

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 236

In the Matter of)	
)	ORDER
PORTLAND GENERAL ELECTRIC)	
)	
Application for Approval to Sell Tradable)	
Renewable Energy Credits.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On November 14, 2006, the Public Utility Commission of Oregon (Commission) received an application from Portland General Electric Company (PGE or company), pursuant to ORS 757.480 and OAR 860-027-0025, requesting authorization from the Commission to sell Tradable Renewable Energy Credits (TRCs) and an accounting order to record all proceeds and fees related to net proceeds from TRC sales in the property sale deferred account.

OPINION

Under ORS 757.480 and OAR 860-027-0025, a public utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property. Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on February 27, 2007, the Commission adopted Staff's recommendation to approve the sale of TRCs and grant an accounting order. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the application of Portland General Electric Company is approved, subject to the following conditions:

1. Portland General Electric Company will provide the Commission access to all books of account, as well as documents, data, and records that pertain to the sale of Tradable Renewable Energy Credits.
2. Portland General Electric Company will not sell more than \$1 million of Tradable Renewable Energy Credits, or for a term of more than two

years, in any single sales transaction. Portland General Electric Company may sell up to 100 percent of its Tradable Renewable Energy Credits produced through June 30, 2007. During the period July 1, 2007, to December 31, 2007, and in subsequent calendar years, Portland General Electric Company may sell no more than one-half of the Tradable Renewable Energy Credits produced during the period. Any exception to this condition will require an amended application.

3. Portland General Electric Company will notify the Commission in advance of any substantive changes to the sale and transfer of Tradable Renewable Energy Credits, including any material change in price or quantities that exceed the expectations noted in Portland General Electric Company's application.
4. Portland General Electric Company will provide the Commission the final Gain Calculation with all supporting documentation concerning the final figures and record this information in the property sale deferred account, which is filed with the Commission on a semi-annual basis.
5. The Commission reserves the right to review all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
6. The energy associated with Tradable Renewable Energy Credits sold by Portland General Electric Company will not be reported with environmental attributes as part of Portland General Electric Company's energy mix. Additionally, any Tradable Renewable Energy Credits sold will not be reported as owned for any renewable resource program. The Tradable Renewable Energy Credits sold by Portland General Electric Company should also not be sold to any affiliates without Commission approval. Further, Portland General Electric Company will not intentionally sell Tradable Renewable Energy Credits to any third parties or brokers for the purpose of supplying Tradable Renewable Energy Credits back to Portland General Electric Company to meet requirements for renewable resource programs or any future Renewable Portfolio Standard.
7. Portland General Electric Company will clearly communicate to customers that the Tradable Renewable Energy Credits from renewable resources meeting customers' energy needs may be sold, that the renewable energy attributes have been sold when the company sells Tradable Renewable Energy Credits, that such sales may result in lower customer electric bills and/or acquisition of additional renewable resources, and that any renewable energy associated with Tradable

Renewable Energy Credit sales will be based on net system mix for reporting purposes.

8. Portland General Electric Company will analyze, in its Integrated Resource Planning process, the valuation and risks associated with the disposition of Tradable Renewable Energy Credits, including their value for compliance with a potential Renewable Portfolio Standard or regulations on greenhouse gas emissions.
9. Portland General Electric Company will use the Western Renewable Energy Generation Information System (WREGIS) for Tradable Renewable Energy Credit wholesale sales under this property sale deferred account, once WREGIS is operational.

Made, entered, and effective MAR 05 2007.

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 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.

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property sale deferred account, which is filed with the Commission on a semi-annual basis.

5. The Commission reserves the right to review all financial aspects of this transaction in any rate proceeding or alternative form of regulation.
6. The energy associated with TRCs sold by PGE will not be reported with environmental attributes as part of PGE's energy mix. Additionally, any TRCs sold will not be reported as TRCs owned for any renewable resource program. The TRCs sold by PGE should also not be sold to any affiliates without Commission approval. Further, PGE will not intentionally sell TRCs to any third parties or brokers for the purpose of supplying TRCs back to PGE to meet requirements for renewable resource programs or any future Renewable Portfolio Standard (RPS).
7. PGE will clearly communicate to customers that TRCs from renewable resources meeting customers' energy needs may be sold, that the renewable energy attributes have been sold when the company sells TRCs, that such sales may result in lower customer electric bills and/or acquisition of additional renewable resources, and that any renewable energy associated with TRC sales will be based on net system mix for reporting purposes.
8. PGE will analyze in its Integrated Resource Planning process the valuation and risks associated with the disposition of TRCs, including their value for compliance with a potential RPS or regulations on greenhouse gas emissions.
9. PGE will use the Western Renewable Energy Generation Information System (WREGIS) for TRC wholesale sales under this property sale deferred account, once WREGIS is operational.

DISCUSSION:

PGE filed this application on November 14, 2006, pursuant to ORS 757.480 and OAR 860-027-0025.

Tradable Renewable Credits (TRCs)

A TRC represents the beneficial environmental attributes of one megawatt-hour (MWh) generated from a specific renewable resource. TRCs are created as renewable power is generated. According to PGE, there is increasing interest in purchasing TRCs due to

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new consumer demand, corporate commitments, and regulations such as Renewable Portfolio Standard (RPS) requirements.

PGE purchases bundled energy (renewable energy plus TRCs) from the Vansycle Ridge and Klondike II wind generating facilities. Additional TRCs will be available when Phase I of the Biglow Canyon wind generation facility becomes operational.

PGE expects to conduct about four TRC sales transactions per year from these facilities, and anticipates that each sale will be less than \$1 million. However, PGE has considered the possibility of single transactions of \$1 million or more, and has requested that the Commission provide PGE the option to file an amended application for such transactions.

The TRC Market

According to PGE, the market for TRC sales is still in the process of development and there is a great deal of flux in terms of sales pricing and timing for obtaining the best prices. Also, the TRC market is built on public perception and support, and the newer the TRC (or vintage) the higher the prices that are typically available on the market.

Markets are fragmented based on location, resource type, and timing. As an example of the variability of prices for TRCs on a nation-wide basis, the recent range of pricing for several different types of TRCs include the following: solar: \$30-\$50; biomass/low-impact hydro: \$0.50-\$3; wind: \$0.50-\$15; landfill gas: \$1-\$3; and geothermal: \$1-\$10.¹

PGE believes it will need to have some flexibility to conduct sales transactions when market conditions and timing are best. In the past, PGE has not sold TRCs outside its optional renewable energy programs for retail customers, and the company will be working to develop its expertise in this area.

PGE's TRCs

PGE has long-term purchase agreements with the wind projects previously mentioned (the Vansycle agreement ends November 6, 2028, and the Klondike II agreement ends December 1, 2035), which include the associated TRCs. PGE seeks to take advantage of sales opportunities while the vintage of these TRCs will yield reasonable market values.

With no RPS in place today, and only a fraction of tags from the Klondike II project dedicated to the company's new Renewable Future program, PGE currently owns excess TRCs. However, the company is unable to estimate future sales quantities or revenues because such an estimation might be influenced by many factors including

¹ Cost information provided by PGE.

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actual energy production at the wind plants, market value and liquidity for TRCs, changes in regulation (e.g., an RPS or restrictions on greenhouse gas emissions), and the composition of PGE's resource portfolio at the time of each sale.

Although PGE plans to hold an adequate portion of its available TRCs from the Klondike II wind generation facility in reserve for the Stable Rate Pilot Program (Renewable Future Option), the company has no plans to hold any additional TRCs in a "bank" to meet future needs or potential regulatory changes. Rather, PGE will establish any necessary reserve as it learns of regulatory changes or other market influences, and as it gains more experience and competence in this market. At the end of each year, after year-end true-ups, any excess reserve TRCs for the Stable Rate program will also be available for sale.

PGE has decided to remain fluid in terms of the methods employed to sell TRCs. For instance, PGE may sell some TRCs directly, or may use a primary broker, depending on the situation and conditions at the time of each sale. PGE expects that broker fees may range between 1 percent and 6 percent of total sales. PGE also expects to incur some minimal internal costs, such as program management and accounting costs, which should be relatively small and will be recorded to existing operating accounts. PGE does not currently plan to act as a broker for other utilities or power marketers for the sale of TRCs in the future.

PGE may sell bundled energy, which would include the TRCs plus either renewable energy or non-renewable energy. In addition, PGE will provide attestations for TRC sales that are similar to the attestations the company receives from Green Mountain Energy Company for PGE's retail customer programs. PGE's wholesale TRC sales transactions will be Green-e certifiable, and PGE will adopt any Western Renewable Energy Generation Information System (WREGIS) requirements associated with these sales once WREGIS is operational.

Although PGE currently has no plans to enter any additional long-term agreements for TRCs, or construct renewable energy facilities for investment purposes in relation to the sale of TRCs, the Company may consider such plans as market and regulatory conditions change in the future.

Accounting Order

PGE has requested an accounting order which would allow the company to record TRC sales as property transactions and apply interest at the same rate as accumulated property sales. These proceeds would then be amortized back to customers, in the same manner as property sales, using Schedule 105 (Regulatory Adjustments). All

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TRC sales transactions would also be included in the semi-annual property sales report that is submitted to the Commission.

Three conference calls were conducted: January 12, 2007, with PGE, Staff, the Citizens' Utility Board (CUB), and Renewable Northwest Project (RNP); January 29, 2007, with PGE, Staff and RNP; and February 15, 2007, with PGE and Staff. As a result of these discussions, Staff revised its proposed condition 2 and added conditions 7 and 8. As modified, all parties do not disagree with the recommendations set forth.

Because of the changing market for TRCs, proposed minimum portfolio standards for renewable resources, and potential requirements related to greenhouse gas emissions, Staff initially sought to limit TRC sales to one-half the amount PGE owns in any calendar year. Staff obtained further clarification from the Oregon Department of Energy (ODOE) on PGE's ability to use TRCs produced during 2006 and 2007 toward any future RPS requirement. ODOE advised Staff that consistent with RPS discussions at the November 2006 meeting of the Renewable Energy Working Group, Senate Bill 373/House Bill 2209 will propose unlimited banking of TRCs. However, TRCs must be certified by WREGIS, which is not expected to be operational until mid-2007.

Therefore, Staff proposes that PGE be allowed to sell all TRCs produced through June 2007.² Staff notes, however, that with the potential for unlimited banking, PGE should carefully consider sales of TRCs produced after that time. Further, if and when an RPS bill is enacted, PGE will be better able to determine an appropriate on-going sales strategy.

Condition 7 provides notice to customers of the change in PGE's treatment of TRCs. Selling instead of retaining TRCs will return revenues to customers that may result in lower electric bills. Consideration of TRC sales value also may allow PGE to acquire more renewable resources. Condition 7 further ensures proper disclosure of power sources when the company sells TRCs. For example, when the company sells TRCs associated with energy from a contracted or owned wind plant, the energy will be reported in the company's power source label as the regional net system mix, rather than a renewable resource.

² TRCs produced during the previous calendar year have market value. For example, the national Green-E standard allows TRCs that are generated in the calendar year in which the product is sold, the first three months of the following calendar year, or the last six months of the prior calendar year. Not all TRCs that are sold are Green-E certified.

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Condition 8 commits PGE to analyzing the valuation and risks associated with the disposition of TRCs as part of its Integrated Resource Planning process. This analysis will take into account compliance with possible mandates related to minimum portfolio standards for renewable resources, greenhouse gas emissions, and may include retention, purchase, sales, and/or retirement of TRCs.

PROPOSED COMMISSION MOTION:

PGE's application be approved subject to the nine recommended conditions.

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