

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1020

In The Matter of)	
)	
PORTFOLIO OPTIONS COMMITTEE)	ORDER
)	
Recommendations for Portfolio Options.)	

**DISPOSITION: PORTFOLIO COMMITTEE
RECOMMENDATION APPROVED**

Oregon residential and small nonresidential customers of Portland General Electric (PGE) and PacifiCorp have a choice of several “portfolio” options in addition to Basic Service – three renewable resource options and a Time of Use rate. The utilities have offered these options since March 2002, as part of state restructuring of the electric utility industry. The renewable resource options meet the requirements of ORS 757.603(2)(a). The Time of Use rate is the market-based option to meet the requirements to ORS 757.603(2)(b). The Portfolio Options Committee (Committee) recommends that the Public Utility Commission of Oregon (Commission) adopt the following portfolio options in accordance with ORS 757.603(2) and OAR 860-038-0220.

The Committee recommends that PGE be allowed to extend an existing renewable supply agreement for portfolio options beyond the otherwise applicable Commission-approved term, in order to encourage longer-term investment and product innovation, as described in Appendix A. In addition, based upon the results of PGE’s program review with its marketer/supplier, Green Mountain Energy, the Committee recommends approval of PGE’s decision to extend its current marketing and supply agreement with Green Mountain Energy through December 31, 2007.

The Committee also made recommendations concerning Time of Use rates. The Time of Use rates are higher during on-peak hours, and lower during off-peak hours, than standard rates. In compliance with Order No. 03-393, PGE and PacifiCorp evaluated their Time of Use programs, and found that the programs are not cost-effective today. However, PGE indicated that the Time of Use option is used as a platform for launching a cost-effective time-varying pricing program, and Staff indicates that solid peak load reductions have occurred with the Time of Use program. The Committee recommends requiring PGE and PacifiCorp to continue to offer a Time of Use rate option for residential and small nonresidential customers in 2006 to comply with ORS 757.603(2), according to the conditions described in Appendix A and incorporated by reference.

The Committee also recommends approving an operational policy that allows a Portfolio Options Committee member to name a proxy that will be allowed to vote in a Committee member's absence. The Committee member's proxy will have all privileges allowed the Committee member.

The staff recommended the appointment of Laura Beane to the Committee, and the appointment of individuals as proxies. Staff also recommended that PGE and PacifiCorp file any contracts or contract extensions with renewable resource tag/marketing suppliers with the Commission and allow the utility to request confidential treatment of the document.

At its public meeting on July 12, 2005, the Commission adopted the Committee and Staff recommendations.

ORDER

IT IS ORDERED that:

1. Portland General Electric may extend an existing renewable supply agreement for portfolio options beyond the otherwise applicable Commission-approved term, subject to the process described in the Annual Performance Review and Contract Extension Mechanism.
2. Portland General Electric may extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2007.
3. Portland General Electric and PacifiCorp are required to continue to offer a Time of Use rate option for residential and small nonresidential customers in 2006, subject to the conditions in Appendix A.
4. A Portfolio Options Committee member may name a proxy for approval by the Commission.
5. The staff recommendations, as detailed in Appendix A, are adopted.

Made, entered and effective AUG 01 2005 .

BY THE COMMISSION



Becky L. Beier

BECKY L. BEIER
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 12, 2005

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: June 30, 2005

TO: Public Utility Commission

FROM: Lisa Schwartz *LS*

THROUGH: *LS* Lee Sparling, *EB* Ed Busch and Jack Breen III *JB III*

SUBJECT: PORTFOLIO OPTIONS COMMITTEE: Recommendations for Portfolio Options.

SUMMARY RECOMMENDATIONS:

The Portfolio Options Committee recommends that the Commission:

1. Allow Portland General Electric (PGE) to extend an existing renewable supply agreement for portfolio options beyond the otherwise applicable Commission-approved term subject to the process described in the Annual Performance Review and Contract Extension Mechanism. (Attachments A and B)
2. Approve PGE's decision to extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2007.
3. Require PGE and PacifiCorp to continue to offer a Time of Use rate option for residential and small nonresidential customers in 2006 to comply with ORS 757.603(2)(b) under the following conditions:
 - a. The utilities will minimize costs of the Time of Use program, including providing minimal information in general education materials on portfolio options, targeting any Time of Use education efforts to high-usage customers and keeping those efforts to a minimum, and discontinuing load research and customer attitudinal data collection for the purpose of evaluating the Time of Use program for 2006.
 - b. The utilities will not be required to evaluate the Time of Use rate option based on load research or customer attitudinal data for 2006.

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c. The utilities will continue the customer guarantee for the first 12 months of the customer's participation in the Time of Use rate option.

4. Approve the following operational policy:

A Portfolio Options Committee member may name a proxy for approval by the Commission. A "named" proxy will be allowed to vote on behalf of a Committee member in that member's absence. The Committee member's proxy will have all privileges allowed the Committee member such as, but not limited to, attending Executive Committee meetings and receiving related confidential materials. Committee members and their proxies may be required to sign a protective order before they are allowed to attend Executive sessions and receive confidential materials. These privileges extended to the proxy are intended to insure that the proxy is informed regarding Committee business and can act in the member's place.

Additionally, staff recommends that the Commission:

1. Appoint Laura Beane to serve as the PacifiCorp representative on the Portfolio Options Committee.
2. Require that PGE and PacifiCorp file with the Commission upon execution any contracts or contract extensions with renewable resource tag/marketing suppliers for portfolio options pursuant to ORS 757.603(2)(a) and allow the utility to request that the document be treated as a confidential submission under ORS 192.502(4) or other specified exemption.
3. Appoint the following individuals as proxies for the committee members noted:
 - Jack Breen for Lisa Schwartz, Commission staff
 - Gordon McDonald for Laura Beane, PacifiCorp
 - Marc Cody for Doug Kuns, PGE
 - Phil Carver for Justin Klure, Oregon Department of Energy
 - Lowrey Brown for Jason Eisdorfer, residential consumer representative
 - Debra Kennedy for Cindy Olmstead, residential consumer representative
 - Diane Zipper for Natalie McIntire, public/regional interest group representative
 - Anthony Roy for John Graham, small nonresidential consumer representative

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DISCUSSION:

Oregon residential and small nonresidential customers of PGE and PacifiCorp have a choice of several "portfolio" options in addition to Basic Service — three renewable resource options and a Time of Use rate. The utilities have offered these options since March 2002, as part of state restructuring of the electric utility industry.

The renewable resource options meet the requirements of ORS 757.603(2)(a). The options include Fixed Renewable (block product), Renewable Usage (matching 100% of a customer's usage) and Habitat (same as Renewable Usage, plus a contribution for restoring salmon habitat). The Time of Use rate is the market-based option to meet the requirements of ORS 757.603(2)(b).

Following are recommendations by the Portfolio Options Committee pursuant to OAR 860-038-0220.

Proposed Contract Extension Mechanism for PGE

OAR 860-038-0220(6) states, in part:

Each electric company must acquire the renewable supply resources necessary to provide the renewable energy resources product through a Commission-approved bidding process or other Commission-approved means.

In Order No. 03-354, the Commission approved PGE's proposed bidding process and request for proposals (RFP) for Tradable Renewable Credits (TRCs) and retail marketing services for its 2004-2006 Usage and Habitat portfolio options. Based on this process, the company selected Green Mountain Energy to provide these services through December 31, 2006.

Early in 2005, PGE advised the committee that it wanted to extend its agreement with Green Mountain Energy beyond the three-year term specified in the Commission-approved RFP, without undertaking a competitive solicitation. PGE stated that issuing an RFP every three years means the service provider is unlikely to invest as much in marketing activities during the last 18 months of the contract, because it may not recoup the investment if a different supplier is chosen in the next solicitation. Product innovations also may be affected because their research, development and implementation must be completed in a short timeframe. In addition, PGE cited concerns about program continuity.

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PGE proposes a process that would allow the company, now and in the future, to extend an existing agreement for renewable resources and marketing services, subject to Commission approval and with opportunity for input and recommendations from the Portfolio Options Committee. The committee passed the following motion at its meeting on April 7, 2005, with PacifiCorp abstaining and all other members present voting in favor:

The Portfolio Options Committee recommends that the Commission allow PGE to extend an existing renewable supply agreement for portfolio options beyond the otherwise applicable Commission-approved term subject to the process described in the Annual Performance Review and Contract Extension Mechanism.

Attachment A is PGE's proposed Annual Performance Review and Contract Extension Mechanism reflecting the committee's substantial input. Attachment B shows the proposed timelines. The proposed process:

- Allows PGE annually to (1) extend an existing agreement with its renewable resources marketer/supplier by one year – up to three times – subject to Commission approval of each contract extension or (2) issue an RFP for a new contract period
- Requires PGE to consider in its decision-making:
 - Product price compared to prices from other suppliers in the market
 - Customer participation including new signups, retention efforts and customers discontinuing enrollment
 - Product content, rate stability, support for development of new renewable resources and other features
 - Marketing activities including amount, quality, customer satisfaction and any customer complaints
- Provides substantial opportunity for committee input into PGE's annual decision to extend a contract and allows the committee to support the company's decision outright or subject to modifications or conditions, with time for the company to respond and retool its proposal if desired
- Requires PGE after three annual extensions to fully test the market through an RFP process, six months prior to contract expiration

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Proposed 2007 Contract Extension for Green Mountain Energy

PGE advised the committee in May 2005 of its decision to request approval by the Commission to extend the contract with Green Mountain Energy through 2007. The company based its decision on the considerations described in Attachment A, as well as an assessment of operational expertise at Green Mountain Energy and its working relationships with PGE. For example, as a result of its relationship with the company's Customer Service team, Green Mountain Energy was instrumental in developing PGE's new "Seamless Move" program. The program automatically re-enrolls participants in renewable resource options when they move within the service area, eliminating unintended drops.

PGE also points toward Green Mountain Energy's success in creating and executing strategic marketing plans for the company's residential and small business customers. For example, Green Mountain Energy's marketing plan to acquire 11,000 new participants in 2004 yielded 12,000 new enrollments through 10 marketing channels. The U.S. Department of Energy's National Renewable Energy Laboratory ranks PGE second in the country for total renewable resource sales (in kilowatt-hours), third for number of green power customers, and seventh for customer penetration rate, which stood at 4.3% by year-end 2004.

PGE characterizes Green Mountain Energy's pricing as toward the lower end of utility green pricing programs in the U.S. For the 2004-06 contract period, PGE believes the product mix of 50% new wind, 25% existing low-impact hydro and 25% existing geothermal resources provided a reasonable balance considering TRC costs, marketing investments and product price.

The committee discussed with PGE and Green Mountain Energy its intent to recommend improvements for 2007 renewable resource options, including a requirement that all TRCs come from "new" facilities as defined in ORS 757.005(21) — those in operation after July 23, 1999. In light of changes in national standards for TRCs, PGE will require renewable resource portfolio options supplied by Green Mountain Energy to consist of 100% new resources beginning in 2007. The committee also plans to consider recommending for 2007 that the Commission require TRCs be certified by the Western Renewable Energy Generation Information System, which is expected to be operational mid-2006.

The committee passed the following motion at its meeting on June 9, 2005, with PacifiCorp abstaining and all other members present voting in favor:

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Based upon the results of PGE's program review with its marketer/supplier, Green Mountain Energy, the Portfolio Options Committee recommends that the Commission approve PGE's decision to extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2007.

Time of Use Option

Time of Use rates are higher during on-peak hours, and lower during off-peak hours, than standard rates.

PGE's Time of Use rate structure has three tiers of energy prices: on-peak, mid-peak and off-peak. The mid-peak rate is the same as the Basic Service rate. The ratio of on- to off-peak energy prices is about 3-to-1, roughly a 5¢ per kWh differential.

PacifiCorp's Time of Use rate structure is designed to work simply with the company's inclining block rates for residential customers, where energy prices are higher at higher usage levels. Participants pay a surcharge on top of Basic Service rates for usage during on-peak hours and get a credit during off-peak hours.

Participants help pay for the cost of meters needed to track energy usage by time of day. PGE participants pay \$1 per month for a single-phase interval meter; PacifiCorp customers pay \$1.50 per month for a Time of Use meter.

The utilities evaluated their Time of Use programs in compliance with Order No. 03-393, including an estimate of current and projected benefits and costs. The programs are not cost-effective today.¹

Following are Total Resource Cost results for PGE's program based on its evaluation in 2004:

- A benefit/cost ratio of 0.58, including development (sunk) costs associated with the Time of Use option from its inception in 2002 through 2015
- A benefit/cost ratio of 0.74 on a going-forward basis from 2004 through 2018 (excluding sunk costs)

The analyses use customer load changes during critical peak hours and include transmission and distribution (T&D) system costs which may be avoided, consistent with Northwest Power and Conservation Council practice. If avoided T&D costs are excluded, PGE estimates the benefit/cost ratio at 0.58 on a going-forward basis (not including sunk costs). The analyses allocate all installed meter costs to the Time of Use

¹ A benefit-cost ratio of 1 or greater indicates a program is cost-effective.

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program through 2005, and most of the meter costs to the program through 2009. After that time, the analysis assumes that installation of a network meter reading system will be completed, and no meter costs are attributable to the Time of Use program.

PGE views the Time of Use option as a platform for launching a cost-effective time-varying pricing program once network meter reading is in place. The program has research value for the company and builds capability for future programs. Current enrollment is more than 1,800 customers.

PacifiCorp's recently completed evaluation of its Time of Use program estimated a benefit/cost ratio of 0.23. After accounting for benefits, the evaluation estimates that the program required \$889,000 in subsidies from 2002 through 2004. Assuming no new participants and attrition in enrollment coinciding with average tenancy, the study estimated that \$870,000 (2004\$) in subsidies would be required during the period 2002 to 2010 assuming continuing load research. It would take about 10,000 enrollments to make the program cost-effective under current metering and data collection strategies. Current enrollment is about 1,500 customers.

Given the mandate to offer a market-based option, PacifiCorp recommends that the program continue with further targeting of marketing to high-usage customers and continuing help for enrolled customers to reduce usage during peak periods.

Staff points toward solid peak load reductions from the Time of Use program:

- For PGE, Time of Use residential loads were on average 0.27 kW (15%) lower than control group loads during the winter morning peak, and 0.13 kW (7%) lower during the evening peak. The highest average reduction in hourly loads was 0.32 kW (17% of average household load). The highest reduction during the utility's critical system peak — the 87 hours of the year when loads are highest — was twice that level at 0.64 kW (27% of average household load). Load impacts during the summer peak period were much smaller, averaging 0.03 kW, or about 2%. In addition to load shifting, Time of Use households used an estimated 292 kWh less energy per year on average, reflecting conservation impacts. Participants saved \$28 per year, some 5%, compared to what they would have paid under standard residential rates.
- For PacifiCorp, Time of Use loads were on average 0.22 kW (9%) lower for residential participants and 0.37 kW (17%) lower for commercial participants than those of the control group during winter mornings. Load impacts during the summer peak period averaged 0.1 kW for residential customers² and 0.23 kW for commercial

² Likely due in part to the relatively low percentage of households (37%) with air-conditioning in the company's Oregon service area.

customers. In addition, annual net energy savings are estimated at 336 kWh/year for households and 516 kWh/year for small businesses.³ Average annual bill savings for Time of Use customers are small — about \$5 per year for households and \$10 for commercial customers (net of meter charges) when comparing actual usage as it would be billed under the Basic Service tariff.

Programs are not cost-effective with one-off installations of special meters and no communications network for acquiring data. Mass installation of such equipment would be needed to make time-varying pricing for small customers cost-effective.

At this time, the committee recommends that the utilities minimize program costs, including promotional activities and load research. The committee also plans to explore alternative rate structures to meet the legislative mandate for a market-based option, for possible recommendations to the Commission for 2007.

The Committee passed the following motion unanimously at its meeting on June 9, 2005:

The Portfolio Options Committee recommends that the Commission require the utilities to continue to offer a Time of Use rate option for residential and small nonresidential customers in 2006 to comply with ORS 757.603(2)(b) under the following conditions:

- a. The utilities will minimize costs of the Time of Use program, including providing minimal information in general education materials on portfolio options, targeting any Time of Use education efforts to high-usage customers and keeping those efforts to a minimum, and discontinuing load research and customer attitudinal data collection for the purpose of evaluating the Time of Use program for 2006.*
- b. The utilities will not be required to evaluate the Time of Use rate option based on load research or customer attitudinal data for 2006.*

The Time of Use program has included a customer guarantee since its inception. The guarantee assures customers that for the first 12 months of participation, they won't pay more than 10% above what they would have paid on the cost of service rate (excluding meter charges). It gives them the opportunity to see if they can shift enough load to off-peak hours to save money, without too much additional cost if they fail.

³ Load impacts are indicative rather than conclusive because of small sample sizes for both participant and control groups.

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PGE and PacifiCorp recommend that the Commission discontinue the customer guarantee for the following reasons:

- The guarantee served as a safety net when the Time of Use program was in its pilot phase, when we didn't know what the results were going to be. The programs have been in place awhile now and the guarantee is no longer needed.
- It's a subsidy that's inconsistent with minimizing costs.
- It may dampen load-shifting behavior.
- There are few refunds under this provision, but the effort is outside of normal company operations. PGE would prefer to address any high bill complaints through its normal procedures.
- It's unclear how the guarantee influences a customer's decision to participate.
- Consumers should confront Time of Use rates without a backstop.
- If we're now minimizing promotional activities, the guarantee is an inducement that's no longer needed.

Other committee members argued in favor of keeping the guarantee:

- Time-varying pricing is in its infancy in Oregon. The guarantee helps protect future programs that will be cost-effective once advanced metering infrastructure is installed.
- There's not much difference between offering the guarantee vs. eliminating it, if you then limit a customer's liability when there's a high bill complaint.
- If the utilities minimize program costs and the amount of information provided, it's more likely that a new participant could lose money on the Time of Use option.
- The guarantee serves as a reminder to existing participants that they must actively manage their load or face higher bills than if they were on standard rates.

The Committee passed the following motion 7-2-1 at its meeting on June 9, 2005, with PGE and PacifiCorp representatives voting against it and Renewable Northwest Project's representative abstaining:

The Portfolio Options Committee recommends that the Commission require the utilities to continue the customer guarantee for the first 12 months of the customer's participation in the Time of Use rate option.

Proxy Policy

The Commission appoints specific individuals to the Portfolio Options Committee. Each member represents a particular interest — utilities or residential consumers, for example. The committee passed a proxy policy at its first meeting, in November 2000.

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The committee is seeking the Commission's approval of the amended policy it adopted unanimously at its June 9, 2005, meeting:

The Portfolio Options Committee recommends that the Commission approve the following operational policy:

A Portfolio Options Committee member may name a proxy for approval by the Commission. A "named" proxy will be allowed to vote on behalf of a Committee member in that member's absence. The Committee member's proxy will have all privileges allowed the Committee member such as, but not limited to, attending Executive Committee meetings and receiving related confidential materials. Committee members and their proxies may be required to sign a protective order before they are allowed to attend Executive sessions and receive confidential materials. These privileges extended to the proxy are intended to insure that the proxy is informed regarding Committee business and can act in the member's place.

The committee believes this proxy policy would help ensure representation of all interests in the event a member is unable to attend a meeting, while preserving the confidentiality of trade secrets or other protected material.

Additional Staff Recommendations

Staff recommends that the Commission:

1. Appoint Laura Beane to serve as the PacifiCorp representative on the Portfolio Options Committee.

Laura Beane has served as PacifiCorp's proxy on the committee this year. She is the Oregon regulatory manager for PacifiCorp, responsible for coordination and management of all regulatory issues in the state for the company. Her work includes preparing and prosecuting regulatory filings and ensuring implementation of and compliance with regulatory orders and legislative mandates. Ms. Beane has worked for PacifiCorp in various project management roles since 1995. She joined the Regulation department in 2003.

2. Require that PGE and PacifiCorp file with the Commission upon execution any contracts or contract extensions with renewable resource tag/marketing suppliers for portfolio options pursuant to ORS 757.603(2)(a) and allow the utility to request that the document be treated as a confidential submission under ORS 192.502(4) or other specified exemption.

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As discussed above, PGE and PacifiCorp must use competitive bidding or other Commission-approved means for acquiring renewable resources for portfolio options. To date, the Commission has approved two bidding processes and associated RFPs for each utility, and the utilities entered into contracts for their selected suppliers. As part of its oversight responsibility, Commission staff has acquired each of these contracts for review as confidential submissions.

Staff and its attorney have spent significant time acquiring these contracts by requesting them one-by-one after the RFP process has concluded. Staff requests that the Commission direct the utilities to file these documents timely upon execution of contracts with selected bidders and upon any contract extension.

3. Appoint the following individuals as proxies for committee members:
- Jack Breen for Lisa Schwartz, Commission staff
 - Gordon McDonald for Laura Beane, PacifiCorp
 - Marc Cody for Doug Kuns, PGE
 - Phil Carver for Justin Klure, Oregon Department of Energy
 - Lowrey Brown for Jason Eisdorfer, residential consumer representative
 - Debra Kennedy for Cindy Olmstead, residential consumer representative
 - Diane Zipper for Natalie McIntire, public/regional interest group representative
 - Anthony Roy for John Graham, small nonresidential consumer representative

Committee members nominated the following individuals to serve as their proxies, and Staff recommends their approval.

Jack Breen is manager of the Commission's Electric Rates and Planning Section. He has monitored the activities of the committee since its inception and has broad experience in related matters.

Gordon McDonald is a former PacifiCorp representative on the committee. His experience at the company includes developing and implementing demand-side management programs, designing pricing options, implementing direct access, and working on various issues related to integrated resource planning. His duties involve handling sensitive and confidential information.

Marc Cody is a senior analyst in PGE's Rates and Regulatory Affairs group. An economist, Mr. Cody has worked at PGE since 1996 and has served as a witness in various Commission dockets.

Phil Carver is a senior policy analyst at the Oregon Department of Energy with responsibilities that include developing energy policies and plans, providing technical

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analysis, and testifying in state and federal proceedings. He assisted in the development of market-based portfolio options and labeling rules for electricity services and provides technical support on issues related to renewable resource tracking and verification. Dr. Carver has broad experience in rate design, demand-side management and renewable resources.

Lowrey Brown is a utility analyst at Citizens' Utility Board of Oregon, where her responsibilities include preparing testimony and participating in settlement discussions for Commission proceedings. Ms. Brown previously worked as a consultant with KEMA-Xenergy in Portland and provided technical assistance as an engineering consultant.

Debra Kennedy has served as a director on the Oregon HEAT board since September 2000. She worked with the Fair and Clean Energy Coalition to develop outreach materials on portfolio options and assisted in introducing them to communities served by PGE and PacifiCorp. Ms. Kennedy has a broad understanding of and interest in the portfolio options, as well as the needs of residential utility customers, including households on low incomes.

Diane Zipper has worked for the Renewable Northwest Project since 1998. She directs the "Go Green" educational campaign for residential and commercial customers on the benefits of renewable energy and green power programs. She also has worked with Northwest utilities on development and outreach strategies and helped develop regional standards for certification of green power products. Ms. Zipper previously worked for the Fair and Clean Energy Coalition and Citizens' Utility Board of Oregon.

Anthony Roy recently joined Ecos Consulting from the City of Portland's Office of Sustainable Development, where his work supported green building activities and a residential retrofit program for the Energy Trust of Oregon. Mr. Roy is continuing his work in green building and energy efficiency at Ecos Consulting.

PROPOSED COMMISSION MOTION:

1. PGE be allowed to:
 - a. Extend an existing renewable supply agreement for portfolio options beyond the otherwise applicable Commission-approved term subject to the process

described in the Annual Performance Review and Contract Extension Mechanism. (Attachments A and B)

- b. Extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2007.
2. PGE and PacifiCorp be required to continue to offer a Time of Use rate option for residential and small nonresidential customers in 2006 to comply with ORS 757.603(2)(b), under the following conditions:
 - a. The utilities will minimize costs of the Time of Use program, including providing minimal information in general education materials on portfolio options, targeting any Time of Use education efforts to high-usage customers and keeping those efforts to a minimum, and discontinuing load research and customer attitudinal data collection for the purpose of evaluating the Time of Use program for 2006.
 - b. The utilities will not be required to evaluate the Time of Use rate option based on load research or customer attitudinal data for 2006.
 - c. The utilities will continue the customer guarantee for the first 12 months of the customer's participation in the Time of Use rate option.
 3. PGE and PacifiCorp be required to file with the Commission upon execution any contracts or contract extensions with renewable resource tag/marketing suppliers for portfolio options pursuant to ORS 757.603(2)(a) and allow the utility to request that the document be treated as a confidential submission under ORS 192.502(4) or other specified exemption.
 4. The following operational policy be approved:

A Portfolio Options Committee member may name a proxy for approval by the Commission. A "named" proxy will be allowed to vote on behalf of a Committee member in that member's absence. The Committee member's proxy will have all privileges allowed the Committee member such as, but not limited to, attending Executive Committee meetings and receiving related confidential materials. Committee members and their proxies may be required to sign a protective order before they are allowed to attend Executive sessions and receive confidential materials. These privileges extended to the proxy are intended to insure that the proxy is informed regarding Committee business and can act in the member's place.
 5. Laura Beane be appointed to the Portfolio Options Committee as PacifiCorp's representative.

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6. The following individuals be appointed as proxies for committee members:
- Jack Breen for Lisa Schwartz, Commission staff
 - Gordon McDonald for Laura Beane, PacifiCorp
 - Marc Cody for Doug Kuns, PGE
 - Phil Carver for Justin Klure, Oregon Department of Energy
 - Lowrey Brown for Jason Eisdorfer, residential consumer representative
 - Debra Kennedy for Cindy Olmstead, residential consumer representative
 - Diane Zipper for Natalie McIntire, public/regional interest group representative
 - Anthony Roy for John Graham, small nonresidential consumer representative

2006PortfolioRecs.doc

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Attachment A

Annual Performance Review and Contract Extension Option*

The current program structure requires PGE to issue an RFP every three years to procure marketing and supply services for its renewable portfolio options program. This structure may unnecessarily constrain the ultimate potential for the program.

The fact that an RFP is issued every three years creates incentives that run counter to some objectives of the program:

- The marketer/supplier is unlikely to invest as heavily in new customer acquisition for approximately 18 months prior to contract termination, as there is significant uncertainty whether any of that investment will ever be recovered.
- Product innovation can be stymied because the research, development, launch, and adoption of new initiatives have to be completed in a very short timeframe.

In addition, the continuity of local market knowledge, operational relationships, and presence in the market is disrupted. Just at the time when the marketer/supplier begins to understand how to work with the utility and how to work in the market, their incentive to continue building a presence is removed by the impending RFP.

To continue the growth of PGE's renewable portfolio options and in order to create the incentives necessary for the renewable marketer/supplier to invest accordingly, the following structural process improvement is proposed.

The proposed structure would grant PGE the ability to extend an existing agreement with its renewable marketer/supplier on an annual basis. Any such extension would be subject to review by the Portfolio Options Committee (POC) and approval by the OPUC. PGE would be limited to a maximum of three consecutive contract extensions with any marketer/supplier, after which PGE would be required to issue an RFP (approximately six months prior to the expiration of the contract with its marketer/supplier).

Section I - Annual Program/Contract Review:

PGE will complete a detailed review of its renewable marketer/supplier based on overall program performance, PGE's assessment of available alternatives and input from the POC (outlined in section II). Based on this review, PGE will decide between extending

* Proposed by PGE and approved by the Portfolio Options Committee - April 7, 2005

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Attachment A

its existing marketer/supplier agreement for an additional 12-month term and issuing an RFP to select a marketer/supplier.

The utility, its marketer/supplier, the POC and the OPUC will have a clear expectation that each year shows continued improvements to the renewable program, and that those enhancements bring continued program growth and benefits to the customer. This Annual **Program Review** will evaluate the current marketer/supplier in the following areas:

Overall Program Growth –

- New enrollment growth
- Customer churn and program retention efforts

Product –

- Review elements of the current product offering including product content, rate stability, value-added benefits, customer recognition and support for new renewables development

Price –

- Evaluate portfolio option prices relative to market pricing for supply and alternatives available regionally and from other suppliers

Marketing Operations –

- Performance by channel and number of marketing initiatives throughout year
- Marketing innovation and operations successes
- Review any customer complaints to PGE or PUC
- Survey information (if available) to gauge customer satisfaction

If the agreement is not extended, PGE will notify its renewable supplier by the end of June and the following occurs:

- PGE issues an RFP for marketing/renewable supply services approximately six months before the expiration of the existing agreement.
- PGE selects a new supplier 90 days or sooner following receipt of bidder responses to the issued RFP.

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Attachment A

Section II. - Role of Portfolio Options Committee and OPUC

The POC continues to provide Portfolio options recommendations to the Commission. In addition, PGE will now provide an annual *Performance Review* to the POC on the performance of its renewable portfolio program. This report includes a description of the prior year's performance and plans for the current year. The detail presented in this meeting will be very similar to that described in the annual *Program Review* in Section I, and the POC may request other details of interest for PGE and its marketer to report on. This *Performance Review* will be provided in an Executive Session of the POC.

Approximately 6 weeks after the annual *Performance Review* the POC will meet with the utility and its marketer/supplier to discuss specific recommendations for improving the renewable options. These recommendations would then be incorporated in the *Program Review* (outlined in Section I) between the utility and the marketer.

Following the *Program Review* with marketer/supplier (outlined in Section I), PGE will submit a summary of their decision to extend the contract another 12 months with marketer/supplier or issue an RFP. This summary will be presented at a POC meeting. The POC will then decide if it supports PGE's decision and make the appropriate recommendation to the OPUC regarding any proposed contract extension by July 1st. In line with OAR 860-038-0220(3), the POC retains its responsibility to make other recommendations to the Commission by July 1st of each year related to the renewable resource options that will be effective January 1st of the following year.

Summary:

PGE and Green Mountain Energy feel this change to the existing RFP process is an improvement to a good system that will enable for more consistent growth of the portfolio. It will allow the Utility and its supplier to look at longer term goals and new program innovations required to grow the market materially.

The attached flow charts outline the timeline for possible contract extensions for 2007, 2008, and 2009.

Portfolio Option Recommendations
June 30, 2005
Attachment B

Attachment B
Timeline for Annual Contract Extensions

Timeline for annual contract extension – for 2007

April 7, 2005

POC performance review meeting:

- Review previous year's results and plans for current year with members



By May 5, 2005

POC feedback to PGE & Marketer:

- Not to replace July 1st POC recommendations to PUC



May 2005

PGE annual program review with marketer:

- using prior feedback



By May 20, 2005

PGE presents summary of decision to POC:

- either moving forward with marketer or RFP



By June 15, 2005

POC makes recommendation to PGE



By July 1, 2005

POC recommendation goes to OPUC



OPUC makes decision on annual extension

Timeline for annual contract extension – for 2008

By Feb 15, 2006

Q1 POC performance review meeting:

- Review previous year's results and plans for current year with members



By March 30, 2006

POC feedback to PGE & Marketer:

- Not to replace July 1st POC recommendations to PUC



By April 15, 2006

PGE annual program review with marketer:

- using prior feedback



By May 1, 2006

PGE presents summary of decision to POC:

- either moving forward with marketer or RFP



By June 1, 2006

POC makes recommendation to PGE



By July 1, 2006

POC recommendation goes to OPUC



OPUC makes decision on annual extension

Timeline for annual contract extension – for 2009

By Feb 15, 2007

Q1 POC performance review meeting:

- Review previous year's results and plans for current year with members



By March 30, 2007

POC feedback to PGE & Marketer:

- Not to replace July 1st POC recommendations to PUC



By April 15, 2007

PGE annual program review with marketer:

- using prior feedback



By May 1, 2007

PGE presents summary of decision to members of the POC:

- either moving forward with marketer or RFP



By June 1, 2007

POC makes recommendation to PGE



By July 1, 2007

POC recommendation goes to OPUC



OPUC makes decision on annual extension