

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2021**

REGULAR CONSENT EFFECTIVE DATE _____ NA _____

DATE: September 13, 2021

TO: Public Utility Commission

FROM: Eric Shierman

THROUGH: Bryan Conway, JP Batmale, and Sarah Hall **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1020)
Approval to Extend Contracts for Portfolio Options Services.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power's (the Company) request to extend contracts for portfolio options services.

DISCUSSION:

Issue

Whether the Commission should approve Pacific Power's request for the following contract extensions: 1) a contract with 3 Degrees for marketing services and renewable energy certificates (RECs) for Pacific Power's Blue Sky Renewable Energy Program; 2) a contract with the Freshwater Trust to administer the Oregon Habitat Option.

Applicable Rule

ORS 757.603 requires electric utilities to provide a portfolio of rate options to residential customers. The Commission regulates portfolio options so that the rates reflect the costs and risks of serving each option.

OAR 860-038-0220(6) requires that the utility offering rate options "acquire the renewable supply resources necessary to provide the renewable energy resources

product through a Commission-approved bidding process or other Commission-approved means."

Analysis

In this memo, Staff will describe Pacific Power's contracts, how they were approved before, why the Company seeks an extension, and give reasons for Staff's recommendation.

Background

Established through UM 1020, portfolio options are voluntary green power programs designed to collect funds that electric companies use to provide a portfolio of products and pricing options for renewable energy. These voluntary green power programs can also generate funding to issue grants to eligible renewable energy projects. In this way, the voluntary programs contribute directly to the development of new renewable resources that may not have otherwise been built. Pacific Power's portfolio of options also offers its customers the opportunity to improve salmon habitat which helps mitigate the environmental impact of dams.

The Company submitted requests for proposal (RFP) for contracts to market these portfolio options and acquire RECs. The Company also submitted an RFP for administering the Oregon Habitat Option. On March 31, 2018, the Portfolio Options Committee, an advisory body, voted to approve these RFPs. In Order No. 18-183, the Commission approved the RFPs.

Contract Expiration

Pacific Power entered into an agreement for retail marketing services and REC procurement with 3 Degrees on January 1, 2019, and a habitat management administrator contract with The Freshwater Trust on December 31, 2018. These contracts are set to expire on December 31, 2021.

Pacific Power seeks to extend these contracts for two years rather than issue a new RFP. The Company explains this is to "ensure the Blue Sky Usage & Habitat program continues to maintain its relevance and appeal by ensuring the program aligns with changing customer preferences, regulatory goals and market realities."¹

Reason for Staff Recommendation

Staff finds this request reasonable. The enactment of HB 2021, Oregon's new clean energy law, may affect the factors Pacific Power mentions: customer preferences,

¹ See Docket No. UM 1020, Pacific Power, PacifiCorp's Request to Extend Usage and Habitat Marketing and Renewable Energy Certificates Contract, July 14, 2021, p 1.

regulatory goals, and market realities. This uncertainty could lead to higher prices for these services in an RFP. The market prices for RECs since 2020, for example, have risen to a point where Pacific Power is seeking to cut in half the size of Oregon Blue Sky's kilowatt hour blocks in ADV 1309.² In a meeting with the Company on September 9, 2021, Pacific Power explained to Staff that timely Commission approval of the marketing and procurement contract may allow the Company to lock in REC prices before they inflate further. Pacific Power is concerned these price spikes might occur before the current contract expires at the end of this year. Higher REC prices may adversely impact program participants' portfolio options and makes grant funding financially infeasible. Staff also notes that PGE is going forward with an RFP for marketing and REC procurement services. Avoiding two simultaneous RFP's might avoid the two electric companies bidding up the price of these services.

On July 14, 2021, Pacific Power filed a notice to the UM 1020 docket, seeking stakeholder feedback on this proposed contract extension. No stakeholder raised an objection to either the Company or Staff.

Conclusion

Pacific Power's request for contract extensions is reasonable. The market for these services is uncertain, and PGE is currently seeking bids for the same marketing and REC procurement services.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's request to extend contracts with 3 Degrees and the Freshwater Trust for portfolio options services.

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² See Docket No. ADV 1309, Pacific Power, Advice No. 21-019—Renewable Energy Tariffs – Schedule 212, Schedule 270, and Schedule 272, August 27, 2021, p 2.