

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 3, 2003**

REGULAR X CONSENT EFFECTIVE DATE _____

DATE: May 27, 2003

TO: John Savage through Lee Sparling and Jack Breen III

FROM: Janet Fairchild

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1085) Competitive Bid for Renewable Portfolio Resources Filed in Compliance with Commission Order No. 03-208.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's proposed bid process and Request For Proposal to procure tradable renewable credits and retail marketing services for its 2004 – 2006 Blended Renewable and Environmental Mitigation portfolio options, as amended on May 27, 2003.

DISCUSSION:

On May 19, 2003, Portland General Electric (PGE or the company) filed its Request for Proposal (RFP) for a supplier to provide tradable renewable credits and retail marketing services for two of the company's 2004 – 2006 portfolio options. In response to comments received from the Renewable Northwest Project (RNP), PGE submitted an amended RFP on May 27, 2003. The RFP includes a description of the company's proposed bid process. The filing was made to comply with Commission Order No. 03-208. That order requires PGE to conduct a formal bid process to select suppliers to provide 100 percent renewable resource and retail marketing services for the utility's 2004-2006 Blended Renewable and Environmental Mitigation options. The Order further specifies that the Commission should approve the bid process and the RFP before it is issued.

PGE circulated a draft of the RFP to members of the Portfolio Advisory Committee (PAC) before it was filed with the Commission. On May 20, 2003, Natalie McIntire, a PAC member and representative of RNP notified PGE, staff and the PAC Chair, Jeff Bissonnette of three concerns regarding PGE's RFP, as submitted.

RNP Concern No. 1: *“ PGE has included an option for an opt-in and/or opt-out process for customers who are currently participating in the renewable usage or habitat options. RNP STRONGLY prefers that no such process be conducted following the award of the contract for TRCs and marketing services for the term 2004-2006. Customers have the option of dropping these voluntary programs at any time. If any such process is conducted, it should definitely be limited to an opt-out process, and we would like to see PGE work with the PAC to develop it. Creating an opt-in process for current customers to stay on the program after a change in the options is likely to cause unnecessary confusion and a significant drop in customer participation which may not be indicative of those customer's actual desires. Customers who have already taken the time to enroll should stay enrolled.”*

Staff Response: Staff and the Oregon Office of Energy share RNP's preference that neither an opt-out nor an opt-in process be used. The PAC's intent has always been that a seamless transition be made between suppliers at the end of each contract term. This intent is reflected in Commission Order No. 01-337. Implementation of an opt-in or an opt-out process would disrupt the transition from the current to subsequent supplier.

However, staff agrees with PGE's assessment that the terms of its contract with the current supplier, Green Mountain Energy, necessitate that the company retains the option to implement an opt-out or an opt-in process.¹ Staff notes that the RFP provision does not state that PGE *will* use an opt-in or opt-out process. Rather its states that PGE reserves the right to determine the appropriate method to inform customers of changes in the price, supplier or terms of service and that those methods *may* include an opt-out or opt-in process. Staff is confident that PGE would solicit and consider PAC recommendations regarding the method of customer notification. Staff does not recommend that PGE be required to change this provision of the RFP.

RNP's Concern No. 2: *“ RNP would like PGE to remove the weighting of evaluation criteria number 4, proposed changes to the products which might be implemented post-2004. The PAC recommendations included the possibility that changes to these products could happen post-2004 if they benefit customers. However, any changes to these programs will require approval by both the PAC and the OPUC. Since there is no guarantee that any proposed improvements to these programs would be approved, we feel it is inappropriate to judge current bids on this criteria.”*

Staff Response: PGE's proposed evaluation and weighting criteria are as follows:

1. 40% - Overall price, with a preference for bids priced similarly to the current product.

¹ The PGE/Green Mountain Energy contract was filed with the Commission on April 12, 2002 under Protective Order No. 02-099. The specifics of the contract are confidential.

2. 20% - Percentage of new renewable product content, as defined in OAR 757.600.
3. 20% - Evaluation of proposed marketing plan.
4. 10% - Proposed changes to the existing renewable portfolio products that would benefit customers.
5. 5% - Implementation cost.
6. 5% - Origination of TRCs conforming to Green-E standards, with preference for those within the WECC.

In response to this concern, PGE points out that a full 80 percent of the evaluation criteria is based on price and marketing experience and expertise. The evaluation of proposed changes to the current portfolio is weighted 10 percent. PGE asserts that it values innovative product design and marketing approaches to benefit its customers. This evaluation criterion will allow PGE to gather ideas for future program changes and to assess the bidders ability to formulate new program ideas. Proposed changes submitted in response to this criterion would not be implemented without the approval of the PAC and the Commission.

Staff notes that Order No. 03-208 states *"Further, the RFP and a contract should allow the renewable resource supplier/marketer to propose changes to the product structure post-2004 for consideration by the Portfolio Advisory Committee and the PUC. Such proposed changes should only be to increase the benefits to customers."* Staff believes PGE's proposed evaluation criterion complies with the Commission order and that the 10 percent weighting factor is reasonable. Staff does not recommend that the Commission require PGE to change this evaluation criterion or weight.

RNP Concern No. 3: *"Lastly, we recommend the removal of the 10th bullet under section "Specific Bid Proposal Information." This bullet item requires that attestations for TRCs be delivered to PGE within 30 days of their generation. This requirement is not standard within the industry, nor is it consistent with the two-year true up period required by the OPUC for these renewable energy programs. Utility green power certification programs such as Renew 2000 and Green-e do not have a similar requirement. Inclusion of such a requirement is more stringent than is necessary to offer a good program for consumers and is likely to raise the price offered by bidders, or keep companies from bidding altogether."*

Staff Response: PGE agrees with RNP's assertion that a 30-day time frame to provide attestation is not the industry norm. In its amended RFP, filed May 27, 2003, PGE changed the RFP language from *"Bidders will deliver attestation for all of the TRCs within 30 days of generation . . ."* to *"Bidders will deliver attestation for all of the TRCs within thirty (30) days following the end of the calendar quarter of their purchase . . ."* Staff and RNP believe that this change reasonably addresses RNP's concern.

Other Staff Review: In addition to review of RNP's concerns, staff, as well as other members of the PAC have reviewed PGE's proposed RFP for compliance with Commission Order No. 03-208 and for general reasonableness of the terms and conditions. No other concerns have been noted. Staff finds that PGE's RFP and proposed bidding process, as amended on May 27, 2003, are reasonable and in compliance with Commission Order No. 03-208.

PROPOSED COMMISSION MOTION:

Portland General Electric's proposed bid process and Request For Proposal to procure tradable renewable credits and retail marketing services for its 2004 – 2006 Blended Renewable and Environmental Mitigation portfolio options, as amended on May 27, 2003, be approved.