

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1020

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

**DISPOSITION: PORTFOLIO COMMITTEE
RECOMMENDATIONS APPROVED**

Oregon residential and small nonresidential customers of Portland General Electric Company (PGE) and PacifiCorp, dba Pacific Power & Light Company (PacifiCorp), have several “portfolio” options in addition to basic service--including three renewable resource options and a time of use rate. The renewable resource options include Fixed Renewable (block product), Renewable Usage (matching 100 percent of a customer’s usage), and Habitat (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).

The Portfolio Advisory Committee (Committee) recommends portfolio options to the Public Utility Commission of Oregon (Commission) in accordance with ORS 757.603(2) and OAR 860-038-0220. At the Commission’s June 27, 2006, Public Meeting, the Committee made several recommendations regarding portfolio options. Detailed analyses of the recommendations are contained in the Commission Staff Report, presented on behalf of the Committee, which is attached as Appendix A and incorporated by reference.

First, the Committee recommends that, beginning January 1, 2007, all renewable resource options offered by PGE and PacifiCorp should consist of 100 percent “new” renewable resources, as that term is defined in ORS 757.600(21). This will provide consistency with the national Green-e Renewable Electricity Certification Program, which will require 100 percent “new” renewable resources beginning January 1, 2007. In addition, currently both PGE and PacifiCorp are substantially exceeding the current 20 percent “new” renewable requirement and establishing a 100 percent requirement will not present an undue burden on the companies.

Second, the 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, 2008. Consistent with its review requirements, PGE notes high penetration rates, increases in new customers and total

green power sold, integrated marketing using a variety of channels, product pricing and resource mix, as well as operational expertise.

Third, the Committee makes recommendations concerning time of use rates. Time of use rates are higher than standard rates during peak hours, and lower than standard rates during off-peak hours. Following evaluation of PGE's and PacifiCorp's time of use programs in 2004 and 2005, the Commission adopted recommendations from the Committee to reduce program costs. The Committee makes similar recommendations for 2007, recommending that PGE and PacifiCorp continue to offer a Time of Use rate option in compliance with ORS 757.603(2), according to the conditions described in Appendix A.

Fourth, the Committee recommends that the Commission require PGE and PacifiCorp to continue the time of use customer price guarantee for the first 12 months of the customer's participation. Under the guarantee, customers do not pay more than ten percent above what they would have paid on the cost of service rate for the first 12 months. This is reflective of the Committee's concern for consumers who choose the time of use rate option without fully understanding the cost consequences, as well as the difficulty in determining the potential cost savings of the time of use option.

Fifth, the Committee recommends the appointment of Anthony Roy to the Committee, and the appointment of designated individuals as proxies.

The Commission adopts the Committee's recommendations.

ORDER

IT IS ORDERED that:

1. Beginning January 1, 2007, all renewable resource portfolio options offered by Portland General Electric Company and PacifiCorp consist of 100 percent new renewable resources as defined by ORS 757.600(21). The Committee will continue to monitor the appropriateness of this requirement relative to green tag prices and availability.
2. Portland General Electric Company is allowed to extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2008.
3. Portland General Electric Company and PacifiCorp are required to continue to offer a time of use rate option for residential and small non-residential customers in 2007 to comply with ORS 757.603(2)(b). Portland General Electric Company and PacifiCorp 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.

4. Portland General Electric Company and PacifiCorp are required to continue the customer guarantee for the first 12 months of the customer's participation in the time of use rate option.
5. Anthony Roy is appointed to the Portfolio Advisory Committee as a small business representative.
6. Melissa Seymour is appointed as proxy for committee member Laura Beane, representing PacifiCorp, and Maury Galbraith as proxy for Lisa Schwartz, representing Commission Staff.

Made, entered, and effective JUL 06 2006.

BY THE COMMISSION:



Becky L. Beier
Commission Secretary



A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006

REGULAR CONSENT EFFECTIVE DATE _____ N/A

DATE: June 14, 2006

TO: Public Utility Commission

FROM: Lisa Schwartz *LS*
W *EB* *BP*

THROUGH: Lee Sparling, Ed Busch and Bonnie Patom

SUBJECT: PORTFOLIO OPTIONS COMMITTEE: (Docket No. UM 1020)
Recommendations for Portfolio Options.

SUMMARY RECOMMENDATIONS:

The Portfolio Options Committee recommends that the Commission:

1. Require all renewable resource portfolio options to consist of 100% new renewable resources as defined by ORS 757.600(21). The Committee will continue to monitor the appropriateness of this requirement relative to green tag prices and availability.
2. Approve Portland General Electric's (PGE's) decision to extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2008.
3. Require PGE and PacifiCorp to continue to offer a time of use rate option for residential and small nonresidential customers in 2007 to comply with ORS 757.603(2)(b). 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.
4. 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.

Additionally, staff recommends that the Commission:

5. Appoint Anthony Roy to serve as a small business representative on the Portfolio Options Committee.

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6. Appoint Melissa Seymour to serve as proxy for committee member Laura Beane, representing PacifiCorp, and Maury Galbraith as proxy for Lisa Schwartz, representing Commission staff.

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.

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).

The Portfolio Options Committee makes the following recommendations pursuant to OAR 860-038-0220.

100% New Resource Requirement

Residential and small business customers are entitled to at least one renewable energy option with "significant new" resources. The Portfolio Options Committee recommends to the Commission how to define this requirement based on an evaluation of resource availability, resource cost and other factors.¹

Beginning January 1, 2007, electricity products certified by the national Green-e Renewable Electricity Certification Program must consist solely of "new" resources.² Although the Commission does not require portfolio options be certified by this program, committee members recommend the options be consistent with this Green-e standard.

To date, the Commission has only required that 20% of the product content for the Usage and Habitat options come from new renewable resources.³ In practice, however, PacifiCorp and PGE have substantially exceeded this level. Since 2004, 100% of the Tradable Renewable Credits (TRCs) for PacifiCorp's Usage and Habitat options have come from new renewable resources. Half of PGE's current product mix comes from

¹ See OAR 860-038-0220(4).

² The Green-e standard defines new resources as those in service on or after Jan. 1, 1997.

³ ORS 757.600(21) defines new resources as those in service after July 23, 1999.

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new resources, but the company made a commitment last year that 100% of its TRCs would come from new resources beginning in 2007.⁴

The Portfolio Options Committee passed the following motion at its meeting on May 22, 2006:

The Portfolio Options Committee recommends that the Commission require all renewable resource portfolio options to consist of 100% new renewable resources as defined by ORS 757.600(21). The committee will continue to monitor the appropriateness of this requirement relative to green tag prices and availability.

PGE abstained. All other members present voted in favor of the motion. PacifiCorp supports the motion.⁵

2008 Contract Extension for Green Mountain Energy

In Order No. 05-878, the Commission adopted a process that allows PGE 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. In determining whether the company should seek to extend the contract, PGE must consider such factors as product content, product price compared to prices from other suppliers in the market, customer participation and marketing activities. After three annual extensions, PGE must fully test the market through an RFP process.

Order No. 05-878 also approved PGE's first request to extend for one year its existing agreement with Green Mountain Energy.

In support of PGE's current proposal to extend its contract with Green Mountain Energy through 2008, PGE notes high customer penetration rates, the percentage increase in new customers and total green power sold, integrated marketing using a variety of channels, product pricing and resource mix, and operational expertise and working relationships.

The Portfolio Options Committee passed the following motion unanimously at its meeting on May 22, 2006:

⁴ See Staff Report on portfolio recommendations, July 12, 2005, public meeting.

⁵ PacifiCorp's committee member was unable to attend the May 22, 2006, meeting. Following the meeting, the company advised staff of its positions on the motions discussed in this staff report.

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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, 2008.

PacifiCorp also supports the motion.

Time of Use Option for 2007

Compared to standard cost of service rates, time of use rates are higher during on-peak hours and lower during off-peak hours. Customers who significantly reduce usage during peak periods may be able to save money on a time of use rate option.

Following evaluation of PGE's and PacifiCorp's time of use programs in 2004 and 2005, the Commission adopted recommendations by the Portfolio Options Committee to reduce program costs. The committee adopted unanimously at its May 22, 2006, meeting a similar recommendation for 2007:

The Portfolio Options Committee recommends that the Commission require PGE and PacifiCorp to continue to offer a time of use rate option for residential and small nonresidential customers in 2007 to comply with ORS 757.603(2)(b). 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.

PacifiCorp also supports the motion.

Staff notes that the federal Energy Policy Act of 2005 and U.S. Department of Energy's recent report on demand response support the continuation of time-varying rate options. In addition, PGE has proposed advanced metering infrastructure in its current rate case. Having meters in place throughout a utility's service area that record energy usage by time of day would reduce the cost of a time of use program.

Staff supports continuing the customer price guarantee for the first 12 months of the customer's participation. Under the guarantee, customers do not pay more than 10% above what they would have paid on the cost of service rate (excluding meter charges) for the first 12 months they participate in the time of use rate option.

Staff's view is that the guarantee protects consumers who are simply looking for the only rate they can choose that could reduce their utility bills, but did not fully understand what they were getting into. The Citizens' Utility Board agrees, noting that it is difficult

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for customers to determine in advance if they are going to save money on the time of use option.

PGE and PacifiCorp would like to see the requirement for the customer guarantee removed for the same reasons as noted in last year's staff report on portfolio option recommendations. Among their reasons are that the guarantee is not needed as a safety net in a well established program, it is a subsidy that is inconsistent with minimizing program costs, and it may dampen the customer's load-shifting behavior.

The committee passed the following motion at its meeting on May 22, 2006:

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.

PGE voted against the motion. PacifiCorp also does not support this recommendation.

Additional Staff Recommendations

Staff recommends that the Commission:

1. Appoint Anthony Roy to serve as a small business representative on the Portfolio Options Committee.

Anthony Roy has served as a proxy member on the committee for the past year, most recently filling in for former member John Graham. Mr. Roy works for Ecos Consulting in the areas of green building and energy efficiency. Before that, he worked for the City of Portland Office of Sustainable Development on green building activities and a residential retrofit program for the Energy Trust of Oregon.

2. Appoint Melissa Seymour to serve as proxy for committee member Laura Beane, representing PacifiCorp, and Maury Galbraith as proxy for Lisa Schwartz, representing Commission staff.

Melissa Seymour is the Washington regulatory affairs manager for PacifiCorp. In this role, she is responsible for the successful coordination and management of all regulatory issues in the state of Washington. This includes preparation, delivery, and prosecution of state regulatory filings, as well as ensuring implementation of and compliance with all regulatory orders and legislative mandates. Ms. Seymour has worked for PacifiCorp since 2001. Prior to joining the regulation department in 2005, she was responsible for managing the company's Integrated Resource Plan.

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Maury Galbraith is a senior economist at the Oregon Public Utility Commission, where he has worked since 2000. His primary responsibility is to provide expert analysis of issues related to power supply in the regulation of electric utility rates.

PROPOSED COMMISSION MOTION:

1. All renewable resource portfolio options offered by PGE and PacifiCorp consist of 100% new renewable resources as defined by ORS 757.600(21). The Committee will continue to monitor the appropriateness of this requirement relative to green tag prices and availability.
2. PGE be allowed to extend its current marketing and supply agreement with Green Mountain Energy by 12 months through December 31, 2008.
3. PGE and PacifiCorp be required to continue to offer a time of use rate option for residential and small nonresidential customers in 2007 to comply with ORS 757.603(2)(b). 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.
4. The utilities be required to continue the customer guarantee for the first 12 months of the customer's participation in the time of use rate option.
5. Anthony Roy be appointed to the Portfolio Options Committee as a small business representative.
6. Melissa Seymour be appointed as proxy for committee member Laura Beane, representing PacifiCorp, and Maury Galbraith as proxy for Lisa Schwartz, representing Commission staff.

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