

Rationale for Contract Extension with Green Mountain Energy Company (GMEC)

PGE is recommending that the PUC approve its decision to extend Green Mountain Energy Company's Marketing Services and Supply Agreement for its Renewable Portfolio options through December 31, 2008. In making its decision PGE examined the following:

Overall customer penetration rates, percentage increase in new customers and total volume of green power kWh's sold per year. We also reviewed the ability of GMEC to provide integrated marketing of PGE's renewable power options using a variety of marketing channels

In addition, our review included an assessment of operational expertise and working relationships within PGE.

Green Mountain Energy Company's Performance

Over the last 4 years GMEC has continued to demonstrate a high degree of skill in marketing renewable power to residential and small non-residential customers. GMEC has demonstrated success in creating and executing strategic marketing plans that adapt well to PGE customers.

At the end of 2005, a total of 40,579 PGE residential and commercial customers participated in one of the company's three renewable power options, a 21 percent increase over 2004, and an eight-fold increase since 2001. In 2005, and again in 2006, PGE was ranked #3 in the U.S. by U.S. DOE National Renewable Energy Labs (NREL) for total number of green power customers.

In 2005 and again in 2006 PGE was ranked #2 in the nation by NREL for total kWh sales of renewable power.

The current pricing of GMEC Renewable Usage option at \$0.0080 kWh and the Habitat option also at \$0.008 kWh with an additional \$2.50 habitat donation would appear to be towards the lower end of utility green pricing programs in the U.S. The current product mix for the renewable usage and habitat options supplied by GMEC consists of 50% new wind, 25% existing Low Impact Hydro and 25% geothermal.

Based upon PGE's assessment of wholesale pricing for Tradable Renewable Credits, this mix provided a reasonable compromise for the 2004-06 contract period to allow returns sufficient for long term investments by the marketer needed to increase market penetration for PGE's green power options.

GMEC personnel have worked with PGE since March 2002, and during this time have developed significant expertise in working with PGE's Customer Service team responsible for processing new enrollments for renewables. These working relationships have allowed GMEC personnel to assist PGE in the continued development of its "Seamless Move" program for re-enrolling existing renewable power customers who have moved residences within the PGE service territory.

Beginning in 2007, PGE will require all renewable portfolio options supplied by GMEC to consist of 100% new renewable resources.

Comments from POC Members

There were no comments received from POC members regarding PGE's contract Extension process with GMEC.