, BPA would transfer to the contracting preference customer 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 rata 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. The treatment of the value of the Tier 2 Environmental Attributes is unclear in the proposed Exhibit H. The value of Tier 1 and Tier 2 Environmental Attributes should not be allocated solely to PF Preference rate customers but rather should be equitably allocated among all BPA customers that pay the costs of resources from which such Environmental Attributes are derived.

The Pacific Northwest Investor-Owned Utilities are concerned that the draft Master Regional Dialogue Contract Template fails to take into account the fact that costs of power resources acquired by BPA are assigned to various rates, including both the PF Preference rate and the PF Exchange rate. Therefore, Regional Dialogue contracts should not assign all Environmental Attributes associated with those power resources solely to PF Preference rate customers. Instead, PF Exchange rate customers are entitled to an equitable share of the value of the Environmental Attributes to the extent that they bear the costs of electric power resources associated with those Environmental Attributes, and Regional Dialogue contracts should reflect this equitable share. Additionally, it is not apparent that the terms of the proposed Exhibit H (in the Master Regional Dialogue Contract Template or any other similar BPA draft template) is consistent with applicable

INITIAL COMMENTS OF THE PACIFIC NORTHWEST INVESTOR-OWNED UTILITIES RESPECTING
DISPOSITION OF ENVIRONMENT ATTRIBUTES AS PROPOSED IN DRAFT MASTER REGIONAL
DIALOGUE CONTRACT TEMPLATE

provisions of federal law or regulations that govern the disposition of federal property. In any event, adoption of Exhibit H as proposed by BPA would be arbitrary and capricious or otherwise contrary to law.

Exhibit H (04/06/08 Version)

RENEWABLE ENERGY CERTIFICATES AND CARBON ATTRIBUTES

1. DEFINITIONS

“Environmental Attribute(s)” (04/04/08 Version) means the current or future credits, benefits, emission reductions, offsets and allowances attributable to the generation of energy from a specific renewable resources. One megawatt hour of energy generation from such renewable resource is associated with 1 megawatt hour of Environmental Attributes.

“Renewable Energy Certificates” or “RECs” (03/20/08 Version) means the certificates that document the ownership of Environmental Attributes.

“Tier 1 RECs” (04/04/08 Version) means the Environmental Attributes composed of a blend, by fuel source, based on annual generation of the specified renewable resources listed in section 2 below.

“Tier 2 RECs” (03/27/08 Version) means the Environmental Attributes generated by specified renewable resources which BPA uses to establish the Tier 2 rates.

“Environmentally Preferred Power RECS” or “EPP RECs” (04/01/08 Version) means the portion of BPA’s Tier 1 RECs that is equal to 130 percent of the annual average of environmentally preferred power (EPP) contracted for as of October 1, 2009, for FYs 2010 and 2011 under Subscription power sales contracts containing rights to Environmental Attributes through FY 2016.

2. BPA’S TIER 1 REC INVENTORY

BPA shall use its share of generation from the following renewable resources to establish the Tier 1 REC inventory: Foote Creek I, Foote Creek II, Stateline, Condon, Klondike I, Klondike III, and Ashland Solar. BPA shall maintain a current resource list of renewable resources on a publicly accessible BPA website and may update this list at any time. BPA shall calculate its inventory of Tier 1 RECs annually and after-the-fact based on energy generated by listed resources during the previous calendar year.

3. «CUSTOMER NAME»’S SHARE OF TIER 1 RECS

Beginning April 15, 2012, and by April 15 every year thereafter over the duration of this Agreement, BPA shall transfer to «Customer Name», at no additional charge or premium, a pro rata share of Tier 1 RECs based on «Customer Name»’s RHWM. The amount of Tier 1 RECs BPA transfers shall be subject to the amount of available Tier 1 REC inventory, excluding any EPP RECs.

Any Tier 1 RECs BPA provides to «Customer Name» on April 15, 2012, shall be limited to those generated October 1, 2011, through December 31, 2011.

4. TRANSFER, TRACKING, AND MANAGEMENT OF TIER 1 RECS

Subject to BPA's determination that the commercial renewable energy tracking system Western Renewable Energy Generation Information System (WREGIS) is adequate as a tracking system, BPA shall transfer «Customer Name's» share of Tier 1 RECs to «Customer Name» via WREGIS. If BPA determines that WREGIS is not adequate as a tracking system, then BPA may change commercial tracking systems with one year advance notice to «Customer Name». In such case, the parties shall establish a comparable process for BPA to provide «Customer Name» its share of Tier 1 RECs.

Starting on July 15, 2011, and by July 15 prior to each rate period through the duration of this Agreement, «Customer Name» shall notify BPA which one of the following three options it will choose for the transfer and management of «Customer Name's» share of Tier 1 RECs for each upcoming rate period:

- (a) BPA shall transfer Customer's share of Tier 1 RECs into «Customer Name's» own WREGIS account, which shall be established by «Customer Name»; or
- (b) BPA shall transfer «Customer Name's» share of Tier 1 RECs into a BPA-managed WREGIS subaccount, established by BPA on «Customer Name's» behalf. «Customer Name» shall inform BPA prior to April 15 each year as to how it wants its Tier 1 RECs: retired or banked; or,
- (c) «Customer Name» shall give BPA the authority to market Customer's share of Tier 1 RECs on «Customer Name's» behalf. BPA shall annually credit «Customer Name» for «Customer Name's» pro rata share of revenues generated by such sales on its April bill, issued in May.

If «Customer Name» fails to notify BPA of its Tier 1 REC election by July 15 before the start of each rate period, BPA shall market «Customer Name's» share of Tier 1 RECs. In this instance BPA shall annually credit «Customer Name» for «Customer Name's» pro rata share of revenues generated by such sales on «Customer Name's» April bill issued by BPA in May.

5. FEES

BPA shall pay any reasonable fees associated with (i) the establishment of any subaccounts in «Customer Name's» name and (ii) the provision of «Customer Name's» share of Tier 1 RECs pursuant to sections 4(a) and 4(b) above. «Customer Name» shall pay all other fees associated with any WREGIS or successor commercial tracking system.

6. TIER 2 RECS

BPA shall market the Environmental Attributes and RECs associated with generation from Tier 2 resources acquired after October 1, 2011, consistent with the terms and conditions in the TRM.

7. CARBON ATTRIBUTES

In the absence of carbon regulations or legislation directly affecting BPA, BPA intends to convey the value of any future carbon attributes associated with Tier 1 resources, including but not limited to carbon assets or credits, to «Customer Name» on a pro rata basis with all other CHWM contract holders. This value may be conveyed as a revenue credit after BPA markets such attributes.

8. BPA'S RIGHT TO TERMINATE «CUSTOMER NAME»'S RECS

Consistent with any federal regulation or legislation addressing carbon or any form of renewable energy attribute(s) applicable to BPA which includes compliance costs, BPA may, upon 5-years notice to «Customer Name», terminate «Customer Name»'s contract rights to Tier 1 RECs under section 3 above.