

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 9, 2002

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_\_

DATE: July 1, 2002

TO: John Savage though Lee Sparling and Jack Breen

FROM: Janet Fairchild on behalf of the Portfolio Advisory Committee

SUBJECT: Portfolio Advisory Committee Recommendation for Portfolio Options to be offered in 2003

**SUMMARY RECOMMENDATIONS:**

The Portfolio Advisory Committee makes the following recommendations regarding portfolio options to be offered in 2003:

1. The **Renewable Usage** and **Habitat** options previously approved by the Commission be continued through 2003.
2. The Blue Sky and Clean Wind programs be continued as currently designed and administered through 2003 for the **Fixed Renewable** option.
3. The utilities should explore the possibility of lowering the block price and integrating marketing efforts with the suppliers or independent marketers of the Renewable Usage and Habitat options.
4. The **Time of Use** options, including the customer guarantee for the first 12 months of the customer's participation, continue to be offered in their present form through 2003.
5. PacifiCorp's **Seasonal Flux** option be discontinued in 2003 and the 3,500 cap for PacifiCorp **Time of Use** participants be removed.

Additional Portfolio Advisory Committee Recommendations:

6. The power plants supplying the renewable resource portfolio options must be part of the Western Electricity Coordinating Council region.
7. In all publications, any presentation of the supply mix and environmental impacts for the Fixed Renewable option should reflect an average customer (1,000 kWh/month) buying one block (100 kWh) per month and the balance (900 kWh) from Basic Service.
8. The Committee recommends PGE and PacifiCorp be required to expeditiously complete their Commission-approved procurement process for Renewable

Usage and Habitat options after the Commission has approved the options for 2004-05.

9. The Committee requests the Commission waive the requirement for a one-year recommendation (OAR 860-038-0220(3)) for 2004 options.

Recommendations Not Requiring Immediate Commission Action:

10. The Committee requests flexibility to make recommendations for portfolio options with terms of up to three years.
11. The Committee agrees that PGE's proposed load control pilot program has potential and recommends that the Commission consider it.

**DISCUSSION:**

As required by OAR 860-038-0220(3) and (10), the Portfolio Advisory Committee makes annual recommendations to the Commission regarding the portfolio of electric product and pricing options to be offered to residential and small non-residential customers. Current Committee members are:

<u>Representing</u>	<u>Current Individual Filling Position</u>	<u>Group Affiliation of Current Committee Member</u>
PUC Staff	Janet Fairchild	Public Utility Commission Staff
OOE Staff	Lisa Schwartz	Office of Energy Staff
Local Government	Dave Tooze Andrea Fogue	City of Portland League of Oregon Cities
Electric Companies	Brian Soth Gordon McDonald	PGE PacifiCorp
Residential Customers	Jason Eisdorfer Dennis Martin	Citizen's Utility Board AARP
Public/Regional Interest Groups	Maureen Quaid Steve Weiss	Renewable Northwest Project Fair and Clean Energy Coalition
Small Non Residential Customers	John DeGroat Vacant	None None

Current Portfolio Option Offerings: The current portfolio of options offered to PGE and PacifiCorp customers includes: a Time of Use option and (for PacifiCorp) a Seasonal Flux option, a Fixed Renewable (block purchase) option, a Renewable Usage option,

and a Habitat Restoration (Habitat) option.<sup>1</sup> The Time of Use and Seasonal Flux options are market based and meet the requirements of ORS 757.603(2)(b). The renewable resource options include significant new renewable energy resources to comply with ORS 757.603(2)(a).

Customers are also offered a basic service (regulated cost-of-service rate) option. ORS 757.603(1)(a) requires that the basic service option be offered, but it is not considered one of the portfolio options. Therefore, the Committee makes no recommendations regarding basic service.

The Portfolio Advisory Committee's recommendations for 2003 options reflect a general preference that options remain largely the same as those offered in 2002. This preference is due to the fact that current options have been available to customers for a limited period of time and research on acceptance of the various options has not yet been conducted or reviewed.

#### Issues Considered by the Committee in Making Its Recommendations

Recommendation No. 1: *The **Renewable Usage and Habitat** options previously approved by the Commission be continued through 2003.*

This recommendation passed unanimously at the April 24, 2002 Committee meeting. The exact wording of the motion is as follows:

PGE and PacifiCorp have contracted with Green Mountain Energy Co. to provide Renewable Usage and Habitat options through 2003. However, the Committee must recommend portfolio options annually. Therefore, the Committee recommends that for 2003, the Renewable Usage and Habitat options be continued as the Commission approved last year.

The Committee notes that the Commission previously approved the RFP process that resulted in PGE and PacifiCorp's contracts with Green Mountain Energy Co. to provide the Renewable Usage and Habitat options through 2003. Thus the Commission in essence already approved this recommendation. We include it here to comply with OAR 860-038-0220(3) which requires the Committee to make recommendations regarding portfolio options annually. We interpret this requirement to mean that we must make annual recommendations regarding **each** portfolio option.

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<sup>1</sup> Under the Renewable Usage and Habitat Restoration options, the utilities purchase enough power from renewable resources to meet 100 percent of a customer's electricity usage.

Recommendation No. 2: *The Blue Sky and Clean Wind programs be continued as currently designed and administered through 2003 for the **Fixed Renewable** option.*

This recommendation passed unanimously at the May 7, 2002 meeting. At the April 24<sup>th</sup> and May 7<sup>th</sup> meetings, the Committee considered numerous variations for the block purchase features of the current Fixed Renewable options, including:

1. offering block sizes other than the 100 kWh block size currently offered,
2. a reduced price for additional block purchases,
3. an option to purchase 25%, 50% or 100% of power from new renewable resources, and
4. an option which includes solar power purchases.

Most members of the Committee found potential merit in the variations. However, the general consensus was that because customers are still getting used to the options and the Committee has not had an opportunity to evaluate customer response to the options, consistency is desirable for now.

Staff notes that the current (2002) requirements for the Fixed Renewable option were approved by the Commission in Order No. 01-337, which states "The utility companies will not be required to establish a bid process, or other Commission-approved means, for this option until Fall 2002 for the option beginning January 2003."

OAR 860-038-0220(6) requires:

Each electric company must acquire the renewable supply resources necessary to provide the renewable energy resource product through a competitive bid or other Commission-approved means.

By way of clarification, Staff notes that this Committee recommendation does not preclude PGE or PacifiCorp from complying with OAR 860-038-0220(6). The companies are still bound by this requirement as they spend the funds collected under the Fixed Renewable option.

Recommendation No. 3: *The utilities should explore the possibility of lowering the block price and integrating marketing efforts with the suppliers or independent marketers of the Renewable Usage and Habitat options.*

This recommendation is closely related to Recommendation No. 2 and was passed unanimously at the May 7, 2002 Committee meeting. Some members of the Committee believe that lower block prices are desirable because they would likely increase

enrollments. Integrating marketing may be one way the utilities could lower costs and thereby lower prices to the customers.<sup>2</sup>

Recommendation No. 4: The **Time of Use** options, including the customer guarantee for the first 12 months of the customer's participation, continue to be offered in their present form through 2003.

This recommendation was passed unanimously at the Committee's June 6, 2002 meeting. The exact wording of the motion is as follows:

The Committee recommends that the Time of Use option continue to be offered in its present form through December 2003, including the customer guarantee for the first 12 months only of the customer's participation. The Committee will review the effects of the market-based options in aggregate on the bills and on-peak electricity use of participating customers and review results of related market research. The Committee may make further recommendations based on this information.

There was general agreement among Committee members that the Time of Use option should be offered in its present form through 2003. However, there was debate regarding whether the customer guarantee should remain in place. The guarantee mandates that customers will not be charged more than 10 percent above what their rate would have been had they stayed on Basic Service. The Time of Use option includes a meter charge in addition to other charges. Under this recommendation, the customer guarantee would apply only to the customer's first 12 months of enrollment.

Although it voted for this recommendation, PacifiCorp did not want to continue the customer guarantee because it believes the guarantee masks true price signals and thereby impacts a customer's tendency to change their usage patterns.

The majority of Committee members disagree with PacifiCorp's assessment. Several members noted that the meter charge plus a 10 percent bill increase would weed out most customers that are not serious about shifting load. Members also expressed a desire to keep the guarantee in place until research shows that customers wouldn't be harmed. Members noted that the 12-month guarantee may encourage customers to try shifting their load using the Time of Use option.

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<sup>2</sup> If the Commission approves this recommendation, Staff and the Committee will work with the utilities to monitor their compliance with this requirement.

Recommendation No. 5: *PacifiCorp's **Seasonal Flux** option be discontinued in 2003 and the 3,500 cap for PacifiCorp **Time of Use** participants be removed.*

This recommendation passed 5:3:1 at the June 6, 2002 Committee meeting. Schwartz, Tooze, Eisdorfer, Quaid and Weiss voted in favor of the recommendation. McDonald, Martin, and Fairchild voted against it, and Soth abstained for the vote. DeGroat and Fogue were absent.

Those voting in favor of the recommendation believe that the option is confusing to customers and that the utility system benefits of the option are questionable. Jason Eisdorfer pointed out that the only reason Seasonal Flux was offered as a portfolio option was because the Time of Use rate was offered as a pilot project with a cap on the number of customers that would be allowed to sign up. Because there was a cap on the number of customers allowed to participate in the Time of Use option, it did not meet the SB 1149 requirement that every residential and small business customer be offered a market-based rate. He pointed out that the Committee never recommended the Seasonal Flux option. Time of Use was the only market-based option the Committee recommended.

PacifiCorp representative Gordon McDonald pointed out the Seasonal Flux option has more sign-ups than the Time of Use option (1,500 to 1,250). He stated that the company does not want to discontinue the Seasonal Flux option until research results on the program's effectiveness are available and reviewed.

Dennis Martin agrees with the majority's assessment that the benefits of the Seasonal Flux option are questionable. However, he voted against this recommendation because he believes that maintaining consistency with other recommendations will promote the credibility of the portfolio process. The Committee is recommending minimal change to other options until research results are evaluated. Because there are a significant number of Seasonal Flux signups, Martin favors maintaining the Seasonal Flux option until 2003 when, based on evaluated research results, there may be changes to the overall process and a more consistent phase in of any changes will be possible.

Although she strongly agrees that the 3,500-customer cap on participation in the Time of Use option should be removed, Janet Fairchild voted against the recommendation because she does not believe the Seasonal Flux option should be removed until research has been evaluated.

Recommendation No. 6: *The power plants supplying the renewable resource portfolio options must be part of the Western Electricity Coordinating Council region.*

This recommendation passed on a 6:2:2 vote at the May 7, 2002 meeting. The six members voting in favor of the recommendation were Schwartz, Tooze, Martin, Quaid, Weiss and DeGroat. Fairchild and McDonald voted against the measure and Soth and Eisdorfer abstained.

Steve Weiss summed up the majority opinion, stating that customers already question the use of green tags, and it's harder to explain and market the options if the tags are not from a resource supplying power to the customer's grid. Further, accountability for tag sales is more problematic the further away the power source.

Gordon McDonald agrees that purchasing tags from the Western grid is a marketing advantage, but he believes that a lower price from a resource outside the grid would offer a better marketing advantage. Therefore, he voted against the measure.

Janet Fairchild voted against the recommendation because she believes that it is contrary to the Commission's resource planning goals. As established in OAR 860-038-0080(3)(c)(C) those goals include facilitation of a fully competitive market, providing consumers with nondiscriminatory access to competitive markets and providing access to least-cost resources. She believes that utilities should not be precluded from considering low cost resources from other areas.

*Recommendation No. 7: In all publications, any presentation of the supply mix and environmental impacts for the Fixed Renewable option should reflect an average customer (1,000 kWh/month) buying one block (100 kWh) per month and the balance (900 kWh) from Basic Service.*

This recommendation passed unanimously at the June 6, 2002 meeting. The exact wording of the motion is as follows:

The presentation of the supply mix and environmental impacts for the Fixed Renewable option should reflect an average customer (1,000 kWh/month) buying one block (100 kWh) per month and the balance (900 kWh) from Basic Service.

PacifiCorp informed the Committee that the company's recent research has shown that some customers were confused by the way the portfolio enrollment packet presented the supply mix for the Fixed Renewable option. This recommendation was made to ensure consistency in the presentation of supply mix information and to reduce customer confusion.

Recommendation No. 8: *The Committee recommends PGE and PacifiCorp be required to expeditiously complete their Commission-approved procurement process for Renewable Usage and Habitat options after the Commission has approved the options for 2004-05.*

At its June 6, 2002 meeting the following motion was voted on by the Committee.

The Committee plans to provide to the Commission by March 1, 2003 — four months earlier than required — recommendations for the Renewable Usage and Habitat options for 2004-05. The utilities should complete early in 2003 their Commission-approved process for acquiring suppliers for the options, as approved by the Commission.

The motion passed by a vote of 8:1. Janet Fairchild was the only Committee member who voted against the motion.

This recommendation was made in response to concerns brought before the Committee by Green Mountain Energy representative Karen Norris. Ms. Norris explained that if Green Mountain doesn't know it will be the resource and marketing supplier for the Renewable Usage and Habitat options in 2004, it will discontinue its marketing activities as of April 2003. In making this motion, the Committee hopes to avoid a marketing gap.

Janet Fairchild voted against the recommendation based on concerns that the expedited schedule will not meet Green Mountain's timeline. She also believes that the option price offered to customers is more important than marketing offered by Green Mountain. Soliciting bids too early has the potential to decrease the number of bidders and increase the cost of obtaining the resource.

Recommendation No. 9: *The Committee requests that the Commission waive the requirement for a one-year recommendation (OAR 860-038-0220(3)) for 2004 options.*

This recommendation passed unanimously at the June 6, 2002 Committee meeting. The exact wording of the motion is as follows:

The Committee recommends a term of two years for portfolio options starting 2004. We therefore request that the Commission waive the requirement for a one-year recommendation (860-038-0220(3)). The longer term will allow for more bidders, lower bid prices, a longer period for marketing and evaluation, and elimination of a transition period between 2004 and 2005 during which marketing efforts may decline.

This recommendation is based on the assumption that Recommendation No. 10 will not be implemented before the Committee makes its recommendations for the 2004 portfolio options. In making the recommendation, the Committee seeks advance approval to consider recommending a two-year service period for 2004-2005 options.

Staff notes that waivers such as the one requested here are authorized under OAR 860-038-0001(4).

Recommendation No. 10: *The Committee requests flexibility to make recommendations for portfolio options with terms of up to three years.*

This recommendation was passed unanimously at the Committee's June 6, 2002 meeting. The exact wording of the motion is as follows:

The Committee asks the Commission to open a rulemaking to give the Committee flexibility to make recommendations for portfolio options with terms of up to three years.

OAR 860-038-0220(3) requires the Committee to make portfolio recommendations for 12-month service periods beginning January 1, 2003. However, the Committee notes that allowing options to be offered for up to a three year term may allow for more bidders, lower bid prices, and a longer period for marketing and evaluation. By limiting the service period to a maximum of three years the Committee believes that the benefits envisioned when the 12-month service period was adopted will still be met.

To facilitate this, and other rule changes associated with SB 1149 issues, Staff will bring a recommendation to open a rulemaking to a future public meeting.

Recommendation No. 11: *The Committee agrees that PGE's proposed load control pilot program has potential and recommends that the Commission consider it.*

This recommendation passed unanimously at the June 6, 2002 meeting after a PGE presentation on a residential load control program. PGE is planning to implement the program early in 2003. The program is designed to learn:

- if remote load control programs would be beneficial in a temperate climate,
- if load control of space heating works when there is no backup heat source,
- if Northwest customers will accept a load control program,
- what level of information and savings are required to satisfy customers,
- what saving and usage shifts would result from the program, and
- what the costs of "rolling out" such a program to all customers would be.

One hundred electric space heat customers and 100 electric water heat customers would be recruited to participate in the program. Remote communications technologies would be installed to allow the utility to control the customer's space or water heating devices via radio communication. Water heating devices would be turned off for two to four hours during peak winter week-day hours. Space heating devices would be reduced two to three degrees for two to three hours during peak periods on the coldest days of the winter.

The first-year costs for the program are estimated to be \$400,000. PGE plans to seek Commission approval to finance the program through a deferral account for SB 1149 implementation. The Committee believes that the program has potential and expects to support it when it is filed with the Commission.

**PROPOSED COMMISSION MOTION:**

Portfolio Advisory Committee recommendations 1 through 9 be adopted.