

**ITEM NO. 3**

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 9, 2008**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**       January 1, 2009      

**DATE:** November 26, 2008

**TO:** Public Utility Commission

**FROM:** Lori Koho

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

**SUBJECT:** PACIFIC POWER & LIGHT: (Advice No. 08-020) Revises Schedules 211, 212 and 213, Blue Sky Usage and Habitat Options.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission allow Pacific Power & Light's (PacifiCorp or Company) Advice No. 08-020 to go into effect January 1, 2009.

**DISCUSSION:**

Pursuant to OAR 860-038-0220, the Company must provide each residential consumer with a "portfolio of product and pricing options." PacifiCorp's renewable portfolio includes Blue Sky Usage, a usage based product; Blue Sky Block, a block product; and Blue Sky Habitat, a usage based product that includes a contribution for habitat restoration. The pricing for these options has not changed since 2002 because the tariffs are structured to allow some fluctuations in prices of Tradable Renewable Credits (TRCs). However, the Company, and others in the market, are seeing dramatic increases in the cost of TRCs. These increases are beyond what can be covered by the current tariffs.

A number of factors are driving the increasing costs of TRCs. The demand from state renewable portfolio standards, voluntary green pricing programs and the desire of many companies to be "green", results in intense competition for a limited number of TRCs. The market is responding and more renewable resources are being constructed. However, new resources have increasing capital costs so there would be some price increases even without a supply-constrained market.

On October 21, 2008, the Commission approved a request from Portland General Electric (PGE) to increase the pricing of its GreenSource and Clean Wind products in

response to the increasing costs of TRCs. At the Portfolio Options Committee (POC or Committee) meeting on September 10, 2008, PacifiCorp had alerted the POC that it would be bringing a similar proposal to the Committee's next meeting.

The proposal that PacifiCorp presented at the Committee's November 14, 2008, meeting included rate increases to the Company's Blue Sky Usage and Blue Sky Habitat programs (Schedules 211 and 213). The Committee reviewed PacifiCorp's analysis and approved making a recommendation to the Commission to approve the proposed tariff of 0.89¢/kWh from the current 0.78¢/kWh. This will result in an increase of \$0.96 per month for the average program participant.

PacifiCorp is not requesting an increase in the pricing of its block product (Schedule 212) at this time. The block program as currently priced is expected to absorb the anticipated increase in REC prices in 2009. However, the Company does expect there to be fewer dollars available to fund small-scale community-based renewable energy projects. As the tariff schedule states, funds received from participants are used to cover program costs -- i.e., customer education, community outreach and program administration costs -- and purchase renewable energy credits to match customer block purchases. Funds not spent after covering program costs and matching renewable energy purchases to block purchases may be used to fund qualifying initiatives.

Included in this tariff filing is a housekeeping change to Schedules 211, 212 and 213. The Company is proposing a wording change under the Special Conditions of each of these tariffs to allow flexibility in enrollment of Blue Sky program participants and is supported by Staff.

**PROPOSED COMMISSION MOTION:**

The proposed revisions to Schedules 211, 212 and 213 be approved.