

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1020

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON,

Portfolio Options Committee Annual Report  
and Member Appointments.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 31, 2018, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in black ink, appearing to read "Michael Grant", is written over a horizontal line.

**Michael Grant**

Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. 3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: July 31, 2018**

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  7/31/2018

DATE: July 24, 2018

TO: Public Utility Commission

FROM: Thomas Familia and Caroline Moore

THROUGH: Jason Eisdorfer and JP Batmale

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1020) Portfolio Options Committee Annual Report and Member Appointments.

**STAFF RECOMMENDATION:**

Staff of the Public Utility Commission (Staff) recommends the Commission:

- 1) Approve the continuation of the portfolio options products offered by Portland General Electric (PGE), PacifiCorp (PAC), and Northwest Natural Gas Company (NW Natural), as follows:
  - a) PGE – Time of Use, Green Source, Clean Wind, Green Future Solar, Habitat Support;
  - b) PAC – Time of Use, Blue Sky Habitat, Blue Sky Block, and Blue Sky Usage; and
  - c) NW Natural – Smart Energy.
- 2) Approve the continuation of the delivery of services using existing Commission-approved third parties by PGE and PAC.
- 3) Appoint the individuals nominated by the Portfolio Options Committee (POC) to serve the July 2018 through June 2019 term.
- 4) Approve the POC 2018 – 2019 Work Plan with modification to High Priority Item #1. In addition to the current work plan item, Staff recommends this item be modified to acknowledge that Staff will coordinate with the Metrics Subcommittee to incorporate in its work plan a Staff report on reasonable costs in the context of the POC charter's goal of 'growth in participation at reasonable costs.'

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## DISCUSSION:

### Issue

Whether the Commission should accept Staff's recommendations to approve the following for the July 2018 – June 2019 term:

- Continuation of the current Portfolio of Options products;
- Continuation of the delivery of services using existing Commission-approved third-parties;
- POC membership appointments; and
- Implementation of the 2018 – 2019 POC work plan with modification.

### Applicable Law

Under ORS 756.515(1), the Commission may open an investigation when it "believes that any rate may be unreasonable or unjustly discriminatory, or that any service is unsafe or inadequate, or is not afforded, or that an investigation of any matter relating to any public utility or telecommunications utility or other person shall be made, or relating to any person to determine if such person is subject to the commission's regulatory jurisdiction."

Under ORS 757.603(2), each electric company is required to offer residential customers a portfolio of rate options that, at minimum, includes a rate that reflects significant new renewable energy resources, a market-based rate, and, when demand is found to be sufficient to justify the rate, a rate option associated with a specific renewable energy source.

OAR 860-038-0220 sets forth the Commission's requirements for electric companies to provide a portfolio of products and pricing options (Portfolio Options) to residential and, in some instances, small nonresidential customers. OAR 860-038-0005(2) outlines the formation of the POC—an advisory committee that makes recommendations about the Portfolio Options to the Commission. POC members are appointed by the Commission and include representatives of Oregon Department of Energy, electric companies, residential and small nonresidential customers, local governments, public or regional interest groups and Staff.

In Commission Order No. 01-337, the Commission defined significant renewables and adopted a POC resolution permitting utilities to incur marketing expenses for portfolio products.

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OAR 860-038-0220(3) states that by July 1 of each year, the POC will recommend the Portfolio Options that will be effective January 1 of the following year to the Commission. Due to Committee staff needing additional dialog, as well as scheduling difficulties, a deadline extension was approved to submit the POC annual recommendations by the original due date of July 1, 2018 to July 31, 2018.<sup>1</sup> Staff received the current-year annual POC recommendations memo on July 13, 2018 (Attachment A).

OAR 860-038-0220(6) outlines the processes that electric companies must follow to acquire renewable supply resources to provide the renewable energy resources rate option. A Commission-approved bidding process, or other Commission-approved means must be implemented to acquire the renewable supply resources.

### Analysis

#### *Update on POC Accomplishments over the Past Twelve Months*

Over the past twelve months the POC has been implementing its Commission-approved work plan for 2017 – 2018.<sup>2</sup> This work included a sustained focus on the effectiveness of the 2016 – 2017 work plan updates and clarifications to the working definition of marketing and administration costs that may be eligible for inclusion in rate options. As a point of reference, the agreed-upon working definitions were:

- **Marketing costs** include all spending associated with advertising, promoting, and selling the portfolio products including labor directly in support of those efforts in the acquisition of new participants. This would include direct expenses related to bill inserts, direct mail, TV/radio, events, telemarketing, billboards, enrollment offers, sales training of call-center staff, etc.
- **Administrative costs** include labor and non-labor costs associated with program operations, customer service, retention, welcome packets, website maintenance, reporting, transactions, billing, training, managing inventories, and legal/regulatory reviews, etc.<sup>3</sup>

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<sup>1</sup> *In the Matter of A Request to Extend the Deadline to Submit the Portfolio Options Committee's Annual Recommendations*, Docket UM 1020, Order No. 18-187 (May 23, 2018).

<sup>2</sup> *In the Matter of Joint Presentation of the Portfolio Options Committee (POC) and member utilities on program metrics and goals for utility voluntary program options*, Docket UM 1020, Staff Report dated July 6, 2017 for the July 11, 2017 Public Meeting, available at: <https://edocs.puc.state.or.us/efdocs/HAU/um1020hau14478.pdf>

<sup>3</sup> *In the Matter of Joint Presentation of the Portfolio Options Committee (POC) and member utilities on program metrics and goals for utility voluntary program options*, Docket UM 1020, Staff Report dated July 6, 2017 for the July 11, 2017 Public Meeting, available at: <https://edocs.puc.state.or.us/efdocs/HAU/um1020hau14478.pdf>

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The POC meets regularly every spring for executive committee sessions. These meetings play a key role in POC's eventual recommendation of Portfolio Options. Each company presented its portfolio products' 2017 revenue and expenditures during meetings held on April 2, 2018 and May 25, 2018. The Companies were required to report with the new metrics agreed upon earlier in 2017. The information reviewed appeared to validate the effectiveness of the updates to the marketing and administration costs working definitions as the POC had greater visibility into expenditures.

The POC evaluated the more granular metrics and members have agreed that the updated requirements improved transparency of the process. However, following the executive sessions, substantial discussion focused on a continued trend of increases in marketing and administration spending, a topic that was the subject of much discussion in previous years at the POC and the Commission. This dialogue on marketing and administration spending delved into the allocation of participant funds between direct renewable energy expenses (RECs and grants) and marketing and administration costs.

Two interdependent themes carried through the M&A spending dialogue:

- **Cost containment:** POC members generally discussed the portion of participant funds spent on marketing and administrative costs relative to direct renewable energy costs (RECs and grants). Questions were raised about whether M&A spending had exceeded a reasonable threshold. The discussion advanced to the point that the POC considered various measures to contain the portion of participant funds spent on marketing and administration.
- **Portfolio Options goals:** Considering the high penetration and visibility of the products, the POC is still debating the appropriate focus for the utilities in operating their respective programs. Further, taking into consideration the various maturity stages of each Company's product, to what degree should the program focus still be on maximizing participation when it can lead to an increase of marketing and administration in relation to direct renewable energy spend?

These two themes informed the POC's 2018 – 2019 recommendations that are presented in the following section.

In addition to assessing metrics and spending, the POC also reviewed two PacifiCorp's Requests for Proposals (RFPs) for Blue Sky Renewable Energy Program Services. The POC approved both RFPs. The first RFP relating to the retail marketing and REC

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supply services for the Blue Sky Usage and Blue Sky Habitat products, and the second RFP for the Environmental Mitigation Fund administrator services for the Blue Sky Habitat product.

As to deliverables outlined in the 2017 –2018 term goals, the joint POC and Staff report assessing POC program performance relative to the concept of growth in participation rates at reasonable costs, was not developed and reported to the Commission. However, Staff is encouraged by the POC's interest in continuing to pursue these issues in the proposed 2018 – 2019 Work Plan.

Overall, Staff is satisfied with the POC's activities this past year and its progress towards meeting the goals it had established in the previous year. The increased transparency made possible by the updates to marketing and advertising cost reporting requirements proved to be a substantial aid in the POC's process of assessing program performance.

*POC Recommendations for Portfolio Options 2018 – 2019*

Staff supports the POC's recommendation to continue the current suite of Commission-approved portfolio options. The table below provides a concise summary of the POC portfolio recommendations to the Commission.

Recommendation	PGE	PAC	NWN
<b>Continuation of current Commission-approved residential and small non-residential customer options in 2019:</b>	<ul style="list-style-type: none"> <li>• Green Source</li> <li>• Clean Wind</li> <li>• Green Future Solar</li> <li>• Habitat Support</li> <li>• Time of Use</li> </ul>	<ul style="list-style-type: none"> <li>• Blue Sky Block</li> <li>• Blue Sky Usage</li> <li>• Blue Sky Habitat</li> <li>• Time of Use</li> </ul>	"Smart Energy" greenhouse gas emissions offset program
<b>Continuation of services offered through existing Commission-approved third-party contracts:</b>	<ul style="list-style-type: none"> <li>• Retail marketing</li> <li>• REC supply</li> <li>• Habitat support</li> <li>• Development funds administrator</li> </ul>	<ul style="list-style-type: none"> <li>• Retail marketing and REC supply</li> <li>• Habitat administrator</li> <li>• Community grant funds administrator</li> </ul>	Continue procurement of offsets through The Climate Trust
<b>Bring upcoming RFPs and contracts to POC for review:</b>	Present draft RFPs for retail marketing, REC supply and Habitat support services commencing January 1, 2020 to POC for review in 2019.	Present contract for Retail marketing and REC supply and habitat administrator to Commission Staff	N/A

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*POC Recommendations for Membership*

The POC recommends the following membership roster for Commission approval for the July 2018 to June 2019 term. The role of Rebecca Smith from ODOE as Chair will end in October of this year. Staff appreciates her leadership and hard work over the past two years. The POC and Staff are seeking a candidate to helm the Chair position in the event that Rebecca Smith is unavailable next term. The POC recruited Mike Goetz, Staff Attorney for Oregon Citizen's Utility Board, to fill the role of Vice Chair. During the past term, the POC actively recruited new members but has not replaced all available spots. The POC will continue residential and nonresidential recruitment efforts.

Portfolio Options Committee Membership Roster June 2018		
Member Name	Company	Representing
Rebecca Smith	Oregon Department of Energy – Chair	Oregon Department of Energy
Andrew Warren	Oregon Department of Energy – Alternate	Oregon Department of Energy
Mike Goetz	Oregon Citizens' Utility Board – Vice Chair	Residential consumers
Ralph Mastromonaco	Unaffiliated	Residential consumers
Pamela Birkel	Unaffiliated	Residential consumers
Sven Gatchev	Unaffiliated	Residential consumers
Josh Halley	Portland General Electric	Electric companies
Kalia Savage*	Portland General Electric – Alternate	Electric companies
Natasha Siores	PacifiCorp	Electric companies
Berit Kling	PacifiCorp – Alternate	Electric companies
Brian Harney	Northwest Natural	Gas companies
Gail Hammer	Northwest Natural – Alternate	Gas companies
Danny Grady	City of Portland	Local governments
Andria Jacob	City of Portland – Alternate	Local governments
Tim Lynch	Multnomah County	Local governments
John Wasiutynski	Multnomah County - Alternate	Local governments
Caroline Moore*	Oregon Public Utility Commission	Commission Staff
Thomas Familia*	Oregon Public Utility Commission - Alternate	Commission Staff
JP Batmale	Oregon Public Utility Commission - Alternate	Commission Staff
Silvia Tanner*	Renewable Northwest	Public or regional interest groups
Michael O'Brien	Renewable Northwest – Alternate	Public or regional interest groups
TBD	TBD	Small nonresidential consumers
TBD	TBD	Small nonresidential consumers

\*Indicates prospective members or changes to the Committee to be approved by the Commission.

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*POC Recommendations for This Year's Work Plan*

Every year the POC proposes a work plan for the coming year. Under the 2018-2019 work plan, the POC has separated items into high priority and priority. The high priority items will be the POC's focus over the next year. The priority items will be addressed based on time available.

High Priority Items:

1. Evaluation of program metrics and program goals.
2. Cross-promotion with other utility customer programs.
3. Access to confidential materials before and after executive sessions.

Priority Items:

1. Interaction of utility portfolio product programs and the RPS.
2. Re-evaluate market-based portfolio options.
3. Long-term interactions of existing portfolio options with new and emerging programs.
4. New non-REC renewable energy portfolio options.

Overall, Staff recommends approval of the POC's work plan. However, Staff suggests one modification to provide additional support to the POC in executing its work plan.

In its proposed work plan, the POC recommends the following activities under High Priority Item #1:

"The POC plans to launch two subcommittees this year: the first will be a relaunch of the Metrics Subcommittee, which will review the bands and recent metrics changes to identify opportunities for further refinement, and the second will delve into the more philosophical questions around defining POC and program goals. The Metrics Subcommittee will begin work first, providing a work plan for the rest of 2018 and early 2019 to the POC at the September 19, 2018 meeting. Based on this work plan, the Goals Subcommittee will deliver a work plan to the POC at the November 7, 2018 meeting. The POC will use the deliverables from the Metrics Subcommittee as a framework to value marketing spending and then it will take the deliverables from the Goals Subcommittee to evaluate those costs against refined program goals. The review will be factored into the POC's recommendation of portfolio options for 2019."<sup>4</sup>

Staff strongly agrees with the POC that the evaluation of program metrics and program goals requires further investigation. However, Staff recommends a modification to this approach. Staff proposes to provide additional support to the Metrics Subcommittee, by

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<sup>4</sup> See Attachment A, 2018 Recommendations to the Commission from the Portfolio Options Committee, p. 5.

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developing a Staff report on reasonable costs in the context of the POC charter's goal of 'growth in participation at reasonable costs.' Staff will coordinate with the Metrics Subcommittee to incorporate its report into the work plan presented to the POC at the September 19, 2018 meeting. In its report, Staff will review the current status of Portfolio Option performance and the allocation of funds collected from participating customers between direct renewable energy costs and non-renewable energy costs. Staff will suggest mechanisms for the POC to evaluate reasonable spending on non-renewable energy costs. Staff will develop this report in consultation with the POC and the Metrics Subcommittee, such that the POC will use Staff's findings to develop any decisions or recommendations. Staff intends for this report to help the POC evaluate Portfolio Option spending in the 2019 Executive Session, as described in the 2018 POC Memo.<sup>5</sup>

Staff appreciates the POC's long-term commitment to monitoring the avenues through which utilities use the revenue collected from participants. There remains an ongoing need to understand appropriate program costs and spending. This is a nuanced issue that has been with POC for some time. Consider Commission Order 01-377, in which the Commission adopted the POC's first portfolio recommendation. It included the recommendation that utility companies may spend additional dollars to market their renewable resource products at Commission-approved rates. These marketing costs are embedded in the price of the product.<sup>6</sup> Since then, the portfolio of voluntary products have greatly matured and grown. As demonstrated by the figure below, voluntary program participation has doubled since 2010. Notably, PGE and PAC have the highest participation levels in the country.<sup>7</sup>

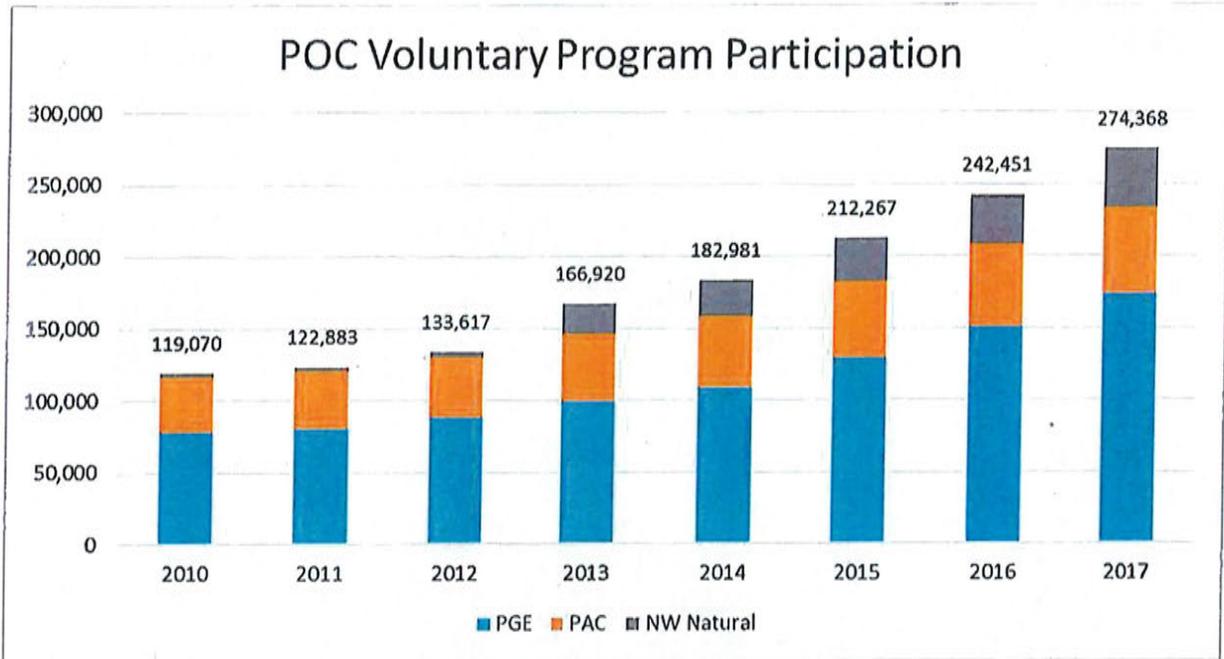
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<sup>5</sup> *Ibid.*

<sup>6</sup> In the Matter of the Portfolio Advisory Committee's Recommendation for Portfolio Options pursuant to ORS 757.603(2) and OAR 860-038-0220, Docket UM 1020, Order No. 01-337, p. 2, (April 26, 2001).

<sup>7</sup> See *National Renewable Energy Laboratories' Top Ten Utility Green Pricing Programs, 2017* data at <https://www.nrel.gov/analysis/assets/pdfs/utility-green-power-ranking.pdf>.

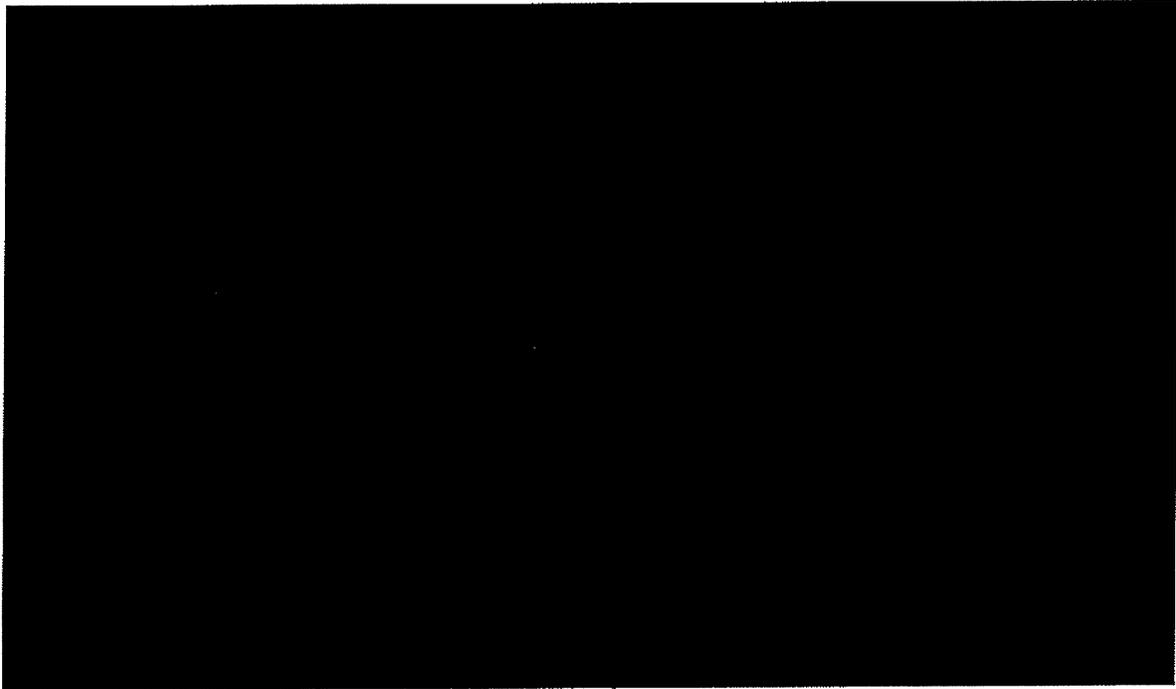
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As participation has grown, so have program revenues and expenses. While this is to be expected, it is illustrative to consider the size of the expenses of the combined voluntary programs in relation to the annual expense of Energy Trust public purpose charge renewable programs. **[Begin Confidential]**

[Redacted text block]

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**[End Confidential]**

In terms of the MWhs supported by voluntary programs, even with the RPS tripling from 5 percent to 15 percent of retail sales in 2015, voluntary program REC retirements are approximately 40 percent of the mandatory RPS REC retirements for the year of 2017.<sup>8</sup>

In total, the levels of participation, expense, and market impact of Oregon's voluntary programs would appear to warrant direct involvement by Staff in developing the analysis of voluntary programs for the POC when it comes to metric and goal development. The POC deserves a Staff report to respond to when considering new performance metrics and program goals. Staff wants to play an active role in helping the POC set a threshold for 'growth in participation at a reasonable cost.'

#### Conclusion

The POC's 2018-2019 recommendations are thoughtful and raise important questions about oversight of Portfolio Options and the role of the POC. Overall, Staff is supportive of the POC's recommendations and will work with POC to advance the work plan, with the modification as outlined above. Staff recommends that examination into the

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<sup>8</sup> 2017 RPS figures are currently under OPUC review in UM 1958 and UM 1959.

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reasonableness of marketing and advertising spending requires further Commission involvement through Staff investigation.

**PROPOSED COMMISSION MOTION:**

- 1) Approve the continuation of the portfolio options products offered by PGE, PAC, and NW Natural.
- 2) Approve the continuation of the delivery of services using existing Commission-approved third parties by PAC and PGE.
- 3) Appoint the individuals nominated by the POC to serve the July 2018 through June 2019 term.
- 4) Approve the POC 2018-2019 Work Plan with Staff's recommended modification to High Priority Item #1.

UM 1020 POC Recommendation Memo 2018 - 2019

**MEMORANDUM**

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Date: July 13, 2018  
From: Rebecca Smith, Chair, Portfolio Options Committee  
To: Caroline Moore, Public Utility Commission of Oregon Staff  
RE: 2018 Recommendations to the Commission from the Portfolio Options Committee

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Pursuant to OAR 860-038-0220(3) and (9), by July 1 of each year, the Portfolio Options Committee (POC) recommends portfolio options for residential and small nonresidential customers to the Commission that will be effective on January 1 of the following year. Per OAR 860-038-0220(4), the portfolio must include at least one product and rate that reflects renewable energy resources and one market-based rate. Each utility administers its options, including marketing and billing. For administrative simplicity, the POC also includes in this memo recommendations concerning membership and other subjects under its purview. On May 15, 2018, Oregon Public Utility Commission (PUC) Staff requested a waiver to extend the memo deadline to July 31, 2018, which the Commission granted in Order No. 18-187.

**Portfolio Option Recommendations**

The POC makes the following portfolio option recommendations to the Commission:

PacifiCorp

- Continuation of current Commission-approved voluntary market-based and renewable energy options for residential and small nonresidential customers. For PacifiCorp, this includes the Time-of-Use and Blue Sky options (Blue Sky Habitat, Blue Sky Block, and Blue Sky Usage).
- Continuation of the delivery of the Blue Sky options using services offered through existing Commission-approved third-party contracts which provide the following services: retail marketing, renewable energy certificate (REC) supply, and funds administration.
  - PacifiCorp has issued a request for proposal (RFP) for third-party program services to commence on January 1, 2019. This RFP was approved by Commission Order No. 18-183, dated May 23, 2018.
- Continuation of the delivery of the Blue Sky Habitat option using services offered through existing third-party contracts.
  - PacifiCorp has issued an RFP for third-party Environmental Mitigation Fund administrator services for the Blue Sky Habitat product to commence on January 1, 2019. This RFP was approved by Commission Order No. 18-183, dated May 23, 2018.

Northwest Natural

- Continuation of current Commission-approved “Smart Energy” carbon offset program and procurement of offsets through The Climate Trust.

Portland General Electric (PGE)

- Continuation of current Commission-approved customer options: Time-of-Use (market-based rate option), Green Source, Clean Wind (renewable energy resource options), Green Future Solar, and Habitat Support (collection of passed-through funds for environmental mitigation measures of salmon recovery).
- Continuation of program delivery using existing Commission-approved third-party marketing/education and supply contracts.
  - PGE is in the second year of its contract for marketing and supply of RECs. The POC will review PGE’s next RFP for green marketer services in 2019.
- Continuation of current PGE contract with The Nature Conservancy as its habitat restoration provider.

**POC Membership Recommendations**

Pursuant to OAR 860-038-0005(2), the POC is “a group appointed by the Commission, consisting of representatives from Commission Staff, the Oregon Department of Energy, and the following:

- (a) Local governments;
- (b) Electric companies;
- (c) Residential consumers;
- (d) Public or regional interest groups; and
- (e) Small nonresidential consumers.”

The POC recommends the following membership roster for Commission approval for the July 2018 to June 2019 term.

Portfolio Options Committee Membership Roster June 2018		
Member Name	Company	Representing
Rebecca Smith	Oregon Department of Energy – Chair	Oregon Department of Energy
Andrew Warren	Oregon Department of Energy – Alternate	Oregon Department of Energy
TBD	TBD	Small nonresidential consumers
TBD	TBD	Small nonresidential consumers
Mike Goetz	Oregon Citizens’ Utility Board – Vice Chair	Residential consumers
Ralph Mastromonaco	Unaffiliated	Residential consumers
Pamela Birkel	Unaffiliated	Residential consumers
Sven Gatchev	Unaffiliated	Residential consumers
Josh Halley	Portland General Electric	Electric companies
Kalia Savage*	Portland General Electric – Alternate	Electric companies
Natasha Siores	PacifiCorp	Electric companies

Berit Kling	PacifiCorp – Alternate	Electric companies
Brian Harney	Northwest Natural	Gas companies
Gail Hammer	Northwest Natural – Alternate	Gas companies
Danny Grady	City of Portland	Local governments
Andria Jacob	City of Portland – Alternate	Local governments
Tim Lynch	Multnomah County	Local governments
John Wasiutynski	Multnomah County - Alternate	Local governments
Caroline Moore*	Oregon Public Utility Commission	Commission Staff
Thomas Familia*	Oregon Public Utility Commission - Alternate	Commission Staff
JP Batmale	Oregon Public Utility Commission - Alternate	Commission Staff
Silvia Tanner*	Renewable Northwest	Public or regional interest groups
Michael O’Brien	Renewable Northwest – Alternate	Public or regional interest groups

\*Indicates prospective members or changes to the Committee to be approved by the Commission.

The POC has actively been recruiting new members since its last memo but has not replaced all available spots. Currently, there are two seats open for small nonresidential consumer representatives. The POC will recruit new members to fill those seats in 2018-2019 and recommend appointment of new POC members to the Commission.

**Other Recommendations**

1. 2018 – 2019 Work Plan

The POC proposes the Commission formally adopt the POC’s 2018 – 2019 Work Plan found in Attachment A.

2. Continuation of Executive Session Review

To fulfill its role of recommending portfolio options to the Commission, the POC has conducted reviews of program metrics including utility marketing and administration costs for the programs. Given that the programs’ marketing and administration costs are subject to competitive bidding and the cost information is confidential, the POC conducts these reviews in Executive Session. The program metrics are intended to help the POC confirm that the use of portfolio revenues (collected from participating customers) for these purposes is reasonable. Based on POC discussion as to the usefulness of the cost metrics in making informed recommendations, in 2017 the POC adopted the following changes to the metrics used for utility reporting and POC review in the Executive Session:

- Removal of the band for marketing and administration spending per eligible customer;

- Splitting marketing costs and administration costs into two separate buckets, based on commonly used definitions for each cost category; and
- Splitting marketing costs further into acquisition and retention costs to reflect those related to acquisition of new program participants (cost per new enrollment) versus those related to retention of existing participants (cost of program maintenance per participant).

During and after the 2018 Executive Sessions, the POC evaluated the usefulness of each metric and determined that the updated metrics are performing as anticipated, especially in providing greater clarity on the breakdown between marketing and administrative costs. However, this greater insight into program expenses has rekindled the ongoing interest at the POC in gaining a greater understanding of program spending and how it relates to utility program goals and to overall POC goals to support “growth in participation rates at reasonable costs.”<sup>1</sup> As part of its 2018 – 2019 Work Plan, the POC plans to continue work on refining the Executive Session metrics and further defining POC and program goals as outlined in the POC Charter.

### **POC Work Plan for 2018-2019**

The POC has separated items in the Work Plan into two separate categories: high priority and priority. The high priority items are considered to be the most important before the POC, and thus the ones that will be allotted the most time over the next year. Only three items fall into the high priority category, while all other issues before the POC have been placed in the priority category. These items will be addressed opportunistically, based on time available at the POC while completing the high priority items.

#### **HIGH PRIORITY ITEMS**

1. Evaluation of Program Metrics and Program Goals that Inform POC Recommendations on Portfolio Options.

As the utility voluntary green power programs continue to grow, the POC has revisited long-standing questions around program goals and how those goals relate to and inform what the POC should consider as appropriate program costs and spending. While the new metrics used in the 2018 Executive Session have provided greater insight into program operation, the data also raise questions about the balance between spending on marketing versus other program costs. This, in turn, raises questions about how the breakdown of program costs aligns with POC and program goals.

The POC Charter lists the goals of the POC, one of which is to support “growth in participation rates at reasonable costs.” To objectively determine whether program costs are “reasonable,” the POC must be able to place current costs within a context. This was originally achieved

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<sup>1</sup> See Commission Order No. 16-469, page 15, from December 7, 2016 for the latest version of the POC Charter.

through the bands for costs per customer served, with the cost bands supported by a methodology based on industry-wide costs and best practices. In October 2016, the POC subcommittee dedicated to program metrics recommended that the band for marketing and administration costs per eligible customer be removed as this metric served as a “one size fits all” metric and did not reflect program realities, such as inflation, high enrollment and retention costs, or surges in customer enrollment. The POC accepted this recommendation, and voted to replace the band with new metrics that:

- Split marketing and administration costs, previously reported as one number, into two separate categories, and
- Split marketing costs further into two subcategories – participant acquisition costs and participant retention costs.

This resulted in the following new metrics to replace the band for marketing and administration costs per eligible customer:

- Metrics per eligible customer:
  - Administration costs per eligible customer
  - Marketing costs per eligible customer
    - Acquisition costs (percent share of marketing) per eligible customer
    - Retention costs (percent share of marketing) per eligible customer

The metrics per participant revenue and per new enrollment were also updated to use the same cost breakouts as those to be used for the metrics per eligible customer. As stated above, these new metrics provided new insights but did not settle the question of whether program costs were “reasonable.” The POC sees this question in two parts: 1) How to provide greater context to the program costs reported to the POC each year, and 2) How to define “reasonable cost.”

To answer this question, the POC plans to launch two subcommittees this year: the first will be a relaunch of the Metrics Subcommittee, which will review the bands and recent metrics changes to identify opportunities for further refinement, and the second will delve into the more philosophical questions around defining POC and program goals. The Metrics Subcommittee will begin work first, providing a work plan for the rest of 2018 and early 2019 to the POC at the September 19, 2018 meeting. Based on this work plan, the Goals Subcommittee will deliver a work plan to the POC at the November 7, 2018 meeting. The POC will use the deliverables from the Metrics Subcommittee as a framework to value marketing spending and then it will take the deliverables from the Goals Subcommittee to evaluate those costs against refined program goals. The review will be factored into the POC’s recommendation of portfolio options for 2019.

## 2. Investigation of Cross-Promotion of Portfolio Option Programs and Other Utility Renewables Programs

The utilities expend considerable effort and funds to ensure customers are aware of their portfolio options. These promotional activities include direct conversations with customers on

the doorstep, at community events, and over the phone, as well as emails, advertisements, and other indirect channels. As utilities continue to expand customer offerings outside of their portfolio options, customers may desire information not just about the portfolio options but others as well. Consideration of cross-promotion relies on existing guidelines for portfolio program costs. Funds collected from portfolio option participants can only be used to cover costs associated with the portfolio option, and the costs associated with the portfolio option can only be borne by the participants in that portfolio option.

The POC proposes to scope and launch an investigation to better understand opportunities and customer benefits from cross-promotion of portfolio and non-portfolio customer programs. The investigation includes two threshold questions that will dictate the POC's engagement with this issue in the upcoming year:

- Is cross-promotion in customers' interest?
- If yes, is it appropriate for the POC to make a recommendation to the Commission regarding guidance to ensure promotional costs are allocated appropriately across the various ratepayer and participant types?

### 3. Access to Confidential Materials Before and After Executive Sessions

In 2017, the POC put in place measures to ensure that members attending Executive Session meetings could have access to the materials presented ahead of time. Each utility chose to provide nondisclosure agreements (NDAs) to all non-utility POC members, while PUC Staff were covered under the protective order provided by UM 1020. ODOE was unable to execute final NDAs with two of the three utilities due to concerns over its obligations under public records law as a public agency and thus ODOE staff could neither access the financial information – critical for informed oversight – from those two utilities ahead of time nor retain it for further review. The POC will request further DOJ guidance on how to resolve this issue for ODOE, whether it be by adding ODOE to the protective order under UM 1020 or through other means.

### PRIORITY ITEMS

1. Guidelines on the Interaction of the RPS and Utility Green Power Programs:  
Understanding the Portfolio Programs in the Context of Utility Green Power Programs Will Better Enable the POC to Make Recommendations to the Commission on Portfolio Options

Under the current renewable resource portfolio options, participants have a choice to a purchase renewable energy certificates at a fixed kWh amount per month (fixed option) or equal to 100 percent of their monthly usage (volumetric option). The Renewable Portfolio Standard (RPS) did not exist when the volumetric option was defined as a 100 percent match.<sup>2</sup> At present, the RPS obligation requires electric companies to supply Oregon retail customers with 15 percent renewable energy. This amount will increase to 20 percent in 2020 and

<sup>2</sup> Commission Order No. 06-350, page 1, July 6, 2006.

continue to increase incrementally until reaching 50 percent in 2040. Electric company customers, including those participating in the portfolio options, are paying for the cost of renewable energy used for RPS compliance. Consequently, the increasing RPS obligation raises questions about participants' overlap with the RPS and the appropriate description of the level of RPS compliance in the volumetric option. For example, a customer in 2015 participating in the volumetric option is purchasing RECs to cover 100 percent of that customer's usage and the utility's supply mix is 15 percent renewable so the customer is paying for 115 percent of usage. At the same time, the portfolio options provide a different renewable energy product than the RPS, namely a Green-e Energy certified option (in the case of PacifiCorp and PGE).<sup>3</sup> The POC has also discussed whether purchasing renewable energy above one's usage is a concern when done voluntarily.

The POC proposes to scope and launch an investigation into the interaction between the RPS and the volumetric option. The investigation will scope a list of potential actions and select a recommended action for Commission consideration in 2019. Actions may include, but are not limited to, the following:

- No action – continued monitoring;
- Require specific disclosure language presented at the time of the customer's enrollment that clarifies the amount of renewable energy already in the electric company service mix and the level of match provided by the volumetric option; and/or
- Allow utilities to adjust the usage-based options to reflect current RPS compliance obligations (i.e., if the current RPS obligation is 15 percent, the usage-based option will match 85 percent of participants' usage with renewable energy).

## 2. Investigation of Existing Time-of-Use Portfolio Options

As required by ORS 757.603(2)(b), utilities must offer time-of-use products. Both electric utilities offer the time-of-use option as the market-based rate. The POC has previously reviewed time-of-use options and received briefings on separate efforts, such as critical peak pricing, advanced metering infrastructure, and water heater direct load control. In 2004, the POC and the electric utilities agreed that it was not cost-effective to actively market these options and in the following years these products have been available to customers and have been detailed on utility retail labels, but there is no active solicitation of new enrollments. In 2016, a member utility presented data to the POC detailing that the costs associated with marketing these products were still prohibitively high. However, the POC believes there may be opportunities for the development of new market-based rate option products.

The POC proposes to clearly define this question and agree upon a process and timeline for conclusion of an investigation.

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<sup>3</sup> Green-e Energy certification entails an annual audit to ensure the program's marketing messages and the RECs sourced are in compliance with Green-e criteria. The marketing audit includes a review of how the program messages the environmental attributes associated with the purchase of unbundled RECs.

3. Understanding Long-Term Interactions Between Existing Portfolio Options and New and Emerging Programs

Looking beyond the RPS, the POC proposes an additional investigation to inform the POC on the long-term interactions between existing portfolio options and new customer options, including community solar, a new green tariff, and other market-based pricing options introduced by the utilities independent of the portfolio options. This will better enable the POC to make recommendations on portfolio options.

4. Investigation of New Non-REC-Based Renewable Energy Resource Portfolio Options to Inform the POC's Recommendations to the Commission on Portfolio Options to Meet ORS 757.603(2)

Some customer representatives feel that customers who opt in to voluntary programs do not understand the REC market and instead believe and perhaps even prefer that their options rely on other mechanisms for incentivizing green power. Though this is a non-consensus item, it raises important questions about customer education and protection and thus the POC proposes to study utility programs outside of Oregon to determine if there are examples of programs that address the purchase of voluntary renewable energy through different pathways.

**Summary of Recommendations**

The POC recommends that the Commission approve the:

- Continuation of the current Portfolio Options;
- Continuation of Executive Session review;
- Appointment of new members; and
- Approval of the POC 2018 – 2019 Work Plan – Attachment A.

ATTACHMENT A

**Portfolio Options Committee | Work Plan 2018 – 2019**

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Meeting Schedule

- September 19, 2018
- November 7, 2018
- February 2019
- April 2019 Executive Session
- May 2019

Annual POC Oversight Activities

- General program updates and reviews take place at the May and November meetings.
- Executive Session reviews specific program costs in April.
- Prepare the upcoming year's POC Work Plan and Annual Commission recommendations, with final discussion at the May POC meeting and final documents due by July 1.
- Items that must be reviewed by the POC in advance of PUC submission:
  - Utility RFPs for green marketers;
  - Any significant changes to selected contractors, including extensions;
  - Changes to POC-related tariffs;
  - Significant and/or non-standard deployment of funds; and
  - New programs or offerings.

Education and Presentations

- Special presentations of utility projects.
- TOU presentations from utilities.
- Resource value of solar and community solar updates from PUC Staff.
- Review of status of current or planned voluntary demand response, battery storage, electric vehicle, time-of-use, and solar customer options.

Special Projects and Issues for 2018 – 2019

- Continued evaluation of performance of updated cost metrics for marketing and administrative expenditures from portfolio revenues after the 2018 Executive Session.
  - Re-launch Metrics Subcommittee to make recommendations for further metric refinements.
  - Launch Goals Subcommittee to provide recommendations on POC and program goals.
- Scope and launch an investigation into the issues around cross-promotion of portfolio and non-portfolio customer programs.
- Develop process to provide consistent confidential materials to all eligible parties in advance of the executive session (i.e. ODOE) by end of 2018.
- Scope and launch, as time allows, for the following investigations:
  - The interaction between the RPS and the volumetric option of portfolio options;
  - Time-of-use rates;

- Long-term interactions between existing portfolio options and emerging programs, such as green tariff/VRET, community solar, etc.; and
- New non-REC-based portfolio options for clean energy.
- Monitor and engage with utilities during the program RFP and contracting process, per OAR 860-038-0220 and the POC charter. PGE will have an RFP for POC review in 2019.