

**Minutes
Portfolio Options Committee Meeting
May 9, 2005**

Committee members attending

Jeff Bissonnette (chair)	Fair and Clean Energy Coalition (public interest group)
Justin Klure	Oregon Department of Energy
Doug Kuns	Portland General Electric
Laura Beane	PacifiCorp
Lisa Schwartz	Oregon Public Utility Commission Staff
Jason Eisdorfer	Citizens' Utility Board (residential representative)
John Graham	Ecos Consulting (small business representative)
Natalie McIntire	Renewable Northwest Project (public interest group)
David Tooze	City of Portland (local government representative)
Gary Thompson	Sherman County (local government representative)

Others attending

Larry Flax	PacifiCorp
Bob Stull	PacifiCorp
Jim Grossman	PacifiCorp
Bruce Griswold	PacifiCorp
Thor Hinckley	PGE
Andy Noel	Green Mountain Energy
Collin Whitehead	Three Phases
Diane Zipper	Renewable Northwest Project
Jack Breen	Oregon Public Utility Commission Staff

Introductions and agenda review

After introductions, members reviewed the agenda and removed consideration of PGE's decision to request an extension of Green Mountain Energy's contract for 2007. PGE will be prepared to discuss this at the next meeting. PGE's proposed rate design change for the Habitat option was added to the agenda.

Minutes

Gary Thompson made a motion to approve the draft minutes from the April 7, 2005, meeting. Doug Kuns seconded the motion. The motion carried.

Announcements

PGE announced that the company has passed the 35,000 mark for customer participation in renewable resource options. PacifiCorp announced that it had enrolled 2,000 new Oregon customers in a renewable resource option in the past month, largely as a result of its portfolio options brochure mailed to residential customers.

Governor's Earth Day event

Jason Eisdorfer reported that the event at Tryon Creek went well, and that the committee achieved its objectives. Laura Beane said the Governor's message was that signing up for a renewable resource option was an easy way to make a positive contribution to the environment.

Two Portland TV stations ran footage from the event and noted that the Governor encouraged utility customers to choose a green option.

Laura passed around photos from the event. Thor Hinckley circulated news releases from the Governor's Office and City of Portland.

Laura will write a thank you note to Peter Cogswell and ask him when the speech will be added to the Governor's Web site.

Three Phases' additions to supply resources (Handout attached)

Collin Whitehead, Three Phases, described new supply sources for PacifiCorp's Blended and Habitat options. They include projects co-funded by the Energy Trust of Oregon. Among the other projects are a manure digester scheduled to begin operation in Rickreall in September, a small wind park in Washington state, and a second solar project at the University of Oregon. Three Phases provides extra startup funds to enable these projects to be built.

Bob Stull mentioned the possibility of net metering the Rickreall facility. Lisa Schwartz noted that Senate Bill 84 has passed the Senate. The bill would allow the Commission to raise the facility size eligible for net metering. The Commission would conduct a rulemaking to do so. Staff would conduct informal workshops before filing its proposed rules.

Update on PacifiCorp's RFP for spending surplus block-product funds

Surplus block-product funds currently total about \$1.3 million. The company plans to issue an RFP to direct \$1 million of that toward new East-side projects, preferably in Utah. The company prefers tags only but would consider bundled products. The company also prefers projects that will be operational by December 2006. The remaining surplus funds will be used for an RFP for new West-side resources at a later date.

PacifiCorp is delaying release of the East-side RFP pending the result of Utah proceedings that will, in part, establish ownership of green tags for Qualifying Facilities 3 MW and larger. The tentative issuance date for the RFP is September.

Clean Wind Development Fund update

PGE spent about \$37,000 in 2004 from the Clean Wind Development Fund. That included about \$27,000 for a photovoltaic system at Zenger Farms in southeast Portland.

A Web site to increase visibility of renewable resource projects is still under production. Among the projects to be featured on the site are the Kettle Foods photovoltaic system in Salem and the fuel cell at PGE's Earth Advantage Center in Tualatin. A transmitter will send real-time energy production data to the Web site.

PGE has spent about \$10,500 from the fund so far in 2005, including some \$8,500 on a kiosk in the State Capitol highlighting the Solar Pioneer project on the roof. The kiosk is behind the bookshop and shows real-time energy production.

The company is in the final stages of negotiating with the Energy Trust of Oregon and a third party to install a photovoltaic system at the Oregon Zoo. The project is expected to be operational by next spring. Approximate cost is \$200,000.

PGE plans to use most of the Clean Wind Development Fund balance toward the above-market costs of a utility-scale wind project. That could increase the size of a project resulting from PGE's all-source RFP or allow a project to go forward that has above-market costs even after accounting for Energy Trust funds. The green tags representing the portion of the product funded by Clean Wind customers would be retired on behalf of those customers.

Commission staff has continuing concerns about the high balances in the account. At the same time, staff does not want PGE to spend all of the funds on solar and other high-cost projects.

Diane Zipper believes customers would feel comfortable with PGE spending funds on projects outside the service area, so long as they are in Oregon.

Natalie McIntire asked how Business Energy Tax Credits are accounted for. Lisa asked PGE to provide information on that at the next committee meeting.

Habitat Option (Handout attached)

PGE is developing a stable-rate renewable resource option and hopes to launch the product at the end of year.

To avoid offering a fourth renewable resource option, the company is discussing with The Nature Conservancy a potential change in the design of the Habitat product. The \$2.50 habitat contribution would be an add-on to any of the three renewable resource options. The Nature Conservancy agrees with the concept. PGE plans to notify Habitat participants by mail that they would be transferred automatically to the Green Source program, with a \$2.50 monthly rider for habitat restoration contributions. While the new rate design would require a tariff change, Habitat customers' bills already show separately the \$2.50 contribution. PGE noted that it would not be agreeable to using the revised rate design for other donation opportunities.

Diane suggested that PGE check with Betsy Kaufmann or Jim Rapp to learn from For the Sake of the Salmon's experience. She thinks that the group offered a product with a similar design through Salem Electric and Washington utilities.

Evaluation of PacifiCorp's Time of Use program and recommendations for 2006
(Handout attached)

Jim Grossman discussed a handout that reviewed material discussed at the prior committee meeting and provided PacifiCorp's recommendations for the Time of Use option in 2006. The company planned to have consultant Quantec available by phone for the discussion, but attempts to do so were unsuccessful. Committee members may direct any questions about Quantec's analysis to PacifiCorp, and the company will have Quantec provide a response.

The benefit-cost ratio for PacifiCorp's Time of Use program in Oregon is 0.23, not including any estimate for free riders, which would further reduce estimated cost-effectiveness. (A benefit-cost ratio of 1 or greater indicates a program is cost-effective.) After accounting for estimated benefits, Quantec's evaluation estimates that PacifiCorp customers provided \$889,000 in subsidies for the program from 2002 through 2004. Assuming no new participants and attrition in enrollment coinciding with average

tenancy, Quantec estimates that customers will provide \$870,000 (2004\$) in subsidies during the period 2002 to 2010. The bulk of the assumed costs are for marketing and load research — primarily cell phone charges for retrieving data at \$15.80 per meter per month. It would take about 10,000 in enrollment to make the program cost-effective under current metering and data collection strategies. If interval meters and data communication systems already were in place, the program could be cost-effective.

PacifiCorp recommends that the program continue, with further targeting of marketing to high-usage customers and help for enrolled customers to reduce usage during peak periods. Tools to date have included a calendar with monthly tips and a refrigerator magnet showing summer and winter on- and off-peak hours. The company could move toward more labor-intensive and costly tools, possibly in collaboration with the Energy Trust of Oregon, such as water heater timers or programmable thermostats for space heating.

Commission staff is considering a recommendation to the Commission that the utilities stop Time of Use program marketing and data collection. A quarter of the marketing costs for the portfolio options brochure, for example, is attributed to the Time of Use program. Time of Use marketing could be limited to a minimal mention in materials describing all portfolio options. The company's Web site and customer service representatives could continue to make further information available.

PacifiCorp recently started a similar Time of Use program in Utah. The company marketed the program to 680,000 Utah customers last summer and netted 300 enrollees. Early participant savings results for Utah are similar to Oregon's. Utah customers saved about 90 cents per month last summer. However, last summer was unusually mild. The company has not yet performed a Total Resource Cost analysis for the Utah program. The East side has a serious peaking problem. The avoided capacity costs would be higher than the \$45/kW value used in the Oregon study.

Natalie asked whether a stable-rate renewable resource product could be considered a market-based rate. Jason said such a program is an "anti-market" rate. He said that the Legislature likely intended customers to have access to the market that the utility sees.

Bob Stull noted that there are a lot of hurdles to a stable-rate product and that PacifiCorp has not considered it.

Dave Tooze asked about PacifiCorp's "Wait Until 8" campaign. Jim noted that it works well in a crisis situation.

Doug Kuns said residential indexed rates are complicated to explain to customers and complicated to bill.

PGE would like to keep the Time of Use program as a platform for launching a cost-effective program once Network Meter Reading (NMR) is in place. The company's Time of Use evaluation last year used different meter cost assumptions than PacifiCorp's recent study. PGE assumed NMR would be in place during the latter part of the analysis period.

Jason said the low benefit-cost ratio means that the committee shouldn't recommend simply continuing the program. He suggested a subcommittee explore what to do

differently. The committee has explored other market-based rate options throughout its tenure, but has not come up with any better option.

PGE pointed out the research value of the Time of Use option and that capability-building at a modest level can be valuable.

Dave wondered if there is an alternative program that relies on technology to reduce peak loads. He noted that most new houses have air-conditioning and that its usage can be controlled by the utility.

Doug said PGE pilots found that space and water heating load control were not cost-effective at current costs. Lisa noted that PGE did not test air-conditioning control. PacifiCorp's air-conditioning control program in Utah is expected to provide 90 MW of cost-effective demand response.

Larry Flax noted the "system-friendly" appliances with Internet monitoring capability being explored by U.S. DOE and BPA.

Jack Breen said the Commission should minimize cost to ratepayers of the legislatively required market-based option. That means not marketing the Time of Use program. He said that direct load control isn't much more of a stretch than a Time of Use rate for meeting the legislative requirement. Under such a program, the utility gives a credit when market prices are high, so it's a differentiated rate. He also said the committee could consider changing Time of Use rates to see how much that affects use. He agrees that the Time of Use programs build capability and that that has value.

Laura asked whether cost-effectiveness should be the measure of the program's success. Jack said the value of the program is related to shifts in customer usage and how much that is worth. Jason said the program is not working particularly well on a cost-effectiveness basis.

If the committee considers a seasonally differentiated rate again, staff would recommend that the billing period for participants coincide with the calendar month. PacifiCorp's Seasonal Flux program was problematic in part because seasonal rates did not coincide with billing periods.

Jeff Bissonnette suggested that the committee consider at the next meeting a recommendation that the Time of Use program continue, but that costs be minimized and a subcommittee be established to make recommendations for the future.

Committee policies related to the Public Meetings Law

Lisa sent committee members answers from the Justice Department to Public Meetings Law questions raised at the last meeting. Lisa will take to the Commission with the July 1st recommendations the committee's proxy policy, adopted at the first meeting in November 2000.

Natalie would like proxy members to be able to attend Executive Sessions. Jason suggested a blanket protective order that committee members and their proxies would sign. Lisa asked Natalie and Jason to work together on a recommendation for the committee's consideration at the next meeting.

Next meeting

The committee will meet June 9, 1 p.m. to 4 p.m., at the World Trade Center in Portland. Doug will forward room information. Topics will include:

- Approval of draft minutes from the April 7th Executive Session
- *Decision*: PGE's proposed contract extension with Green Mountain Energy for 2007 (*not* in Executive Session)
- *Decision*: Time of Use option recommendations for 2006
- Green Mountain Energy's proposed flexibility mechanism for 2007 green tags in the event the committee recommends a requirement for 100% new resources
- Accounting for Business Energy Tax Credits for projects supported by the Clean Wind Development Fund
- *Decision*: Recommendation to allow committee member proxies to attend Executive Sessions and the potential use of a protective order
- Change in PGE Habitat rate design

— *Lisa Schwartz, Oregon Public Utility Commission*