

**Portfolio Options Committee  
Regular Meeting Minutes - Draft  
Friday, November 14, 2008**

Need copies of presentations from:

Leslie Bach, Scott Havis, Amanda or Rhonda, Amanda for second presentation, Bill Edmonds for Smart Energy, also ask Bill for PG&E comparison numbers.

**Committee members attending**

Lori Koho	Oregon Public Utility Commission Staff
Marc Cody (proxy)	Portland General Electric
Joelle Steward	Pacific Power
Gary Thompson	Sherman County (local government representative)
Roger Rees	Oregon Heat (residential customer representative)
Dave Tooze	City of Portland (local government representative)
Robin Straughan	Oregon Department of Energy
Jennifer Gross	NW Natural
Katie Kalinowski	Renewable Northwest Project
Jeff Bissonnette	Citizens' Utility Board

**Others attending**

Leslie Bach	The Nature Conservancy
Thor Hinkley	Portland General Electric
Scott Havis	Green Mountain Energy
Amanda Mortlock	3 Degrees
Adam Capage	3 Degrees
Kathy Ramsey	PacifiCorp
Rhonda Rasmussen	PacifiCorp
Barbara McKibben	PacifiCorp
Aaron Lively	PacifiCorp
Bill Edmonds	NW Natural
Brian Harney	NW Natural
Natasha Siores	NW Natural
Kip Pheil	Oregon Department of Energy
Eric Lovell	Uroboros Glass Studio (proposed new member)
Janet Steele	Albany Chamber of Commerce (proposed new member)
Mike Crouse	Portland State University

Proposed New Committee Members

Lori introduced Eric Lovell and Janet Steele as proposed new members to the Portfolio Options Committee representing non-residential customers.

**Janet Steele** has served as President and CEO of the Albany Area Chamber of Commerce since June of 1995. Prior to this position she was Executive Director

of the Alliance (NE) Area Chamber of Commerce for 5 years and a small business owner in Gering, NE for 9 years. Ms. Steele is a 1994 graduate of the Institute for Organization Management with the US Chamber, University of Colorado @ Boulder program. She is past president of the Oregon Chamber Executives, the Nebraska Chamber Execs, the Northwest Chamber Leaders Conference and United Way of Linn County. She is a member of the Greater Albany Rotary Club, and serves on the Steering Committee for the Albany Community Leadership Roundtable, the Region 4 Workforce Investment Board and the Linn, Benton, Lincoln Area Commission on Transportation. In 2004 she was honored as Oregon's Chamber Executive of the Year and in the spring of 2006 she was recognized as an Accredited Chamber Executive by the Western Association of Chamber Executives.

**Eric Lovell** is the Owner, President and Glass Technologist of Uroboros Glass, a manufacturing facility located in the Rose Quarter district in Portland. Uroboros and its 50 employees produce more than 3500 products for glass fusing, stained glass, and technical glass markets worldwide. The company won The Governor's International Marketing Firm of the Year award in 1985, and is well known and highly respected throughout the world of decorative glass. Mr. Lovell has served as a board member of the Oregon Designer-Craftsmen's guild, was two-term President of the International Art Glass Supplier's Association, an association of over 500 industry members, and has been a supporting member of the Oregon Glass Guild.

#### Habitat Update from Leslie Bach, The Nature Conservancy

Leslie provided an update for the program and a background for what the money goes for in general. TNC projects and re-granting. PPL 75% within territory. PGE, 50 % within service territory. Relatively small in habitat restoration world. But progress is made with matching funds. \$800+K has been matched by \$11M. Since it's private money, a small amount of money can do a lot of good. Often matching funds require private money to start with. Leslie comes to the POC a few times a year to update on TNC programs.

#### PGE Quarterly Update

Scott H reviewed the distributed spreadsheet.

Kip said he has heard that the voluntary market is tanking. Scott said they are having longer conversations with people to get them to participate but hasn't seen a drop off yet. Katie said participation has grown 24% for the region. 150,000 regionally.

#### PacifiCorp Quarterly Update

Amanda Mortlock presenting for PPL. (see presentation)

Dave asked if PPL expects churn rate to be the same from year to year. Amanda replied about 10% churn and almost all due to moving out of the service territory.

Green Mountain runs around 10% churn also but they manage to replace those lost and additional enrollments as well.

Eric asked if the churn in options is the same as churn of regular customers.

Adam said he's researched it and said utilities don't usually track total customer churn. They track meters that are served. But Adam said that those who have studied it have found it to be about the same.

Eric asks if there is equal marketing for commercial customers. Scott said they have added folks who specialize in businesses. Prior, they had only talked with folks when they were getting service. Harder to reach the ultimate decision makers in businesses. Separate marketing effort for the larger small non residential customers might yield a lot more.

#### Election of new Chair

Lori nominated Jeff B. as Chair and Dave Tooze seconded. Jeff's commented that he's happy to serve as Chair. Has a long history with the POC and was chair 2002-2004. Roger moved nominations be closed & Dave seconded.

Vote: All in favor, none opposed. Jeff is new Chair.

#### PacifiCorp's Proposal for Tariff Change

PacifiCorp is proposing to raise the retail rate and change the resource mix of the Blue Sky Usage and Habitat option. Joelle said this is a short term solution. A draft proposal is out in CA that they can take unlimited & unbundled RECs which will put more upward pressure on REC prices. Amanda said they bought a lot of RECs in early October for this year's supply. Prices are around \$6-8/rec. Now that CA rules are in flux, Adam not sure RECs are even available. Katie asked if the economy is having an impact on REC prices. Adam says he was asking about this recently because RECs are odd creatures. The west has some of the strongest RPSs coming on line. REC prices may be going down a bit on the east but not in the West. National RECs may be cheaper, but market research says customers prefer locally generated RECs.

Resource flexibility would help mitigate price increases. Resource mix is in the contract with 3 Degrees but not in tariff. Green-e requires communication of resource mix before customers purchase, when they purchase and ongoing updates on the resource mix. Final recommendation is small price increase with allowance for less biomass. PacifiCorp wants to file soon and ask for expedited treatment so tariff can go into effect Jan 1, 2009.

Discussion of why PacifiCorp's proposal different from PGE's (mainly that the requested price increase is less). Market timing was the biggest factor. 3 Degrees was able to get a lot of RECs in October and take advantage of a period of liquidity. And they have less market risk than Green Mountain had. So, they don't need to ask for as much of an increase.

Dave Tooze asked for clarification in PacifiCorps presentation. Correction that it's .31 cents and not 3.1 cents as shown on the slide. Gary congratulated

3Degrees for getting RECs purchased. Scott said Green Mountain has 20-25% procured for 2009.

Jeff asked for motion to approve PacifiCorp's proposal as suggested on last slide. Dave T moved, Roger seconded.

Vote: Marc Cody abstained. All others favor,

Lori commented for new members that the "other" utility will often abstain on a vote related to actions by the other utility.

Jeff opened discussion on how we look going forward because of REC prices and asked if the POC should start investigating other program designs. Thor commented that both utilities will be releasing RFPs next year for marketing and supply so thinks the discussion needs to be ahead of that. The intersection of the RFP and the programs means those have to be linked. Summer 2009 will be RFP time for both PGE and PPL.

RNP, Dave Tooze, PUC, ODOE, utilities, and CUB will meet independently as a small working group to discuss possibilities and have something back to the POC end of first quarter.

#### NWN – Smart Energy Presentation – Bill Edmonds

- First year and still figuring out how to communicate with POC and PUC.
- Still only product like this in the country. They are in effect marketing that its own product has a liability.
- Hard to market because many people don't understand what a carbon offset is and hard to explain to people.
- Reiterated that this has to be a trial because we don't know where climate regulation will go.
- PUC allows all customers to pay for administration of program because of educational value.
- Other utilities looking at offset product are combined utilities (PG&E comparison)
  - Got to ? % first year and spent \$220/participant. NWN got more and only spent \$150/participant.
  - Dairy product gas easier to clean up than waste water or landfill.
- Project to be announced soon that's a collaboration between NWN, Bonneville Environmental Foundations and a technology provider. First around 1200 cows, 2 more smaller projects in the pipeline.
- Shareholders are also playing in the project. NWN is offsetting all the building usage and pay for education. Shareholders are partners are in initial projects.

NWN is asking the POC to review its request for reauthorization to defer accounting for customer related educational costs. Current deferral is 600K & only good for a year. The program won't break even until the pilot timing is complete. Curious to see what impact the PGA of 20% and a winter heating season approaching will have on enrollments. NWN thinks the deferral needs to

be greater to get the program in the black and keep a reasonable amount of sign-ups.

First project is not in NWN territory. They will first offset propane use on site. As the project gets larger, will probably sell to a neighbor. Questioned if gas will ever go on a NWN pipe. They want it to but not until there is a national biogas quality standard. Technology partner has a demonstrated technology but not sure what the yield will be. Dave T. likes that the money ultimately ends up in a project. Is there a long term promise of the carbon credits coming to the utility with some price certainty. Most observers think carbon prices will go up and the first contracts are locking in the prices as much as possible for long term. Trying to "buy more than they need" (carbon offsets) at today's prices. If there were biodigesters on all the farms in Oregon it could meet 3-5% of all NWN sales.

Katie asked for further explanation of the deferral process. 2007 marketing paid by shareholders. 2008 paid by all ratepayers through a deferral account. With enough sign-ups, the program can be self sustaining. CUB feels it's justifiable for all ratepayers to understand what it takes to have a green option with benefits to the system. And therefore all ratepayers should pay for education. CUB feels it's a good idea.

Eric asked how far ahead are we looking? Next year's deferral was 200K and company thinks it needs to be \$475K for 2009. What's the downside of not doing the deferral. Jeff answered that increased carbon regulation is coming as well and carbon restrictions. NWN doesn't have control of the emissions of the commodity the way electric companies do. Bill said they are selling efficiency as number one and then offsets. Bill thinks this program helps them be smarter offset buyers in the future. Projects help mitigate spikes in demand and therefore maybe the fear based run up in prices that were seen this summer. CUB feels there needs to be enough (more) resources to market the product and effectively get the program self sufficient.

Bill E says there's a season for signing people up and it's not the heating system. Schedule mass awareness for non-heating system and education (what is climate change, what are offsets) during the heating season rather than enrollments.

NW Natural's motion:

*The Portfolio Options Committee recommends that the Commission approve NW Natural's 2009 request for reauthorization to defer accounting for Smart Energy<sup>TM</sup>-related customer educational costs not to exceed \$475,000. This deferral will be for the 12-month period, Jan 1, 2009 through December 31, 2009.*

Dave Tooze moved the proposed motion. Gary Thompson seconded. No discussion

Vote: PGE, PPL and Lori abstained. All others in favor.

Next Regular Meeting – Friday, February 6, 2009 at NW Natural

Adjourn

by *Lori Koho*