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Subject: Basin Electric Comments on WREGIS REC tracking program

Jeff/Heather;

The November 18, 2003 workshop held in Denver by the Western Governors Association and California Energy Commission solicited comments on the Needs Assessment for a Western Renewable Energy Generation Information System Draft Report.

Basin Electric appreciates the opportunity to comment. Our experience is derived from the development of two separate small 2.6 MW wind projects, multiple power purchase agreements of over 80 MW wind energy, extensive green marketing programs and green tag marketing. Basin and its members have over 50 green power marketing programs. As a consumer-owned, regional cooperative headquartered in Bismarck, ND, Basin Electric generates and transmits electricity to 124 member rural electric systems in nine states: Colorado, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, South Dakota, and Wyoming. These member systems distribute electricity to about 1.8 million consumers.

We applaud your considerable efforts in developing this program and offer the following comments in the hopes of making a good program, even better.

1) . We are concerned that an overly complex program for certification, reporting and tracking could hinder, rather than help developing REC markets. To begin this process, a simpler program will be more easily launched and accepted. Complexity should be added as needs are defined.

2) It is important to allow generation located outside of WECC to deposit RECS into a WREGIS account. Although North and South Dakota are members of the Western Governors Association, our wind projects in those states are in the eastern grid. Basin Electric's members have both load and generation on both sides of the east/west electrical grid separation. We also serve consumers in both grids using our DC ties. RECs from our projects will need to be deposited into WREGIS accounts; A fundamental principle applies here - environmental benefits are not, and should not, be affected by geographic boundaries. Limiting the use of RECs based on state borders may also be considered constraint on interstate commerce and such constitutional issues should be avoided.

3) For verification, an independent, certified internal audit report should be required at or near the generator level. A basic description of the accounting criteria to be audited (i.e., a form of Generally Accepted Accounting Practice) would be very helpful in standardizing the audit efforts of diverse entities.

4) Frequently, power purchase agreements (PPAs) for renewable projects provide for the purchaser of the power to receive the RECs. In

those cases, the contract should be considered sufficient basis for the purchaser to place those RECs into its WREGIS account. (It would be unworkable to require the generator to transfer RECs into a WREGIS account because the generator does not own the RECs and thus could not transfer them.)

5) The program should provide a web-based system that allows participants to deposit, transfer, withdraw and retire RECs electronically with appropriate password security.

6) We believe it is inappropriate to link any "other" non-renewable generation to the purpose of WREGIS. Fuel mix disclosure is extraneous to the REC concept and does not affect the environmental attributes of a green kWh. Reporting the fuel mix of "other" generation also adds unnecessary complexity and cost. (In addition, it could result in bickering between hydro/nuclear and the coal generators.) Fuel mix disclosure should remain the province of the legislative and regulatory institutions and not be part of this program or its reporting requirements.

7) A listing of suggested contract language and definition of common terms related to RECs would be beneficial and help standardize industry protocols.

8) Losses will need to be addressed in the reported amounts. For instance, a wind turbine may generate 100 MWHs at the site meter, but only 97 MWHs are actually delivered to the local grid substation meter where they become "used and useful". The program should define whether 100 or 97 RECs are created in such cases. This is not a small item - station service could be a major issue for some technologies, reaching well over 10% of generation.

9) The mandatory granularity of reporting should not be less than one month. Smaller time intervals could be done voluntarily, but the cost and complexity of hourly or onpeak/offpeak reporting would be difficult to justify at this point.

10) If a wind turbine is used to produce the electricity to electrolyze the hydrogen fuel for a fuel cell, WREGIS would need to define how many RECs are created - one from the wind turbine and one from the fuel cell or just one in total.

11) We also encourage the WGA and CEC to look at the certification program being developed by a group of consumer-owned utilities. This effort is being coordinated with the Western Area Power Administration, with the assistance of the Center for Resource Solutions and represents a broad stakeholder effort to develop a comprehensive and effective certification process. The consumer-owned utilities would welcome a cooperative effort to jointly proceed on a certification program. A copy of the initial draft concept is attached for your review.

<<REC Guidelines for COU 10-08-03.doc>>

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