Q. Please state your name, business address and present position with PacifiCorp dba Rocky Mountain Power ("the Company").

A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300, Salt Lake City, Utah 84111. My present position is Senior Originator/Power Marketer for PacifiCorp Energy. PacifiCorp Energy and Rocky Mountain Power are divisions of PacifiCorp.

<u>QUALIFICATIONS</u>

Q. Please briefly describe your education and business experience.

A. I have a B.S. in Business Management from Brigham Young University. I worked in the merchant energy sector for approximately seven years in pricing and structuring, origination, and trading roles for Illinova and Duke Energy. I have been employed by the Company since 2004 as an originator/power marketer responsible for negotiating interruptible retail special contracts, negotiating qualifying facility contracts, and managing wholesale or market-based energy and capacity contracts with other utilities and power marketers. I am the Company representative who negotiates large qualifying facility contracts in Utah.

<u>PURPOSE AND SUMMARY OF TESTIMONY</u>

Q. What is the purpose of your testimony?

A. I present the Company's recommendation on ownership of Renewable Energy Credits ("RECs") as it pertains to Qualifying Facilities ("QFs") that receive pricing and execute power purchase agreements under Schedule 38.

Q. Please summarize your testimony.

A. Summary:

- Section 210 of PURPA requires utilities to buy power from generation fueled by specific resources (biomass, solar, wind, waste, and geothermal).
- Because RECs identify energy that was generated from a renewable resource, they are the essence of the requirements to purchase the output, and are therefore part of what the utility is buying with the payment of avoided costs.
- If the Company does not get the RECs, it is not receiving the very characteristic that enabled the facility to achieve its QF status.
- The Company's recommendation is that the RECs generated by QFs go to the Company under any power purchase agreement executed under Schedule 38 consistent with the current treatment approved by the Commission on October 31, 2005, in Docket No. 03-035-14 ("2005 Order").
- The Company further recommends that the QF not be allowed to buy back the RECs from the Company as previously determined in the 2005 Order.

<u>REC OWNERSHIP</u>

Q. Has the Public Service Commission of Utah ("Commission") previously addressed the issue of REC ownership as it pertains to QFs under Schedule 38?

A. Yes, in part. In the 2005 Order, the Commission adopted a proposal in which the Company retains ownership of RECs if the market-based Request for Proposals ("RFP") contract is used for pricing, but allowed the wind QFs to "buy back the RECs at the [Integrated Resource Plan] IRP value if PacifiCorp owns the RECs in the last executed wind market-based RFP contract."[1] The 2005 Order did not specifically address ownership of RECs under pricing methods that do not use the market-based RFP contract or for resource types other than wind.

Q. Do you recommend that the Commission re-evaluate the issue of REC ownership as it pertains to QFs under Schedule 38 as part of this docket?

A. Yes. The Commission predicated its decision in the 2005 Order in part on two material assumptions: 1) the Company's IRP had a clearly defined value for RECs[2] and 2) the pricing method for wind QFs used a proxy market-based wind contract.[3] The Company's IRPs no longer calculate a specific direct value for RECs in dollars per MWh, but instead determine a preferred portfolio based on resource needs and compliance obligations. Therefore, a dollar per MWh REC value from the IRP does not exist and thus can no longer be used as contemplated in the 2005 Order. Furthermore, this docket will re-evaluate the pricing methodology for wind QFs and the adopted methodology may or may not be based on a proxy market-based wind contract. Lastly, the 2005 Order did not address the issue of REC ownership for other resources types (solar, biogas, etc.). For these reasons, the issue of REC ownership must be addressed in this docket.

Q. What is Rocky Mountain Power's recommendation on REC ownership as it pertains to RECs generated by QFs under Schedule 38?

A. RECs generated by a QF project should go to the utility whenever that QF sells energy to the utility and receives compensation for that energy at approved avoided cost rates.

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[1] 2005 Order, page 25.
[2] 2005 Order, page 24.
[3] 2005 Order, page 25.

Q. How is the Company's recommendation supported by the intent of PURPA?

A. Section 210 of PURPA requires utilities to buy power from generation fueled by specific resources (biomass, solar, wind, waste, and geothermal) or in specific configurations (e.g., cogeneration). If those generators were not powered by those specific resources, the utilities would not be required to purchase that energy under PURPA. Furthermore, the meters between the QF and the utility's system have always shown the energy from that renewable resource flowing to the utility.

Q. Does the Company contend that customers would be harmed if it were required to pay a QF separately for such RECs?

A. Yes. If the Company were to pay a QF separately for the RECs, then, the Company and its customers would in effect be paying twice for the same RECs.

Q. Please further explain your position.

A. PURPA contains no requirement that a purchasing utility pay twice for what it has already bought. PURPA requires that utilities purchase energy from QFs, and QFs are afforded QF designation because of fuel use or efficiency criteria. In the case of renewable resource QFs (biomass, solar, wind, waste, and geothermal), a utility must purchase from this type of QF resource solely because of the fact that it is renewable, and that renewable attribute is represented by the generation of RECs. Without these characteristics, the generator would not be able to require the utility to purchase its energy at all. In other words, it is only by virtue of the existence of the RECs that facilities are deemed QFs and utilities become obligated to purchase their power. In the case of eligible renewable resource QFs, these RECs identify such generation and thus are the essence of the requirements to purchase the output. Therefore, they are part of what the utility is buying with the payment of avoided costs. If the Company does not get the RECs, it is not receiving the very characteristic that enabled the facility to achieve its QF status, and which thereby triggered the utility's obligation to purchase the output from the facility.

Q. If the utility is buying energy from a renewable resource, does it make sense that the RECs go to the utility?

A. Yes. The energy and RECs arise at the same time from the same resource. They are inseparable from that perspective. A purchase from a QF is specific to that resource, unlike a market purchase.

Q. What conclusion can you draw from your analysis of the intent of PURPA and how it applies to the issue of REC ownership in QF contracts?

A. In terms of PURPA, any power purchase agreement securing power from an eligible renewable energy resource should assign ownership of the associated RECs to the purchasing utility.

Q. Are there other reasons for the utility to retain the RECs?

A. Yes. In the Company’s latest IRP, the 2011 IRP Update, no wind was assumed to be acquired to meet Utah loads. Rather, wind resources that were included in the preferred portfolio to meet Renewable Portfolio Standards (“RPS”) in Oregon, Washington and California, and in recognition of long-term public policy goals and a potential green future.

Q. Should environmental attributes other than RECs be treated the same as RECs?

A. Yes. The same arguments that apply to the issue of REC ownership apply to the ownership of other environmental attributes. It does not make sense to require the utility to purchase the QF output and then not allow customers to receive the benefit of any environmental attributes that come with the output.

Q. What is your recommendation regarding ownership of environmental attributes in QF power purchase agreements executed under Schedule 38?

A. The Company's recommendation is that the RECs and any other environmental attributes generated by QFs go to the Company under any power purchase agreement executed under Schedule 38.

Q. Does a recent commission decision in Wyoming support your recommendation?

A. Yes. In a Public Service Commission of Wyoming ("Wyoming Commission") November 4, 2011 order in Docket No. 20000-388-EA-11, the Wyoming Commission determined "RMP should continue to retain the RECs since they represent tangible value for the ratepayer, and they should not be routinely severed from the underlying green power generated" and further stated they were "not inclined to approve the transfer of RECs to other entities and reiterates its position that RECs should stay with the utility."[4]

Q. Does this conclude your direct testimony?

A. Yes.

[4] Public Service Commission of Wyoming Docket No. 20000-388-EA- 11, November 4, 2011 order, page 20.