

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UP 236(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application to Amend Order No. 07-083.

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On August 19, 2009, the Public Utility Commission of Oregon (Commission) received an application from Portland General Electric Company (PGE or company), to amend Order No. 07-083, dated March 5, 2007. The basis for the request and its procedural history is detailed in Staff's Report, attached as Appendix A, and incorporated by reference.

ORDER

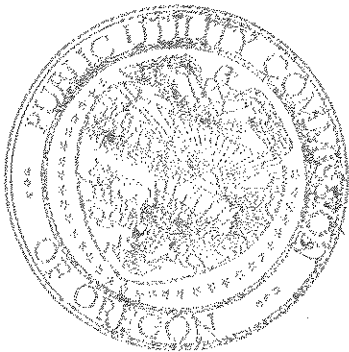
IT IS ORDERED that the application of Portland General Electric Company is approved, subject to the following conditions:

1. Portland General Electric Company will continue to comply with condition 1 and conditions 3 through 9 (inclusive) of Commission Order No. 07-083, dated March 5, 2007.

- 2. Portland General Electric Company will not sell more than \$5 million of Tradable Renewable Energy Credits (RECs) in any single sales transaction. During any calendar year, Portland General Electric Company may sell no more than one-half of the RECs produced during the period. Any exception to this condition will require an amended application.

Made, entered, and effective OCT 02 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.

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 22, 2009**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: September 16, 2009

TO: Public Utility Commission

FROM: Michael Dougherty *MD*

THROUGH: *LS* Lee Sparling, *A* Marc Hellman, and *EB* Ed Busch

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UP 236 (1)) Application to Amend Order in Regard to the Sale of its Property.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE) application to amend Commission Order No. 07-083 (UP 236), dated March 5, 2007, in regard to the sale of its property (Tradable Renewable Energy Credits), subject to the following recommended conditions:

1. PGE will continue to comply with condition 1 and conditions 3 through 9 (inclusive) of Commission Order No. 07-083, dated March 5, 2007.
2. PGE will not sell more than \$5 million of Tradable Renewable Energy Credits (RECs) in any single sales transaction. During any calendar year, PGE may sell no more than one-half of the RECs produced during the period. Any exception to this condition will require an amended application.

DISCUSSION:

Commission Order No. 07-083, dated March 5, 2007, established the sale of RECs as a property sale with gains on sale being placed in a property sales balancing account for return to customers. Condition 2 of the order stated:

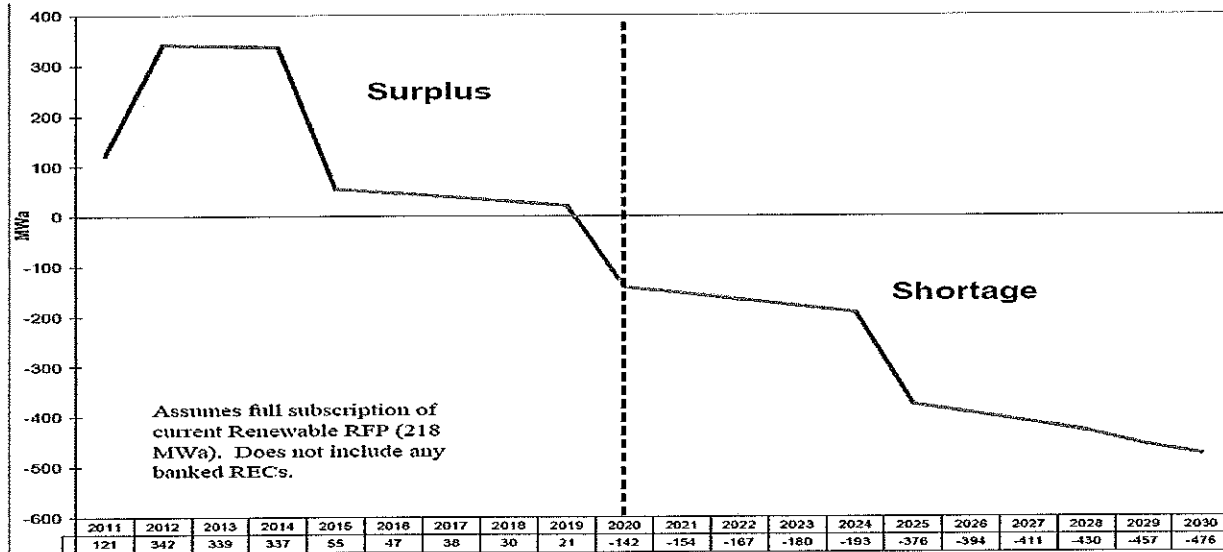
Portland General Electric Company will not sell more than \$1 million of Tradable Renewable Energy Credits, or for a term of more than two years, in any single sales transaction. Portland General Electric Company may sell up to 100 percent of its Tradable Renewable Energy Credits

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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.

In its application, PGE seeks approval to amend Condition 2 of Commission Order No. 07-083. PGE requests approval to increase the sales transaction ceiling from \$1 million to \$5 million. According to PGE, increased demand for RECs are currently driving the market value of RECs upward,¹ increasing lot sizes, and bringing more participants into the market. As a result, the value of single transactions are exceeding earlier expectations. For transactions with sales value greater than \$5 million, PGE states that it will seek approval for each sale by amending the previous application.

The following diagram, based on PGE's 2009 Integrated Resource Plan (IRP) dated August 21, 2008, highlights the status of PGE RECs in relation to Oregon Renewable Portfolio Standards (RPS) guidelines.



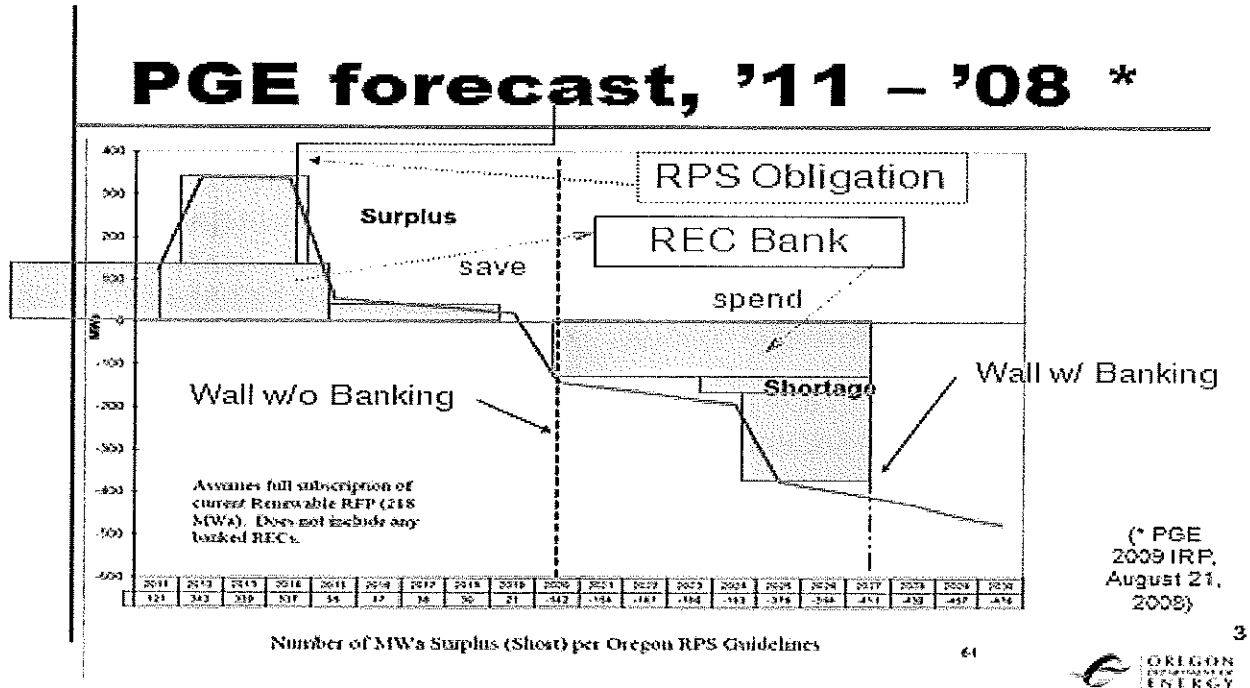
Number of MWh Surplus (Short) per Oregon RPS Guidelines

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¹ PGE in its application provides examples of short-term pricing increases, including: hydro \$1 - \$4 (up from \$0.50 - \$3); wind \$1 - \$25 (up from \$0.50 - \$15); landfill gas \$3 - \$10 (up from \$1 - \$3); and geothermal \$3 - \$10 (up from \$1 - \$10) per REC.

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The following diagram developed by the Oregon Department of Energy modifies PGE's IRP diagram by adding physical compliance (physical compliance assumes no banked REC output is used) and banked compliance walls.



As can be seen from the above charts, PGE will be in surplus position per Oregon RPS guidelines until approximately 2019.

PGE will continue to record all proceeds and fees for REC property sales in the property sales balancing account for later refund to customers. As a result, customers will benefit from the sales of RECs.² PGE will continue to comply with condition 1 and conditions 3 through 9 (inclusive) of Commission Order No. 07-083.

PROPOSED COMMISSION MOTION:

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

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² In 2007, PGE applied \$1,592,648 to the property sales balancing account from RECs sold.