



**IBERDROLA
RENEWABLES**

December 12, 2008

Via Electronic and First Class Mail

Filing Center
Oregon Public Utility Commission
PO Box 2148
Salem, OR 97308-2148

Re: Docket UM 1394 – Comments of IBERDROLA RENEWABLES, Inc.

Dear Filing Center:

Enclosed please find an original and one copy of the Comments of IBERDROLA RENEWABLES, Inc. on the Joint Issues List.

Sincerely,

For Toan-Hao Nguyen
Senior Counsel

cc: Service List
Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1394

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Open an investigation into electric companies providing Qualified Reporting Entity Services for Certification of Renewable Energy Certificates by the Western Renewable Energy Generation Information System.

OPENING COMMENTS OF
IBERDROLA RENEWABLES, INC. ON
THE JOINT ISSUES LIST

Pursuant to the Prehearing Conference Report and Ruling dated October 22, 2008 and related Ruling modifying schedule dated December 2, 2008, IBERDROLA RENEWABLES, Inc. (“Iberdrola”) hereby submits opening comments on the Joint Issues List in the Commission’s investigation into electric companies providing Qualified Reporting Entity Services for Certification of Renewable Energy Certificates (“REC”) by the Western Renewable Energy Generation Information System.

Iberdrola appreciates the opportunity to provide comments in the Oregon Public Utility Commission’s (“OPUC”) investigation into electric companies providing Qualified Reporting Entity (“QRE”) services for certification of renewable energy certificates by the Western Renewable Energy Generation Information System (“WREGIS”).

I. INTRODUCTION

Iberdrola applauds the OPUC and OPUC Staff for taking a leadership role by opening the investigation of the QRE services issue when the service is requested of a balancing authority that is also a regulated utility, as opposed to purely a transmission provider. It is a challenging cross-functional and cross-jurisdictional issue.

Significant public interest in energy security, environmental protection, and economic development has driven policies encouraging investment in renewable energy resources across the WECC. Most states in the WECC, including Oregon, have enacted Renewable Portfolio Standards to realize this popular interest.

The use of the WREGIS tracking system to facilitate tracking and reporting of RECs against the regional compliance and voluntary programs is instrumental to the vitality and success of the market. Equally important to the utilization and success of the WREGIS system, is ensuring high data integrity while keeping costs low for all users, and not creating cost barriers that impede new generation. Using efficient sources for data and reporting data is key to delivering on these objectives.

Because PacifiCorp is the balancing authority in this proceeding from which Iberdrola has requested QRE service from, PacifiCorp is the focus of many of Iberdrola's comments. However, the comments that Iberdrola has provided are applicable to any of the three investor-owned utilities that are parties to the proceeding. The comments address the general content of the issues raised by the OPUC Staff, but Iberdrola does not respond to each of the issues listed depending on its relevance to Iberdrola's circumstance.

II. BACKGROUND

A. WREGIS Generation Registration of Iberdrola Facilities

Iberdrola has registered with WREGIS all of the 13 wind generation facilities that are located throughout the WECC that it currently owns, manages or controls. Each of these facilities reports metered output to a balancing authority. Per the WREGIS Interface Control Document for QREs it is recommended that these balancing authorities should be the QRE. As such, Iberdrola has sought QRE service with each of the balancing authorities that the various

wind generation facilities are interconnected with. Below is a table that summarizes the facilities that Iberdrola has registered with the WREGIS and the Balancing Authority that may be the QRE provider.

**Table 1
Iberdrola WREGIS Registered Wind Facilities**

Wind Facility	WREGIS ID	State Location	Balancing Authority
High Winds	W229	CA	CA ISO
Shiloh	W231	CA	CA ISO
Mountain View III	W234	CA	CA ISO
Phoenix	W235	CA	CA ISO
Pleasant Valley	W236	WY	<i>PacifiCorp</i>
Klondike III	W237	OR	BPA
Klondike I	W238	OR	BPA
Klondike II	W239	OR	BPA
Big Horn	W240	WA	BPA
Stateline (BPA-WA)	W248	WA	BPA
Stateline (PAC-OR)	W249	OR	<i>PacifiCorp</i>
Dillon	W728	CA	CA ISO
Klondike IIIA	W817	OR	BPA

Iberdrola is receiving QRE service through the transmission businesses of the CA ISO and the BPA for the other facilities listed. Iberdrola is in the process of finalizing agreements with the BPA and the CA ISO for QRE services for each of the relevant facilities. At present the QRE service is available from the CA ISO and BPA free of charge. QRE service for third-party generators has not been available to date from PacifiCorp.

B. PacifiCorp Transmission and Interconnection Services

Through power purchase agreements, Iberdrola owns the energy output and Renewable Energy Certificates with two facilities that are interconnected with PacifiCorp, and for whom PacifiCorp is the balancing authority. The first facility listed in the table is Pleasant Valley which is interconnected with PacifiCorp in the state of Wyoming. The second facility is the portion of the Stateline facility that is interconnected with PacifiCorp in Oregon. PacifiCorp provides services to these facilities through its regulated transmission function. The facilities are

the designated Interconnection Customers with PacifiCorp, and Iberdrola is a transmission customer of PacifiCorp for the two facilities. Iberdrola does not have any energy or renewable certificate offtake agreements for these facilities with PacifiCorp's power or retail functions. Any reporting of the MWh generation for these facilities as a QRE would not be for the direct benefit of PacifiCorp's electric service customers

Using the Stateline facility as an example, through the transmission and interconnection services provided by PacifiCorp for these facilities, Iberdrola receives monthly generation data from PacifiCorp. The data summarizes the metered output of the facilities and is utilized for billing purposes of the transmission service received. The Back Office of PacifiCorp provides the settlements information as a functionally separate service provider to the PacifiCorp transmission business for both third parties and for the transmission services utilized in providing electric service to PacifiCorp's customers. For the portion of the Stateline facility that is interconnected with BPA, Iberdrola receives metered data from BPA. The transmission business line of BPA provides settlements information, and also will provide the data as the QRE for this portion of the facility.

III. DISCUSSION

A. Expense Allocation/Authority Allocation (Issues 1-5)

The service to be provided by the QRE does not neatly fit in the group of services provided by the regulated electric service providers that is regulated by the OPUC. The recovery of expenses may not therefore instinctively fit within this group of services. It does seem to be within the OPUC's authority to compel the investor-owned utilities to support the implementation of the RPS and with it the implementation of WREGIS, and attendant service support.

The balancing authority that provides transmission and interconnection services for generators is in the optimal position to provide the QRE service. The data that is needed and used for transmission settlements, whether for third parties or for facilities that serve PacifiCorp's customers, is the same that is needed to report generation data to WREGIS.

The metered data that PacifiCorp is using to report generation data for its own facilities is from data utilized by the PacifiCorp balancing authority in providing transmission services to the merchant function. This data are then being reported by the shared function of the Back Office. The expense of the Back Office function is assumed to be allocated between the merchant and transmission functions.

If the PacifiCorp balancing authority had its own back office function, it would likely be the provider of QRE service for reporting generation data to WREGIS for PacifiCorp's merchant function and third-party generators. As such the expense of the QRE service may be seen as an extension of the administrative expenses associated with the transmission services provided to the merchant function, or third parties. The transmission service provider could then include the QRE expense as part of the administrative expenses associated with providing settlements data for the associated interconnection and transmission services. This appears to have been the approach taken by the California Independent System Operator and BPA.

An alternative option for recovery of expenses incurred in providing QRE service is through the WREGIS fee structure. All QREs could track expenses related to providing this service and apply to WREGIS on a periodic basis for inclusion in the fee structure and subsequent reimbursement. The expenses associated with this necessary service could be spread on a volumetric basis across all RECs. The focus of the tracking would be on the expenses incremental to those already incurred in the course of business relating to settling transmission

expenses. This approach would minimize the added expense of invoicing explicitly for this service, as it would be folded into existing WREGIS billing services.

B. WREGIS QRE Requirements (Issue 6)

WREGIS specified its requirements for QRE Services in both the WREGIS Operating Rules Version dated June 4, 2007 and the WREGIS Interface Control Document for QREs. The QRE may include balancing authorities, the interconnecting utility, scheduling coordinator, independent third-party meter reader, Generator Owner, and Generator Agent. All of these options are designed to support the reporting requirements of the various classes of generators that are identified in Appendix A of the WREGIS Interface Control Document.

For the class of generators that the Stateline and Pleasant Valley facilities qualify for, the WREGIS-recommended QRE is the balancing authority. For PacifiCorp, which is a QRE and also a Generator Owner, and/or is subject to a Renewable Portfolio Standard, then WREGIS requires that the QRE be under FERC functional separation. PacifiCorp adheres to this by having shared services of a back office function that is separate from its merchant function.

C. Expense Levels (Issues 8-9)

The expenses associated with the QRE services have yet to be ascertained, but at present do not seem to be material in the context of overall revenue requirements of a balancing authority or the overall expense of implementing WREGIS. Should the OPUC determine that there should be a tariff service for QRE services, whether the charges are prohibitively expensive to generators may depend on the structure of the charge. Smaller generators without functional separation may not have the luxury of becoming a QRE and would be forced to pick up incremental costs that could be prohibitive.

The incremental nature of the expenses also remains to be investigated. As indicated in our background information in Section II above, metered data are already compiled and utilized by the balancing authorities as part of the regular settlements process. Using the Stateline facility again as an example, approximately one business day after the close of the generation month, Iberdrola receives metered data from BPA and Florida Power & Light for the facility. About 20-30 days after the close of the generation month, Iberdrola receives imbalance settlement data from PacifiCorp, which includes metered data for the PacifiCorp portion. This data are then reviewed to ensure meter accuracy and to the extent that there are discrepancies, the data issues are investigated and resolved amongst the parties. The data will be well-scrubbed in advance of the timing that PacifiCorp Transmission Back Office would be required to submit data to WREGIS. This should alleviate the majority of any of the dispute issues and associated workload that appeared to be a concern of the investor-owned utilities. The incremental nature of reporting this data to WREGIS appears to be compiling the information into the WREGIS data format and uploading it.

IV. PROPOSAL

Iberdrola proposes a pilot program that allows the utilities providing QRE services to defer expenses until an appropriate solution is developed for recovery of the relevant expenses, and to assess the extent of the expenses in Oregon and other regions. This proposal is similar to one Staff proposed in a WREGIS Working Group session convened to explore the QRE services issue. Specifically Iberdrola proposes:

- A. The balancing authorities should establish deferred accounts to track expenses associated with providing QRE services for third-party generators and for generation-serving electric service customers for a one year period.

- B. The level of expenses should be reviewed to determine the magnitude of the expenses.
- C. These expenses should be either:
 - a. be included in the administrative expense category of providing transmission and interconnection services or
 - b. reviewed with WREGIS, in the context of including the expenses in the volumetric fees collected for RECs with reimbursement made to the balancing authorities
- D. The utilities should establish QRE agreements governing the provision of services. Agreement examples are available from the CA ISO and with the BPA.
- E. Utilities should begin providing QRE services for third-parties commencing January 2009 but request from WREGIS for the ability to provide data for certificate creation going back to January 1, 2008.

V. CONCLUSION

Iberdrola appreciates the opportunity to provide comments, and look forward to working with the parties towards a successful resolution.

DATED: December 12, 2008.



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CERTIFICATE OF SERVICE

I hereby certify that I served a copy of the foregoing document upon the parties of record in this proceeding by first-class mail and electronic mail, addressed to said parties/attorneys' addresses as shown below.

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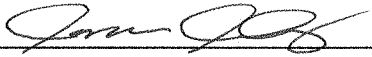
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