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REGISTRATION DIVISION

1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

2 In the Matter of the Petition)
3 of PACIFICORP Seeking Blanket) DOCKET NO. _____
4 Authorization for the Sale of)
5 Surplus Air Emission Allowances) DRAFT ORDER

6 **NATURE OF PROCEEDING:** This is a proceeding in which
7 PacifiCorp (or the "Company") requested a Commission order,
8 effective March 1, 1993, granting blanket authorization under
9 the Commission's property transfer statute, RCW 80.12.020, for
10 sales of air emission allowances. Title IV of the Federal
11 Clean Air Act ("the Act") Amendments of 1990 (42 USC
12 §§ 7651-61f), establishes a comprehensive market-based program
13 for the control of sulfur dioxide ("SO2") emissions from fossil
14 fuel-fired utility power plants.

15 **COMMISSION:** The Commission will grant blanket
16 authorization for PacifiCorp sales of surplus air emission
17 allowances, effective March 1, 1993. The Commission wishes to
18 encourage prudent allowance transactions by utilities and to
19 further the development of an allowance market as one means of
20 reducing the cost to utility customers and shareholders of
21 compliance with the Act.

22 Additionally, PacifiCorp will file on or before
23 May 13, 1994, a petition seeking proper accounting treatment
24 for net proceeds from any allowance sales made under this
25 blanket sale authorization. An accounting order will insure
26 that PacifiCorp's retail customers will receive benefits from
allowance sales.

1 **APPEARANCES:** Petitioner PacifiCorp was represented
2 by James C. Paine, attorney, Portland, Oregon. The Commission
3 was represented by Anne Egeler, assistant attorney general,
4 Olympia, Washington.

5 **MEMORANDUM**

6 This is a property transfer case under RCW 80.12.020
7 initiated by PacifiCorp's petition seeking issuance of an order
8 granting blanket authorization to the Company to sell surplus
9 air emission allowances. The provisions of RCW 80.12.020
10 require Commission approval for utility disposition of
11 properties necessary or useful in the performance of the
12 utility's duties to the public.

13 I. The Petition.

14 A. **Emission allowance market.**

15 PacifiCorp states that as a result of Title IV of the
16 Federal Clean Air Act ("the Act") Amendments of 1990 (42 USC
17 §§ 7651-61f), an open, dynamic air emission allowance market
18 has developed in the United States. The Company asserts that
19 buyers and sellers currently have available the Canter
20 Fitzgerald Allowance Billboard which promotes fast, efficient
21 purchases and sales of emission allowances. It is likely that
22 other "bulletin board" services will be available to allowance
23 sellers and buyers in the near future. Sales and purchases can
24 be finalized based upon bulletin board representations, i.e.,
25 sales are not conditional. The Company contends that no seller
26 or buyer can realistically participate in such a fluid market,

1 if a bulletin board sale must first receive regulatory
2 approval. Commission Staff acknowledges the development of a
3 dynamic, evolving air emission allowance market.

4 The Commission agrees with this depiction of the
5 developing allowance market. The Commission wishes to
6 encourage both the development of a viable market and the sale
7 of surplus air emission allowances by PacifiCorp and other
8 similarly situated utilities.

9 **B. Surplus allowances.**

10 PacifiCorp acknowledges that some SO2 emission
11 allowances will be needed by the year 2000 to assure compliance
12 of its generating units with the Act's Phase II requirements.
13 The Company expects first to use its allocated allowances to
14 support operation of its thermal system, including future
15 additions to the system, then to retain a reasonable "cushion"
16 of surplus allowances to accommodate potential changes in unit
17 operation and to protect against unforeseen contingencies, and
18 finally to market the remaining surplus allowances awarded in
19 Phases I and II. PacifiCorp asserts that it has sufficient
20 surplus emission allowance credits to warrant additional sales
21 if the Company is able to obtain a reasonable price for its
22 allowances.

23 The Commission grants this blanket authorization
24 based on the dynamic nature of the market and upon the
25 Company's representations regarding its surplus allowance
26 position. This grant of sale authority is not to be construed

1 as support for any particular ratemaking treatment for net
2 proceeds from air emission allowance sales. Such ratemaking
3 treatment will be addressed in PacifiCorp general rate cases or
4 other appropriate proceedings.

5 **C. Accounting Petition.**

6 The Commission accepts PacifiCorp's pledge to file a
7 petition for proper accounting treatment by May 13, 1994, and
8 encourages Commission Staff and the Company to undertake
9 discussions on the issue in an effort to arrive at a consensus
10 on the proper recording of net proceeds from sales of air
11 emission allowances.

12 **ORDER**

13 **THE COMMISSION HEREBY ORDERS:**

14 1. PacifiCorp's petition for blanket authorization
15 of sales of surplus air emission allowances under RCW 80.12.020
16 is granted, effective March 1, 1993.

17 2. PacifiCorp will file on or before May 13, 1994, a
18 petition seeking an accounting order from the Commission
19 reflecting proper recording of net proceeds from sales of air
20 emission allowances.

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3. The Commission retains jurisdiction to effectuate the provisions of the order.

DATED at Olympia, Washington, this ____ day of April, 1994.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

SHARON L. NELSON, Chairman

RICHARD D. CASAD, Commissioner

RICHARD HEMSTAD, Commissioner