

**Draft Minutes**  
**Portfolio Options Committee Meeting**  
**May 22, 2006**

**Committee members attending:**

Jeff Bissonnette (chair)	Fair and Clean Energy Coalition
Lisa Schwartz	Oregon Public Utility Commission Staff
Marc Cody (proxy)	Portland General Electric
Justin Klure	Oregon Department of Energy
Jason Eisdorfer	Citizens' Utility Board
Natalie McIntire	Renewable Energy Project
Gary Thompson	Sherman County (local government representative)
Dave Tooze	City of Portland (local government representative)

**Others attending:**

Doug O'Connor, PacifiCorp  
Thor Hinckley, Portland General Electric  
Dmitri Jemeljanov, Portland General Electric  
Laura Rooke, Portland General Electric  
Collin Whitehead, Three Phases  
Alex Rate, Green Mountain Energy  
Paul Markovich, Green Mountain Energy  
Helen Brauner, Green Mountain Energy  
Scott Havis, Green Mountain Energy  
David Manhart, The Nature Conservancy  
Diane Zipper, Renewable Energy Project (proxy)

*Note: PacifiCorp's committee member was unable to attend.*

**Minutes from April 13, 2005, meeting**

The committee approved unanimously the minutes from the April 13, 2005, meeting. Dave Tooze proposed adoption of the minutes and Justin Klure seconded that motion.

**Nature Conservancy update**

David Manhart provided an update on restoration projects funded by the Nature Conservancy through contributions from Habitat option participants. To date, the Nature Conservancy has sponsored 22 projects using these funds. The projects represent approximately 80 river miles of improved access and habitat for anadromous fish, and some 50 river miles of restored stream flows. Ten additional projects have submitted funding applications. The Nature Conservancy's biannual report is due to the utilities mid-August. The utilities will provide a review of that report at the next Portfolio Options Committee meeting.

**Treatment of portfolio customers who move within PacifiCorp's service area**

PacifiCorp updated the committee on its process to review treatment of portfolio customers who move within the company's service territory, following up on last meeting's discussion. PacifiCorp agrees with the policy suggested by committee members, that the portfolio options these customers choose should move with them unless the customer cancels enrollment.

At this point, block product customers are being re-enrolled through a manual process. PacifiCorp is working to mirror this process for Usage and Habitat customers. The company does not yet have an estimate of when the re-enrollment process for these customers will be in place. The company will update the committee at the next meeting.

PacifiCorp believes that an automated process requires a more complicated and costly fix to its computer system. This fix is on the list of potential upgrades to the system, but no timeframe is yet available.

**Extension of PGE's contract with Green Mountain for 2008** (Handout provided)  
PGE distributed its rationale for the company's decision to extend its contract with Green Mountain Energy through the end of 2008.

Jason Eisdorfer made the following motion:

*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.*

Gary Thompson seconded the motion, which passed unanimously.

Natalie McIntire asked if PGE was planning to include language in its contract extension for 2008 that would help address uncertainty in green tag prices and availability, and how these factors might affect the company's goal of using 100% new sources for its renewable resource options. Thor Hinckley responded that the contract is still under negotiation and discussions about that issue are going well. PGE and Green Mountain Energy also are evaluating resource mix options for 100% new renewable resources for the Usage and Habitat products to be offered in 2007.

### **Renewable product content**

Natalie proposed that the committee recommend the Commission adopt a standard that on a going forward basis, renewable resource portfolio options consist only of new sources. That will be the Green-E national certification standard beginning Jan. 1, 2007.

Natalie noted that we do not have a clear picture of tag availability and prices in the future, particularly given Renewable Portfolio Standards in the West. Lisa Schwartz said PacifiCorp is using the same tag value for its 2006 resource planning cycle that it used in the 2004 cycle — \$5/MWh for the first five years.

Collin Whitehead of Three Phases said tag prices are enough in line with current portfolio product prices that his company is comfortable going with a 100% new resource standard.

Jason supports the proposal. He wants portfolio option requirements to be aligned with Green-E standards and a requirement for 100% new resources included in utility RFPs for tags and marketing. If RPS requirements require future adjustments to such a policy, the committee can recommend adjustments at that time.

Natalie McIntire made the following motion:

*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.*

Jason Eisdorfer seconded the motion, which passed 7-0-1, with Marc Cody of PGE abstaining.

#### **Time of use option for 2007**

Jeff Bissonnette believes the original rationale for a time of use rate option for small customers in Oregon's electric industry restructuring bill may no longer hold up. However, he acknowledged that time of use rates have a role for load shaping. He asked committee members if they are interested in exploring whether the market rate option requirement should be removed.

Diane Zipper believes it is important to keep the market rate option because of high electric rates. The option also provides useful anecdotal information about customer response to time-varying prices.

Lisa supports keeping the market-based rate option, particularly in light of requirements in the federal Energy Policy Act (EPAAct) of 2005, PGE's filing for advanced metering infrastructure in its current rate case, and the Commission's support of time-varying rate options.

Laura Rooke said PGE will continue to offer its time of use option for small customers, regardless of whether it's mandated legislatively or by the Commission. Participants like it and they're saving money. Further, one of the recommendations in USDOE's recent report on demand response is that utilities offer all customers a time-varying rate.

If the utilities are going to continue the program anyway, Natalie prefers they remain part of the portfolio option requirements so the committee continues to make recommendations to the Commission regarding their design and operation. Lisa noted that even if the mandate were removed, the Commission likely would continue to ask the committee's advice on rate options for residential and small business customers.

Jeff read the committee's recommendation to the Commission for 2006. Lisa does not want to bind the Commission by stating the utilities would not be required to perform load research or collect customer attitudinal data, given the Commission's investigation into policies to facilitate demand response and EPAAct 2005 requirements. She does not want to include such limitations in the committee's 2007 recommendations. She supports continuing the price guarantee for the first 12 months of a customer's participation to protect consumers who are simply looking for the only option that could save them money on their utility bill and did not understand what they were getting into.

Jason agreed, noting that it's hard for customers to determine in advance if they are going to save money. He also wants to give customers a shot at trying the rate option. PGE would like to see the requirement for the customer guarantee removed.

Jeff read from last year's staff report the pros and cons of continuing the customer guarantee, as viewed by committee members.

Lisa Schwartz made the following motion:

*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.*

Jason Eisdorfer seconded the motion, which passed unanimously.

Lisa Schwartz then made a second motion regarding the Time of Use option:

*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.*

Jason Eisdorfer seconded the motion, which passed 7-0-1, with Marc Cody of PGE opposing the recommendation.

Lisa will contact Laura Beane so that PacifiCorp's position on all recommendations can be included in her staff report to the Commission.

### **Renewable Portfolio Standards (RPS)**

Jason asked the committee to explore in future meetings how a potential Oregon RPS would affect portfolio options. Lisa noted that Ryan Wisner, a national expert on RPS, has not seen evidence that a state RPS has a material effect on voluntary pricing programs, so long as the green tags customers purchase through voluntary pricing programs do not qualify toward energy supplier requirements under an RPS. Jason said the jury is still out on this question, because we have not seen enough evidence.

### **PacifiCorp's RFP for green tags and marketing for 2007-09**

Doug O'Connor expects this RFP to be taken up the Commission at its public meeting on June 13<sup>th</sup> or June 27<sup>th</sup>. If the company files in time for the earlier meeting date, the RFP release date would be June 14<sup>th</sup>, proposals would be due July 14<sup>th</sup>, and agreements likely would be executed by Aug. 30<sup>th</sup>. If the RFP instead is considered at the June 27<sup>th</sup> Commission meeting, the release date would be June 28<sup>th</sup>, proposals would be due July 28<sup>th</sup>, and the company hopes to meet the same contract execution date.

Natalie requested that committee members receive the RFP the company will be filing as soon as it is available. Doug agreed to send the RFP to the committee after legal review is completed.

**PGE stable rate product** (Handout provided)

Thor Hinckley noted that the draft tariff inadvertently was not sent to the committee in advance of the meeting. If approved, the stable rate product, tentatively to be called Renewable Future, will be the third product alongside Clean Wind and Green Source. Habitat would no longer be a separate option. Instead, it would be an add-on to all portfolio options. Current Habitat customers would be transferred automatically to Green Source with a Habitat rider. A letter or message on the bill would notify them of the change, which would not affect their rates or products provided.

Stable rate participants would be exempt from all rate increases for five years *except* for any increases in the basic charge, public purpose charge, low-income energy assistance fee, taxes and franchise fees. The rate assumes projected net variable power costs over the five-year period and a substantial open position. Revenue requirements associated with the company's advanced metering proposal are not included, nor are any adjustments to PGE's revenue requirements request in the current rate case.

PGE would not be double-charging for the green tags that stable rate customers would receive from Klondike II because the cost of those tags is not included in the price of the product. Instead, stable rate customers would pay into a wind development fund that would be used to incent construction of additional wind resources, which in later years would serve all PGE customers.

Dave Tooze asked about the interaction between the stable rate product and tiered rates. Dmitri Jemeljanov explained that stable rate customers would still receive a BPA credit because credit assumptions are built into the stable rate price. A balancing account would track differences between assumed versus actual BPA benefits, among other differences between the stable rate price and cost of service rates.

Beginning October 2006, PGE will receive only monetary benefits from BPA, not energy. PGE proposes in its current rate case to eliminate the block charge for energy, except for Schedule 102, because that block charge was stipulated in its last general rate case.

Lisa distributed a newspaper article stating EWEB is planning a double-digit rate increase for its stable wind product. Natalie responded that because of rate increases for cost of service customers, everyone would want to sign up for the stable wind product, utilities don't want everyone to do that. Marc Cody said the utility's system is not built entirely on wind, so it can't handle everyone migrating to the stable wind rate.

Jason said he had lingering questions about PGE's proposed new product. For example, is the next phase scenario likely to happen? He is most concerned about marketing of the product. In particular, he is concerned that it will be marketed as if the cost is based on a stable wind resource, like EWEB's product. He recognizes it is difficult for an investor-owned utility to do what EWEB has done, and that it would require a process similar to the one that has been used for direct access customer to address stranded benefits and costs. He wants PGE to be careful not to say the price stability is attached to the renewable resource and not to oversell the product. Jason said the integrity of the portfolio program must remain high. CUB's message will be that the stable rate product is as good as any other renewable product PGE offers, but no better. Jason also does not want participants to pay too much or too little, in balancing their interests and those of cost of service customers.

Lisa noted PGE's commitment to review with the committee marketing materials in advance of their use.

Alex Rate of Green Mountain Energy pointed out that the stable rate product likely would be the cheapest usage product by the end of the five-year period. The product would be marketed as having two attributes – renewable plus stable rate – and not that the renewable resource is providing the stable rate. Lisa noted that you cannot avoid stating both messages; the company should simply not connect the two.

Jeff is concerned that the stable rate does not flow from the renewable resource. Such a feature could be added in the same manner to the cost of service rate, without including green tags. Natalie agreed that the pilot is structured with an “internal hedge,” and that the price stability is not based on the price of the wind resource supplying the tags. Thor explained that PGE could have bought a financial hedge and bundled it with green tags, but the company wanted a new product based on an actual renewable resource. PGE anticipates filing the tariff in a couple of weeks.

Jeff would like the committee to agree on PGE's marketing approach before the committee makes a recommendation to the Commission. Specifically, he would like the committee to review the proposed messaging for the product. Lisa recommended this be accomplished via e-mail and a committee conference call. She added that any committee recommendation on PGE's proposed new rate option should include committee review of marketing materials.

#### **Next meeting**

The committee will meet via teleconference to discuss marketing of PGE's proposed stable rate product on Friday, June 23, 2006, beginning at 9 a.m. PGE will provide details at a later date.

- *Lisa Schwartz, Oregon Public Utility Commission Staff*  
*Natalie McIntire, Renewable Northwest Project (note-taking at beginning of meeting)*