

## Oregon's voluntary green energy programs

The state of Oregon requires private electric utilities to offer voluntary renewable energy rate options to residential and small commercial customers.

As a result, Pacific Power and Portland General Electric introduced a broader portfolio of renewable resource options to customers in 2002. Pacific Power offers Blue Sky (<https://www.pacificpower.net/bluesky>), and Portland General Electric offers Clean Wind, Green Source, and Green Future Solar. (<https://www.portlandgeneral.com/residential/power-choices/renewable-power/choose-renewable>). These programs purchase renewable energy certificates (RECs), and contribute to the above market costs of various renewable projects in communities around Oregon.

Northwest Natural elects to offer a carbon offset program called Smart Energy <https://www.nwnatural.com/residential/smartenergy/>. This program purchases carbon offsets and retires them on behalf of enrolled customers.

Oregon's electric utilities operate the top-performing programs in the country in enrollment and customer participation levels. They are mature programs with direct oversight from an advisory citizen committee – the Portfolio Options Committee – and the Oregon Public Utility Commission.

This factsheet offers utility customers a short history of the voluntary programs, a summary of the consumer protections that are in place for these programs, and why the Portfolio Options Committee believes these protections are both effective and strive to deliver more value to Oregonians.

### **What are “voluntary” green energy programs and what do they do?**

Utility green power programs began in the early 1990s when a small number of utilities offered their customers the option to purchase green power. According to a recent National Renewable Energy Laboratory report, 885,000 US utility customers bought 8.9 million MWh of green power through utility green pricing programs in 2017. Through these programs, participating customers typically agree to pay a premium on their electric bill to cover the cost of renewable energy certificates (RECs) or, in the case of gas bills, the cost of carbon offsets. The renewable energy certificates supported by these premiums are generally intended to be additional to what the utility would otherwise have purchased or obtained to satisfy regulatory mandates to purchase renewable energy.

Premiums charged for these programs are typically based either on an added cost per kilowatt-hour or therm used by the participating customer for a “usage” product, or on a fixed cost supporting a specified amount (“block”) of electricity or carbon offset. In addition to purchasing the renewable energy certificates or offsets, either of these products may also directly support the development of a renewable energy project.

Oregon’s electricity customers are offered, in addition to the usage and block products, the option of paying an additional premium to support salmon habitat.

The “voluntary” market refers to when businesses or utility customers choose to purchase environmental commodities in order to make a claim, such as “I support renewable energy” or “My business offsets 20% of its emissions.” The term “voluntary” is a catchall way to differentiate from “mandatory” programs such as the Renewable Portfolio Standards (RPS).

### **Legal Framework**

In 1999, the Oregon Legislature passed SB 1149. This legislation includes a number of significant provisions. These include establishing a public purpose charge, creating direct access allowing nonresidential electricity customers the option to select an alternate electricity supplier, and directing the Oregon Public Utility Commission to establish a “portfolio of rate options” for residential electricity customers. One of the mandated residential rate options is a time-of-use rate.<sup>1</sup>

The 2007 legislature passed a second piece of legislation directly impacting the voluntary rate options. SB 838 (ORS 469A) required Oregon’s investor-owned electric utilities to source a defined percentage of their resources from renewable resources by specified dates. In addition to this requirement, known as the Renewable Portfolio Standard, the bill specifies that all of Oregon’s utilities shall have a voluntary “green rate” available to customers and that the voluntary customer renewable energy programs cannot be used to meet or offset the mandatory requirement of the Renewable Portfolio Standard.<sup>2</sup>

### **Oregon Public Utility Commission**

The Oregon Public Utility Commission has the responsibility to ensure that safe and reliable utility services are provided to customers at just and reasonable rates. The Commission published rules<sup>3</sup> to implement the portfolio options requirement described above. Its rules require the use of a Commission approved process for resource acquisition;<sup>4</sup> that all costs associated with a particular option must be recovered in the rates for that option; and *revenue neutrality*, meaning that no utility can profit from these programs.<sup>5</sup> The Commission reviews and approves any Request

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<sup>1</sup> Oregon Revised Statutes 757.600.

<sup>2</sup> Oregon Revised Statutes 469A.205(2).

<sup>3</sup> Oregon Administrative Rules, 860-038-0005, et al.

<sup>4</sup> Oregon Administrative Rules, 860-038-0220: “(5) Each electric company is responsible for administering the options, including but not limited to marketing and billing. (6) Each electric company must acquire the renewable supply resources necessary to provide the renewable energy resources product through a Commission-approved bidding process or other Commission-approved means. Each electric company may acquire the resources necessary to provide the other product and pricing options at its discretion.”

<sup>5</sup> Oregon Administrative Rules, 860-038-0220. “(8) This section applies to residential and small nonresidential product and pricing options. An electric company must develop portfolio rates as follows: (a) The portfolio rates must be based on the unbundled costs identified through the application of OAR 860-038-0200;

for Proposals (RFPs) before issuance; may review contracts with marketing firms; receives and reviews annual “reconciliation reports” that list environmental commodities that were used to satisfy customer obligations; and issues specific guidance on a company “label,” which describes the portfolio of rate options available to customers.<sup>6</sup> Utilities have a tariff on file with the Commission, indicating the cost and conditions of their portfolio options to ratepayers.

Commission rules also created the Portfolio Options Committee to advise the Commission on program implementation.

### **Portfolio Options Committee**

The Portfolio Options Committee, or POC, is composed of state agencies, small governments, utilities, stakeholder organizations and customer representatives. By rule, the group’s chief responsibility is to submit recommendations annually to the Commission regarding a set of product and pricing options for renewable energy offerings and a market-based option for small commercial and residential customers of investor-owned electric utilities.

For more information:

[http://www.puc.state.or.us/Pages/electric\\_restruc/indices/pac.aspx](http://www.puc.state.or.us/Pages/electric_restruc/indices/pac.aspx)

The Portfolio Options Committee first met in 2002, and continues to meet at least quarterly. In 2008, NW Natural Gas voluntarily joined the Portfolio Options Committee for oversight of its greenhouse gas offset program, Smart Energy.

In reviewing existing and proposed portfolio option products, the Committee’s current goals<sup>7</sup> are to support:

- renewable energy and carbon offset markets,
- growth in participation rates at reasonable costs,
- high-quality consumer education on portfolio options and renewable energy and carbon offset markets, and

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(b) The portfolio rates for any class of customer must be based on the unbundled costs to serve that class; (c) The portfolio rates must include any additional electric company costs that are incurred when a consumer chooses to be served under the portfolio rate option; (d) The portfolio rates must exclude electric company costs that are avoided when a consumer chooses to be served under the portfolio rate option; (e) An electric company may impose nonrecurring charges to recover the administrative costs of changing suppliers or rate options; and (f) Rates must be established so that costs associated with the development or offering of rate options are assigned to the retail electricity consumers eligible to choose such rate options.”

<sup>6</sup> Oregon Administrative Rules, 860-038-0300, **Electric Company Labeling Requirements.**

<sup>7</sup> Portfolio Options Committee Charter, May 2013. [http://www.puc.state.or.us/electric\\_restruc/purpose/POC\\_Charter\\_Final\\_May\\_2013.pdf](http://www.puc.state.or.us/electric_restruc/purpose/POC_Charter_Final_May_2013.pdf)

- valuable and reasonable rate options for customers.

### **Managing value and program growth**

Oregon's voluntary options have grown from a hopeful idea into the best voluntary programs in the country. The National Renewable Energy Laboratory (NREL) tracks renewable energy programs offered by utilities. According to their statistics, as of December 2012, the voluntary programs operated by Portland General Electric and PacifiCorp operate with the greatest enrollment and among the highest renewable energy volume in the country.<sup>8</sup>

While these programs are successful on several levels, the POC works to ensure that the programs deliver strong value to Oregonians at reasonable costs. Program value includes both the quality of the resources supported and strong outreach and marketing to maintain program stability and growth.

The POC uses the following tools and approaches:

- *Regular review.* The POC reviews aspects of the programs at quarterly meetings. On an annual basis, each program's expenses and revenues are compared against benchmarks and a three-year rolling metric. At least annually, the POC provides observations and recommendations on the programs to the Commission.
- *Price adjustments in response to the environmental commodities market.* Programs adjust prices to reflect significant changes in the Renewable Energy Certificate (REC)<sup>9</sup> and carbon offset markets. Although the POC and program sponsors value price stability, the POC has approved both price increases when the market is constrained and price decreases when REC prices drop. Tools used to manage price stability include considering the characteristics of eligible resources and insulation against risk with long-term contracts (as opposed to purchasing the cheapest RECs on the market at any time).
- *Not the cheapest, but the best value.* While programs are generally market responsive, Oregonians get the best bang for their buck when the programs deliver high value for the price. Although Oregon's programs aren't the cheapest in the country,<sup>10</sup> their rates are outperforming the vast majority of utility programs while delivering additional values that Oregonians expect. For example, higher value

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<sup>8</sup> *Top Ten Utility Green Power Programs.* Accessed September 4, 2013. Portland General Electric is ranked 1st in the country in MWh of renewable energy and customer participation; PacifiCorp is ranked 3rd and 2nd in the same categories, respectively.

<http://apps3.eere.energy.gov/greenpower/resources/tables/topten.shtml>

<sup>9</sup> What is a REC?. Oregon Department of Energy. Accessed September 4, 2013. <http://www.oregon.gov/energy/RENEW/RPS/Pages/RPS-RECs.aspx>

<sup>10</sup> For example, renewable energy certificates in other parts of the country, such as the Midwest markets, are available at a lower cost than in the Western markets. Utility programs in these markets can deliver an equally valuable product at lower price as a result of less resource competition.

RECs or offsets are sourced from local projects, support emerging industries, showcase a diversity of resources, provide community benefits, and avoid projects where there may be compromising claims. Pacific Power's Oregon program has established preferences for purchasing RECs within its Oregon service territory, then the state of Oregon, then the Pacific Northwest, with a minimum of 30% purchased in Oregon.

- *Third-party certification.* Pacific Power's Blue Sky options have been Green-e Energy certified since 2008, and Portland General Electric will be Green-e certified in the near future. ([http://www.green-e.org/getcert\\_re.shtml](http://www.green-e.org/getcert_re.shtml)) As a part of their certification, Green-e reviews marketing materials and has additional standards regarding eligible resources. Programs must comply with an annual supply verification review, adhere to a code of conduct, and submit to a marketing material review. While NW Natural's program is not Green-e certified, it receives similar value and standardization from its partnership with Portland-based The Climate Trust (<http://www.climatetrust.org/>). All Smart Energy offsets are verified by a third party and retired on a registry.

The voluntary programs created environmental commodities markets and pioneered renewable energy development. They can build on this legacy. To that end, the POC works to help the programs continue to innovate and lead markets; ensure that voluntary funds are transparently and responsibly disbursed; while bringing strong value to customers; and celebrate the program's achievements.

*POC\_VoluntaryProgramFactsheet\_Final Feb 2014.docx*

Utility	Product	Program Contractor	Former 2013 Price	Current 2019 Price
Portland General Electric	Green Source (usage)	Green Mountain Energy	\$0.008 per kWh	Same
	Clean Wind (block)	Green Mountain Energy	\$2.50 per 200 kWh block	Same
	Habitat Restoration <sup>11</sup>	The Nature Conservancy	\$2.50 adder per bill	Same
	Green Future Solar	Green Mountain Energy	Offer launched in Fall 2015	\$5.00 per month for 1 kW's output (~200 kWh)
Pacific Power	Blue Sky Usage	3 Degrees	\$0.012 per kWh	\$0.0105 per kWh
	Blue Sky Block	3 Degrees provides marketing support only	\$1.95 per 100 kWh block	Same
	Blue Sky Habitat*	The Freshwater Trust	\$2.50 adder per bill	Same
NW Natural	Smart Energy	None	Residential: choice between \$6 flat charge or 10 cents per therm; Commercial: choice between a fixed monthly rate or an annual offset.	Residential: choice between \$5.50 flat charge or 10 cents per therm; Commercial: choice between a fixed monthly rate or an annual offset.

### Program Websites

Portland General Electric: <https://www.pacificpower.net/bluesky>

Pacific Power: <https://www.portlandgeneral.com/residential/power-choices/renewable-power/choose-renewable>

NW Natural: <https://www.nwnatural.com/residential/smartenergy/>

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<sup>11</sup> PGE's Habitat Restoration program and PacifiCorp's Blue Sky Habitat products are both adders. PGE customers can only enroll in the Habitat product if they first enroll in one of the other product options. For PacifiCorp, the Habitat program may only be combined with the usage product.