

**Portfolio Options Committee – Minutes - DRAFT
September 10, 2008**

Committee members attending

Lori Koho	Oregon Public Utility Commission Staff
Doug Kuns	Portland General Electric
Marc Cody (proxy)	Portland General Electric
Joelle Steward	Pacific Power
Roger Rees	Oregon Heat (residential customer representative)
Dave Tooze	City of Portland (local government representative)
Jennifer Gross	NW Natural
Katie Kalinowski	Renewable Northwest Project
Jeff Bissonnette	Fair and Clean Energy Coalition

Others attending

Thor Hinkley	Portland General Electric
Scott Havis	Green Mountain Energy
Amanda Mortlock	3 Degrees
Adam Capage	3 Degrees
Kathy Ramsey	PacifiCorp
Rhonda Rasmussen	PacifiCorp
Barbara McKibben	PacifiCorp
Brian Harney	NW Natural
Kip Pheil	Oregon Department of Energy
Paul Markovich	Green Mountain Energy

Discussion of membership for 2008 – 2010

(after the meeting, I verified that the following members want to stay on the POC)

<u>No.</u>	<u>Representing</u>	<u>Current Member</u>	<u>Group Affiliation of Current Committee Member</u>
One	Commission staff	Lori Koho	Public Utility Commission Staff
One	Oregon Department of Energy	Robin Straughan	Oregon Department of Energy
Two	Local governments	Dave Tooze Gary Thompson	City of Portland Sherman County
Two	Electric companies	Doug Kuns Joelle Steward	Portland General Electric Pacific Power
One	Natural Gas Co.	Jennifer Gross	Northwest Natural Gas
Two	Residential customers	Roger Rees David Philbrick	Oregon HEAT None
Two	Public/regional interest groups	Katie Kalinowski Jeff Bissonnette	Renewable Northwest Project Fair and Clean Energy Coalition
Two	Small nonresidential customers	Open Open	

Suggestions for new members

Small business – have utilities check list of participants & Lori will review nominations that have come to the Commission in response to the notice.

Suggestions for new POC Chair – no one volunteered. Then Jeff Bisonnette said he would take the role if no one else would.

Green Pricing Trends

The impact of state RPS and voluntary programs on the market.

Summary discussion of webinar. Kip asked about rate impacts. What will base rate increases do or increases in the voluntary program itself.

Scott – haven't seen impact –

Adam – there is an impact of launching a green power program when there is a rate increase. But quite small. Almost too small to notice.

PGE Green Source Price Increase Request (see PGE's workpapers for Advice 08-14.

Thor Hinkley presented a proposal to increase rates in PGE's usage product for residential and small commercial customers.

Scott Havis of GME said being allowed to purchase tags that aren't in WREGIS has been a huge help. But, as big companies get registered, they are staying out of the market waiting for price increases. CA has huge appetite for bundled RECs. There is also talk about letting CA use unbundled RECs.

Banking in OR has a big impact too. Green E recs have a shelf life of a year. Kip says trying to get message to generators about value of old recs? Kip thinks generators may be mistaking thinking they can bank ranks that won't be bankable.

Scott said they do purchase RECs in advance of confirmed "orders" from the utility. Allows to them to get RECs at better prices.

Dave Tooze asked if GreenE relevant now that there is WREGIS. In the beginning of the program, alignment with Green E was necessary to have credibility. Can we drop Green E and still have access to legitimate tags? Scott thinks GreenE is a "good thing" Kip reminded that Green E certifiable isn't the same as actual Green E certified. Green E tag loses value after a year. RPS customers can enjoy the benefits of no shelf life on a tag. Thor said PGE has talked about it as well as expanding geographical range to help with upward price pressure. To change this, we would have to change rules.

Wind Development Fund (WDF) – The tariff for the usage program was set purposely high to allow for rec prices to fluctuate and not have to adjust rates. This fund was created to track extra funds. When REC prices were low, the fund grew and now that REC prices are increasing, the fund is being drawn down. That was the intent of the fund but now REC prices are high enough that the fund will be exhausted and the tariff won't be enough to cover the price of RECs. Kip asked if customers would have preferred to see an actual wind project?

PGE and GME re-iterated that the cost to customers has been the same for 6 years. The WDF has helped stabilize the program and serviced the purpose that it was intended to do. But REC prices are so high that PGE needs to adjust the price to be able to continue to offer the program.

PGE did customer research to see what kind of options are acceptable to customers. Options were: No price increase and less renewables or Price increase and keep the level of renewables. Summary, people will pay more to stay at 100% and majority would stay with the program if there were an increase. And people believe it's a good value. Nationally still below the average for cost of a program. (see Scott Havis' presentation)

PGE and GME believe there is customer awareness of increasing demands for renewable energy and that prices will necessarily increase.

Kip again asked why the WDF couldn't be used to build a project. The WDF could be used for a project if it weren't needed to buy the RECs customers are expecting. The first use of the WDF is to cover fluctuating costs of RECs.

The increase PGE presented was 4 mils from .008 to .012 per kWh. (see Thor's presentation about actual increase and comparison to national rates) They would like to get this information in front of customers in November and implement the price increase December 1, 2008.

Jeff Bissonette asked if PacifiCorp is seeing similar things in the market. Joelle said yes. They have been talking with 3 Degrees about what needs to happen with the program. Joelle says we can expect to see a proposal within the next quarter. Rhonda says PGE's proposal looks similar to what they would ask for.

Scott was asked what scaling back marketing and outreach means? He replied that some channels are high cost and have only been been medium performance that they'll move out of. For example, they see less enrollment from direct mail and bangtails. Scott said they may not be able to grow the program as fast as they had. He said they added 18K customers last year, 13K this year and will probably add 10K next year. Those percentages are net – not factoring churn. Churn is about 7%/year.

Jeff stated that this is a 50% increase and wondered how long this price would be good and would PGE be coming back soon for another increase. Thor replied that his expectation is that PGE will have to bring the discussion back to the POC and discuss other program options or pricing differences. Things like non WECC RECs, other sourcing options and price impacts.

Dave – Is reducing the outreach sustainable at the reduced level or will marketing and outreach need to increase again to grow the program. Thor thinks there are cost efficiencies that can be made. Have always used a multi-touch approach – thinks they'll pare that back to whatever is the most effective. Thor doesn't think they're going to have a dramatic impact on growing the program.

PGE isn't proposing a rate change for the Clean Wind option but is proposing a change in the way the funds are allocated. Currently the cost is \$3.50 for a 200 kWh block with \$1.00 going towards RECs and the remainder going to a renewable development and demonstration fund. The proposed allocation is \$2.00 towards RECs and the balance to the development fund.

Doug Kuns asked if we could discuss the specific proposal and if filing with the materials presented today with the advice filing would be appropriate.

Committee members were asked their reaction to the proposal.

Dave Tooze – thinks it's reasonable. REC prices are something the utility doesn't have any direct control over and it feels better about this than the utilities proposed regular rate increase.

RNP – Thinks it's reflecting what's happening in the REC market. Talked with a few brokers in preparing for this meeting and they are all seeing prices increase.

Roger Rees – thinks it's inevitable. The price pressures are real.

Jeff – CUB objects to the proposal because it's the first time CUB, PUC or the POC have seen actual numbers. Very sympathetic to increases in REC prices but wishes it wasn't at the same time as a large rate increase. Can't see any way to vote yes on the issue. CUB's executive director is even more vociferous about objecting to the increase. Can't support this level of increase.

Jeff asked if the research on customer's reactions to a price increase was done inclusive of a potential 14% general rate increase? GME/PGE replied that it was not included in the survey.

Lori asked Jeff what option would be acceptable to CUB considering the REC price increase is real. Jeff replied that PGE should have brought the issue to the POC to discuss and consider possible options before bringing a solution that had to be acted on immediately.

Adam Capage of 3 Degree said part of the reason the 50% sounds so alarming is that the program is so low to begin with. REC prices have doubled and we're only proposing a 50% increase. 3 Degrees has seen the market move more this year than ever before. Prices have doubled overnight and then the REC market actually shut down for a while. People were holding onto RECs waiting to see how high prices might go.

Lori asked if any of the non-utility people at the table are interested in making a motion.

Roger said that he understands what Jeff is saying but wants to know how much information Jeff needs to be able to make a decision? Jeff said it could be as early as next week that he would have enough information to make a decision. Wants to see more of what the company went through to decide the impact of the other rate increases on this program. Roger says he has to assume the data presented is correct.

Jeff & Roger believe we're between a rock and hard place for making a decision. Neither are questioning the voracity of the data presented but how were the options decided upon. They would like to have been better prepared for these specific numbers. And that it was naïve of the company to think there wouldn't be a link between the upcoming rate increase.

Both Doug Kuns and Lori reminded the group that PGE had sent out information months earlier about REC pricing trends. However, Jeff's concern was that no one had seen the specific numbers until today.

A proposed motion was distributed:

Motion:

The Portfolio Options Committee reviewed and supports PGE's proposal to file with the Commission, adjustments to the Renewable Portfolio Options prices under Schedules 7 and 32 as outlined below to reflect the increasing costs of TRCs:

1. For the Renewable Usage (also referred to as Green Source) portfolio option , set the price at 1.2 cents/kWh from the current 0.8 cents/kWh
2. Adjust the Fixed Renewable (also referred to as Clean Wind) portfolio option allocation such that the \$3.50 block price will be allocated \$2.00 for the purchase of TRCs and \$1.50 will be placed in the renewable development fund as described in the rate schedules.

Roger Rees moved to accept the proposed motion. Seconded by Dave Tooze. No further discussion.

Vote: 4 yes, 1 no, 2 abstain – motion passed

The two abstaining were other utilities and the “no” vote came from Fair & Clean because it felt they hadn't been presented with adequate justification of options other than the one proposed.

Florida Green Power Program

Update from Paul Markovich of Green Mountain Energy.

The Florida Commission shut down the program without any “due process”. They wouldn't let GME or Florida Power & Light (FPL) state their case but concluded that it wasn't in the best interest of Florida to continue the program. The Commission said they'd rather do an RPS.

Paul indicated Green Mountain was complying with a thorough audit by the PSC and predicted favorable results even though the program would remain closed. Informally, the auditor said GME was doing exactly what it should be doing. It met and exceeded program deliverables. GME told customers what they were getting for their money, how much carbon was being offset and at what threshold another solar facility would be built.

GME invested 13.3 M in program and only recouped 11.3 M – had a 10 year contract and hadn't considered this might happen to them in this contract. So GME is out money.

(Update: On 9/30/08, the Florida PSC ended its investigation and concluded that Green Mountain “did no wrong.”)

Next Meeting - Friday 14th of November 1:30 at Pacific Power

Agenda Topics:

- New members
- PacifiCorp – proposal for prices
- Leslie Bach – Healthy Habitat update
- Quarterly utility updates
- NW Natural – Smart Energy Update
- WREGIS status

Submitted by Lori Koho, OPUC