

**ITEM NO. 2**

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 21, 2008**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**   December 1, 2008  

**DATE:** October 10, 2008

**TO:** Public Utility Commission

**FROM:** Lori Koho

**THROUGH:** Lee Sparling, Ed Busch, and Bonnie Tatom

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Advice No. 08-14) Revises Schedules 7 and 32, Renewable Portfolio Options.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric's (PGE or the Company) request to increase the pricing of PGE's Renewable Usage (GreenSource) portfolio option and adjust the allocation of the Fixed Renewable (Clean Wind) portfolio option rate. These changes would be effective December 1, 2008.

**DISCUSSION:**

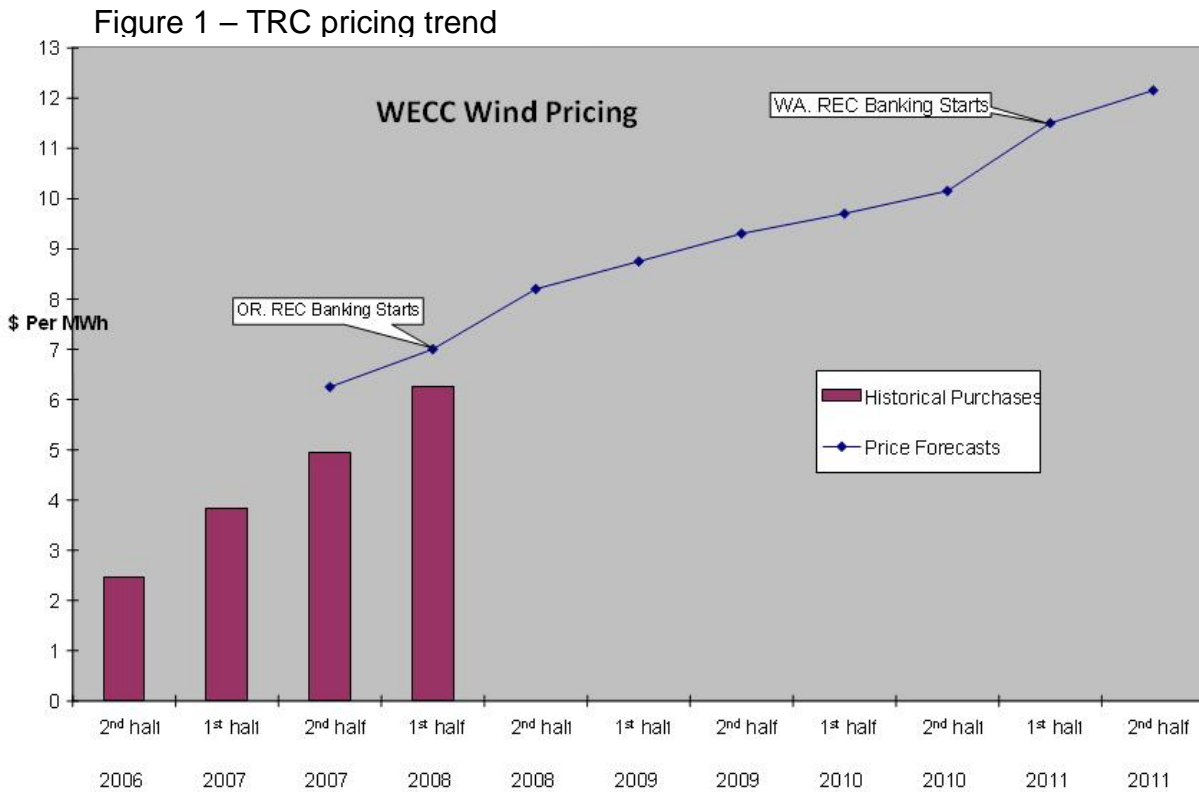
Pursuant to OAR 860-038-0220, the Company must provide each residential consumer with a "portfolio of product and pricing options." PGE's renewable portfolio includes GreenSource, a usage based product, and Clean Wind, a block product. The pricing for these options has not changed since 2002 because the tariffs were structured at a high enough level to allow for fluctuations in prices of Tradable Renewable Credits (TRCs). Surplus dollars collected through the tariffs were held in a fund to cover future price increases in TRCs and to potentially fund new renewable energy projects.

The last two years have seen a dramatic change in the TRC market. The price of TRCs has more than doubled, largely due to many states adopting renewable portfolio standards. Voluntary green pricing programs and the desire of many companies to be "green" have intensified the pressure on the market. While the market is responding, and more renewable resources are being constructed, these new resources have increasing capital costs. All of these factors leave the company in the position of needing to revise its tariff to be able to acquire the TRCs that ratepayers desire.

In late July, PGE forwarded a study about trends in TRC costs to staff and the Citizens' Utility Board (CUB). At that time, they also requested a meeting with the Portfolio Options Committee (POC) to review the analysis and discuss revising the tariffs. The first opportunity for the POC to convene was on September 10, 2008.

TRC Pricing Trends

Green Mountain Energy (GME) is PGE's marketer for these two programs. GME is a major purchaser of TRCs in the country and its supply team was able to provide price trend information (see Figure 1 below) based on its interactions with several brokers. Earlier this year, the Commission extended the time the utilities could use non-WREGIS (Western Renewable Energy Generation Information System) registered TRCs. This extension was to allow time for more generators to become registered with WREGIS and to protect ratepayers from the "premium" generators were able to charge for WREGIS-registered TRCs. It is GME's experience that the non-WREGIS TRCs trade at a \$0.10 to \$0.30 discount. Extending the deadline for requiring WREGIS-certified tags gave the marketers access to a larger pool of tags but it didn't offset the dramatic price increases that are occurring.



### GreenSource Option

GME and PGE engaged a consulting firm to survey customer reactions to potential price increase scenarios. The results of the survey revealed that customers would prefer to pay more to offset 100% of their usage than to pay the same amount they are paying today but offset something less than 100% of their usage. Based on those survey results, the company elected to raise prices while making other changes to minimize the magnitude of that increase.

In addition to increasing the price per kWh to participate in the GreenSource program, the Company will scale back marketing, education and outreach. Under the current tariff, approximately 44% is allocated to TRCs with the balance going to outreach, education and administration. Under the proposed tariff, approximately 56% will be allocated to the purchase of TRCs. The POC discussed the risk associated with reducing outreach and education but concluded it would be valuable to observe how participation in these programs is affected. The POC will track the impact of this tariff change on churn and new enrollments and will make recommendations regarding changes to this tariff if participation trends are negative.

### Clean Wind Option

There is no increase to customers subscribing to PGE's Clean Wind Option. The proposed change is only to how those funds are allocated. Customers purchase blocks of 200 kWhs of TRCs generated by wind projects. Currently, customers pay \$3.50 per block with \$1.00 going to the purchase of TRCs and \$2.50 placed in a renewable resource development and demonstration fund. Under the revised tariff, \$2.00 will be allocated to the purchase of TRCs and \$1.50 will be placed in the renewable resources fund.

### Parties' Concerns

Most members of the POC felt that the proposed revisions were reasonable and that some action was necessary in light of the increasing TRC prices. Some members of the POC, notably representatives of CUB and the Fair & Clean Energy Coalition objected to the fact that the company developed a solution to the problem of increasing TRC prices without involving the POC in the entire process. While the increase in the GreenSource Option from \$0.08/kWh to \$0.12/kWh results in a product that is still considerably less costly than similar ones in other parts of the country, it still represents a 50% increase that should have been evaluated with and without the impact of the rate case currently in front of the Commission.

PacifiCorp is also experiencing the same TRC market trends. It noted parties' concerns and will begin working with the POC at the next scheduled meeting to discuss possible solutions.

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POC Recommendation to the Commission

The POC voted in favor of making a recommendation to the Commission that it approve the proposed revisions to Schedules 7 and 32.

**PROPOSED COMMISSION MOTION:**

The proposed revisions to Schedules 7 and 32, Renewable Portfolio Options, be approved.