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1 BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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

6 PacifiCorp (or "the Company") files this petition
7 pursuant to the provisions of WAC §§ 480-09-420, 480-143-010,
8 480-143-060 and RCW 80.12.020. The Company seeks an order from
9 the Washington Utilities and Transportation Commission
10 ("Commission") granting blanket authorization for the sales of
11 surplus air emission allowances.

12 The net proceeds from sales of air emission
13 allowances will benefit PacifiCorp retail customers.
14 PacifiCorp will file by May 13, 1994, a petition for an
15 accounting order seeking to properly record any such net gains
16 from allowance sales. That filing date will allow continued
17 discussion between Commission Staff and the Company on proper
18 accounting treatment.

19 PacifiCorp acknowledges that a granting of blanket
20 authority to sell air emission allowances at this time does not
21 determine appropriate ratemaking treatment of any air emission
22 allowance sales. Such ratemaking treatment will be addressed
23 in a PacifiCorp general rate case or other applicable
24 proceeding.

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1. 1.

2 A. The Clean Air Act.

3 Title IV of the Federal Clean Air Act ("the Act")
4 Amendments of 1990 (42 USC §§ 7651-61f), contains a
5 comprehensive market-based program for the control of sulfur
6 dioxide ("SO2") emissions from fossil fuel-fired utility power
7 plants.

8 On January 11, 1993, the United States Environmental
9 Protection Agency ("EPA") promulgated the Acid Rain Core Rules
10 (58 Fed. Reg. 3590) which cover acid rain permits and
11 compliance plans (40 CFR Part 72), allowance trading and
12 tracking (40 CFR Part 73), emissions monitoring (40 CFR Part
13 75), and excess emissions penalties and offset requirements (40
14 CFR Part 78). The EPA has also promulgated final rules
15 governing auctions and direct sales. 56 Fed. Reg. 65592
16 (Dec. 17, 1991).

17 The term "allowance" is defined in Section 402(3) of
18 the Act as "an authorization, allocated to an affected unit by
19 the [EPA] Administrator under this subchapter [IV] to emit,
20 during or after a specified calendar year, one ton of sulfur
21 dioxide." 42 USC § 7651a(3). The allowances are allocated to
22 individual affected units through a complicated formula based
23 on actual emissions in 1985 and historical Btu consumption over
24 a three-year (1985, 1986 & 1987) period, with adjustments for a
25 wide variety of factors, including average emissions from all
26 affected units within a state, use of clean fuel (including

1 low-sulfur coal and natural gas), size of units and average
2 emission rates. See, 42 USC §§ 7651e, 7651d(h)(1), 7651 d(b),
3 (c) and (d).

4 B. The Developing Market of Sulfur Dioxide Emission
5 Allowances.

6 An air emission allowance market has developed in the
7 United States with holders of surplus emission allowances
8 (those in excess of the number required to operate the affected
9 units in compliance with the Act) selling allowances to
10 utilities requiring additional allowances to achieve compliance
11 with the Act. The purchase and sale of air emission allowances
12 is an open and dynamic trading market. Buyers and sellers
13 currently have available the Canter Fitzgerald Allowance
14 Billboard which promotes fast, efficient purchases and sales of
15 emission allowances. There are other "bulletin board" services
16 that will be available to allowance sellers and buyers in the
17 near future. Sales and purchases can be finalized based upon
18 bulletin board representations. No seller can realistically
19 participate in this fluid market if the seller must obtain
20 regulatory approval prior to any allowance sale.

21 C. PacifiCorp has Significant Surplus Allowances.

22 PacifiCorp acknowledges that some SO2 emission
23 allowances will be needed by the year 2000 to assure compliance
24 of its generating units with the Act's Phase II requirements.
25 The Company expects first to use its allocated allowances to
26 support operation of its thermal system, including future

1 additions to the system, then to retain a reasonable "cushion"
2 of surplus allowances to accommodate potential changes in unit
3 operation and to protect against unforeseen contingencies, and
4 finally to market the remaining surplus allowances awarded in
5 Phases I and II. PacifiCorp has sufficient surplus emission
6 allowance credits to warrant serious consideration of
7 additional allowance sales. PacifiCorp submits that to
8 effectively participate in the allowance market, it must have,
9 and it respectfully asks the Commission to authorize, blanket
10 authorization for emission allowance sales.

11 The National Association of Regulatory Commissioners
12 ("NARUC") has endorsed, as an overriding goal, the successful
13 development of a national and open allowance trading market.
14 The NARUC also endorsed a Statement of Principles to encourage
15 prudent allowance transactions. (Adopted March 4, 1992 in
16 Washington, D. C., NARUC Bulletin, No. 10-1992, pp 20-22).
17 PacifiCorp believes that Commission blanket authorization to
18 sell surplus air emission allowances would further the NARUC
19 goals and is necessary for the Company to participate in the
20 market.

21 WHEREFORE, PacifiCorp respectfully requests that the
22 Commission issue a blanket order, effective March 1, 1993,
23 authorizing any PacifiCorp surplus sulfur dioxide emission
24 allowances sales pursuant to the provisions of RCW 80.12.020
25 and WAC §§ 480-09-420, 480-143-010, and 480-143-060. The
26 Company acknowledges that it has the burden of proving the

1 appropriate ratemaking treatment of any such sales in a future
2 general rate case or other applicable proceeding. The Company
3 further states that it will, on or before May 13, 1994, file a
4 petition with the Commission seeking an accounting order
5 determining the proper manner to record net proceeds from
6 allowance sales.

7 DATED: April 6, 1994.

8 Respectfully submitted,

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