

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1020

In the Matter of

PORTFOLIO OPTIONS COMMITTEE

Recommendations from the Portfolio
Options Committee.

ORDER

**DISPOSITION: PORTFOLIO COMMITTEE
RECOMMENDATIONS APPROVED**

The Portfolio Options Committee (Committee) recommends portfolio options to the Public Utility Commission of Oregon (Commission) in accordance with ORS 757.603(2)(a) and OAR 860-038-0220(4). At the Commission’s July 28, 2009 Public Meeting, the Committee made a recommendation that the Commission: (1) Approve the Portfolio Bid Processes for both Portland General Electric Company’s (PGE) and PacifiCorp’s, dba Pacific Power (Pacific Power) Renewable Resource Program Services for the January 2010 to December 2012 contract term; and (2) Defer a decision on sourcing options for Renewable Energy Certificates (RECs) until Portfolio Options Committee recommendations are made at the Commission’s November 3, 2009 Public Meeting. A detailed analysis of the recommendations is contained in the Commission Staff Report, presented on behalf of the Committee, which is attached as Appendix A and incorporated by reference.

In addition to the recommendations referred to in Appendix A, at the July 28, 2009 Public Meeting the Committee amended its first recommendation to include that PGE and Pacific Power be required to add language that will include bids on sourcing RECs in the Western Electricity Coordination Council through long term contract as a minimum requirement of these Portfolio Bid Request for Proposals.

The Commission adopts the Committee's recommendations.

ORDER

IT IS ORDERED that:

1. The Portfolio Bid Processes for both Portland General Electric Company’s and Pacific Power’s Renewable Resource Program Services for the January 2010 to December 2012 contract term are approved.

2. Portland General Electric Company and Pacific Power are required to add language that will include bids on sourcing Renewable Energy Certificates in the Western Electricity Coordination Council through long term contract as a minimum requirement of these Portfolio Bid Request for Proposals.
3. The decision on sourcing options for Renewable Energy Certificates shall be deferred until Portfolio Options Committee recommendations are made at the Commission's November 3, 2009 Public Meeting.

Made, entered, and effective AUG 10 2009.

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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PacifiCorp and PGE (the Companies) have each offered three renewable energy options since March 2002: a Fixed Renewable (Block Option), a Renewable Usage (an option matching 100% of a customer's usage) and a Habitat option.¹

The Renewable Usage and Habitat Option programs are managed for PGE and PacifiCorp by third party suppliers of Renewable Power Program Services.² The suppliers currently provide an integrated package of services that includes: 1) renewable energy marketing and customer acquisition/retention programs (known as retail marketing services), and 2) the sourcing of RECs (also known as tradable renewable credits or green tags).

In Order 03-208, the Commission required the utilities to conduct formal bidding processes to select suppliers to provide this package of services for their Usage and Habitat Options. The Order also allowed RFPs that encourage suppliers to propose changes to the product structure for consideration by the Portfolio Options Committee and the Commission. The Commission approves the RFP and bid processes.

Existing contracts for Renewables Program Services expire on December 31, 2009. PacifiCorp and PGE are required to open a bidding process for Program Services for the January 2010 to December 2012 contract term for the Renewable Usage options, including the renewables portion of PacifiCorp's Habitat program. Habitat restoration service contracts go to bid in 2010, with new contracts in place by January 1, 2011.³

The primary issue of concern for the 2010-2012 Renewable Power Program contracts is an anticipated escalation in the cost of RECs.

Several members of the Committee are concerned that anticipated REC cost escalations could result in tariff increases that would be unacceptable to customers of voluntary renewable power purchase programs. At the February 2009 Portfolio Options Committee meeting, one of the REC cost containment options that emerged is the possibility of sourcing RECs nationally, in markets where pricing is predicted to be less volatile during the 2010 to 2012 contract period.

¹ PacifiCorp customers can choose to enroll in the Blue Sky Habitat program, which is a usage based renewable program that includes a contribution for restoring salmon habitat. PGE customers can enroll in the a "Habitat Option" when they choose either the Clean Wind (block purchase) or the Green Source (usage based) renewable option.

² PGE's Green Power programs are currently managed by Green Mountain Energy; PacifiCorp's Blue Sky programs are currently managed by 3-Degrees. Habitat Restoration services are provided by the Nature Conservancy, for both Companies. Per Order 01-337, each Company markets and sources RECs for their Block Option programs "in-house" and provides these programs at Commission approved rates.

³ Order 09-091 allowed the Companies to offset these RFP processes in time, for workload management purposes.

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As of January 2009, 100% of RECs supplied for the Companies' voluntary Renewable Power programs must be registered in the Western Region Electricity Generation Information System (WREGIS).⁴ This registration certifies that subscribers' energy usage is met with "new" renewable energy generation⁵ and that the generation facility is located in the area served by the Western Electricity Coordination Council (WECC).

Several members of the Portfolio Options Committee are concerned that pending California Renewables Portfolio Standard (RPS) legislation may pass with provisions that allow unbundled power (represented by RECs) to count against the California RPS limits, bringing a new, large player into the WECC REC market. These members anticipate a dramatic cost escalation during the contract term if this legislation passes.

On June 26, 2009, the Portfolio Options Committee met to make portfolio recommendations and to consider the PGE and PacifiCorp Request for Proposal (RFP) processes for the upcoming three year contract term.

The Company RFPs are framed to require Service bidders to propose and bid a range of sourcing options that could deliver cost containment over the contract term.

The Portfolio Options Committee agreed that concrete cost and benefit information from the bidding process is needed to inform Company proposals to the Committee and subsequent Committee recommendations to the Commission.

With two abstentions, the Committee unanimously approved the PGE and PacifiCorp RFP processes for solicitation of Renewable Power Program Services and decided that the RFP processes must precede program recommendation deliberations.

OAR 860-038-0220(3) requires that the Portfolio Options Committee make recommendations for portfolio options to the Commission by July 1st of each year.

⁴ This registration was originally required to begin on January 1, 2008 (Commission Order on January 10, 2006). In Order 08-278, the Commission adopted the Portfolio Option Committee recommendation that this requirement be waived until January 1, 2009, when the majority of the REC market was predicted to be registered through WREGIS.

⁵ OAR 860-038-0220(4) directs the Portfolio Options Committee to recommend the resource content of each renewable energy resource product and requires that at least one renewable energy resource product contain "significant new" resources. In Order 03-208, the Commission approved the Portfolio Options Committee recommendation that a "new resource" be defined as one that meets the requirements of Oregon's Electric Industry Restructuring Law (SB1149), codified as ORS 757.600(21). SB1149 requires that a "new" renewable resource is generated by a facility that first started operation after July 23, 1999. Order 03-208 also required that 100% of renewable content in Block Options be from new resources and established a preference for REC bids from generation facilities located in the WECC. In Order 06-350, the Commission adopted the Portfolio Option Committee recommendation that 100% of the content of RECs be from "new" resources, as of January 1, 2007.

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On June 30, 2009, the Portfolio Options Committee filed a motion with the Commission to defer program recommendations until November 3, 2009, citing good cause to request a waiver of the July 1st recommendation deadline.

In a supplemental application filed on July 1, 2009, PacifiCorp submitted an application for approval of their Request for Proposal for Tradable Renewable Credits for Oregon Portfolio Usage and Environmental Mitigation Options and Retail Marketing Services.

In a supplemental application, also filed on July 1, 2009, Portland General Electric submitted an application for approval of their Request for Proposal for Retail Marketing Services and Renewable Energy Certificates.

DISCUSSION:

Sourcing of Renewable Energy Certificates:

Historically, the Portfolio Options Committee approves program recommendations and RFP processes in May or June for recommendation to the Commission before July 1st.

Often, program recommendations are made and RFPs are approved at the same meeting. The RFP processes are launched after their approval, selection of providers is completed over the summer months, and new tariffs are filed with the Commission on or before August 1st. Staff and the Commission have four months to consider these tariffs before new programs launch on January 1st of the following year.⁶

In late 2008, concerns about increases in the cost of WREGIS certified RECs caused the Companies to request a Committee conversation about how renewable energy programs might contain REC costs to avoid undesirable tariffs increases. Sourcing of RECs outside of the WECC area emerged as a potential cost containment alternative.

The Committee discussed customer satisfaction, customer understanding of what it means to make a voluntary purchase of renewable energy, and the policy implications of sourcing all or some RECs outside of the WECC. Some Committee members asserted that these discussions needed to be supported with concrete cost and customer survey information.

The Committee divided on this issue: in the absence of current evidence of cost escalation, in the absence of data that shows cost sensitivity of renewables customers, and over the importance of regional sourcing to consumers and policymakers.

⁶ OAR 860-038-0220(7) requires that tariffs be filed 4 months before going into effect. The Portfolio Options Committee will either request a waiver of this requirement or an extension of current contracts until a tariff decision can be completed.

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These conversations did not make significant forward progress until June.

At the June 26, 2009, Portfolio Options Committee meeting, the Companies submitted RFPs designed to solicit cost containment options from Renewable Power Program Services providers. The Companies asked that bid responses be evaluated before program decisions were made, so that a data-based discussion could take place about the costs and benefits of a change in how or where RECs are sourced.

If approved, the Companies intend to release RFPs for bid on July 29, 2009, and target a September 1st close of bids. This would enable Portfolio Options Committee recommendations to emerge in October for consideration by the Commission at a November 3rd Public Meeting.

The Committee recommends this approach. Committee approval of the RFPs rested on the assertion that bidding and proposal evaluation processes would provide data to enable Company consideration of programs options that address Customer, Company and Commission cost and policy concerns about:

- a) sourcing locations
- b) escalating costs of renewable energy sourcing
- c) customer confusion/satisfaction

The Companies affirmed that the RFP processes, as designed, would enable a range of program options to be considered. The Companies agreed that this was necessary to avoid an implied assumption that any concern or stakeholder interest was paramount.

Packaging of Services:

Historically, suppliers for the Companies' Renewal Power Programs have provided an integrated package of retail marketing services and REC sourcing. This packaging of Renewable Power Program Services is largely invisible to all but the Companies, the Committee and the Commission.

For the 2010-2012 RFP process, PGE is opting to separately bid these services. PGE will allow proposals for retail marketing services (only), for REC-sourcing services (only), and for the historic package of both REC sourcing and retail marketing services. PacifiCorp has elected to bid for the integrated package of services.

The Committee did not request a common approach to this sourcing.

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PROPOSED COMMISSION MOTION:

1. The Portfolio Bid Processes for both Portland General Electric's and PacifiCorp's Renewable Resource Program Services for the January 2010 to December 2012 contract term be approved, and
2. The decision on sourcing options for Renewable Energy Certificates be deferred until Portfolio Options Committee recommendations are made at the Commission's November 3rd, 2009, Public Meeting.

UM 1020 2009 Renewable Power Program RFPs.doc