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May 24, 2011

David W. Danner, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: *WUTC v. PacifiCorp (PacifiCorp 2010 General Rate Case)*
Docket UE-100749

Dear Mr. Danner:

Enclosed for filing in the above-referenced docket are the original and 17 copies of Commission Staff's Approach for Allocating RECs and Certificate of Service.

Sincerely,

DONALD T. TROTTER
Assistant Attorney General

DTT:klg
Enclosures
cc: Parties

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP D/B/A PACIFIC POWER &
LIGHT COMPANY,

Respondent.

DOCKET UE-100749

COMMISSION STAFF'S
APPROACH FOR ALLOCATING
RECs

1 In the Final Order¹ at Paragraph 206, the Commission ordered PacifiCorp to file a “detailed accounting of all REC proceeds received during the period January 1, 2009, to the most recent date for which data are available.”² In Paragraph 208, the Commission also ordered PacifiCorp to file a “detailed proposal for operation of the [REC] tracking mechanism going forward.”³ The Commission indicated that “[i]f other parties disagree with PacifiCorp as to the details of the tracking mechanism or the allocation and reporting method(s) PacifiCorp uses or proposes to use, they may file an alternative approach.”⁴

2 Staff met with PacifiCorp and other parties to discuss the Company’s proposed method, and Staff has closely analyzed the Company’s approach. There are two elements of

¹ *Wash. Utilities & Transp. Comm’n v. PacifiCorp*, Docket UE-100749, Order 06, “Final Order Rejecting Tariff Sheets; Authorizing Increased Rates; and Requiring Compliance Filing” (March 25, 2011).

² *Id.* at 72.

³ *Id.* at 73.

⁴ *Id.* The Commission did not establish a separate schedule for filing alternative approaches, so Staff conservatively assumes the same filing date applies to all approaches.

the Company's proposal: 1) tracking REC revenues from 2011 forward; and 2) tracking REC revenues for 2009 and 2010.

3 **2011 Forward.** Staff conditionally accepts the Company's proposal for allocating RECs from 2011 forward, which uses a "pseudo-REC" process the Company explains on page 7 of its May 24, 2011, filing. The condition is that there also may need to be a "pseudo purchase" adjustment in the future for Non-Eligible Resources,⁵ if jurisdictional qualifications change to allow greater banking than the WCA allocation of revenues from the sale of Non-Eligible RECs.

4 **2009 and 2010.** Staff proposes an approach different than the Company's for allocating REC revenues for 2009 and 2010. A simplified⁶ version of this approach is in CONFIDENTIAL Attachment A. As shown on the Attachment, Staff's method adjusts the total Wind RECs PacifiCorp generated to a level of potential sales (~97 percent), then allocates to Washington its proportion on the WCA allocation factor (~22 percent), and then applies the average price of actual REC sales as derived by the Company.

5 In effect, Staff's approach recognizes the RECs PacifiCorp sold in 2009 and 2010 were predominantly Washington's share of RECs, which is appropriate, because, in fact, the Company had already banked⁷ a portion of Oregon and California's share of RECs, but banked no RECs for Washington. In concept, Staff's approach allocates RECs to each state *before* banking, while PacifiCorp's approach allocates RECs to each state *after* banking.

⁵ Non-Eligible Resources means a resource that cannot be used to comply with Washington's renewable portfolio standard, but may be sold by PacifiCorp and used by a utility in another state to comply with that other state's renewable portfolio standard.

⁶ The approach in Attachment A is "simplified" because it allocates REC revenues from Non-Eligible Resources on the WCA allocation factor without regard to the number of non-eligible RECs created. Ideally, REC revenues from non-Eligible Resources should be allocated using the same approach as other REC revenues. Staff does not have the detail to make this calculation in Attachment A.

⁷ In this context, "banked" means PacifiCorp set RECs aside for compliance with state laws applicable to Oregon and California.


Staff's approach prevents inequities created when Oregon and California receive a double benefit (i.e., banking of RECS plus a full allocated share of RECs sold), when Washington receives a single benefit (i.e., only an allocated share of RECs actually sold).⁸

6 Comparing Attachment A to the Company's filing shows that under current circumstances, Staff's approach allocates more REC revenues to Washington than the Company's method. However, should circumstances change (for example, should Washington increase this state's renewable resource requirements, resulting in PacifiCorp using more RECs in this state for compliance), under Staff's approach, Washington's share of REC revenues would decrease relative to Oregon and California, all else equal. This would also result in a fair allocation of REC revenues, because each state is treated on a consistent basis.

DATED this 24th day of May, 2011.

Respectfully submitted,

ROBERT M. MCKENNA
Attorney General



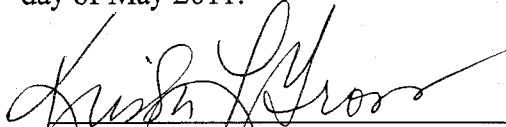
DONALD T. TROTTER
Assistant Attorney General
Counsel for Washington Utilities and
Transportation Commission Staff

⁸ On the surface, the Company's approach seemed appropriate. That approach results in the amount of REC revenue for 2010 acknowledged in the Commission's order. However, that amount is understated due to the inequity created by PacifiCorp's banking of RECs for Oregon and California, then allocating the sales of the remaining RECs to Washington.

Docket UE-100749
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the attached document upon the persons and entities listed on the Service List below by depositing a copy of said document in the United States mail, addressed as shown on said Service List, with first class postage prepaid.

DATED at Olympia, Washington this 24th day of May 2011.


KRISTA L. GROSS

All parties have signed confidentiality agreements

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