

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2013

DATE: December 10, 2012

TO: Public Utility Commission

FROM: Brittany Andrus

THROUGH: Jason Eisdorfer and Maury Galbraith

SUBJECT: PACIFIC POWER: (Advice No. 12-017) Revises Renewable Portfolio Options Prices.

STAFF RECOMMENDATION:

Staff recommends that the Commission allow Pacific Power's (PacifiCorp or Company) Advice No. 12-017 to go into effect January 1, 2013, and that a waiver of OAR 860-038-220(7) be granted.

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 tariffs are structured to allow some fluctuations in prices of renewable energy certificates (RECs). The market for RECs has fluctuated widely over the past several years, and prices are currently quite low.

PacifiCorp is required to supply its Blue Sky Usage and Habitat Portfolio options with RECs that have been procured by a third party, and to market the program through a third party provider. The Company's contract with 3Degrees for RECs and marketing services expires on December 31, 2012. The Company issued an RFP in June 2012 for bids to supply RECs and marketing services for calendar years 2013 through 2015. The binding agreement with the successful bidder, 3Degrees, was signed on November 14, 2012. Because this new agreement incorporates a lower price for RECs

and marketing services, the Company is requesting a decrease to the tariff rate for Blue Sky Usage and Habitat programs.

PacifiCorp presented the results of its RFP process and the proposed price decrease to the Portfolio Options Committee (POC) on November 14, 2012. Updates resulting from the new contract include:

- RECs sourced from the Pacific Northwest (Oregon, Washington and Idaho), with a guaranteed minimum of 30 percent from Oregon RECs;
- Resource prioritization on wind, solar, geothermal and biomass over hydro;
- Prioritization on newer projects, with a significant portion of RECs from facilities with online dates of 2009 or later; and,
- Price stability, with long term REC contracts providing reduced risk.

The proposed price decrease for the Blue Sky Usage and Habitat programs (Schedules 211 and 213) is from the current 1.2 cents per kWh to 1.05 cents per kWh. This is a decrease of 12.5 percent, which equates to a savings of approximately \$1.16 per month for the average Blue Sky customer using 773 kWh (reduced from \$9.28 to \$8.12).

The POC approved the following language at its November 14, 2012 meeting:

- The Portfolio Options Committee reviewed and supports Pacific Power's proposal to file with the Commission adjustments to the renewable portfolio options under Schedule 211 and Schedule 213 as outlined to reflect the proposal accepted by Pacific Power based on the offers presented to the company as a result of the RFP issued in June which solicited proposals for retail marketing services and renewable energy certificates for the Usage and Habitat options for calendar years 2013 through 2015. The POC believes that the combination of the lower price and the improvements in the product, including more local and Pacific Northwest RECs, is in the best interest of customers.
- Given the decrease in the current and projected cost of RECs, the POC supports the request to reduce the tariffs associated with Pacific Power's Usage and Habitat programs.

The discussion at the November 14, 2012 meeting clarified that while the POC supported the concept and the direction of the price change, it did not perform an in-depth analysis of the numbers, and that a detailed, quantitative review is not a task that the POC would generally do.

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On November 16, 2012, Pacific Power filed Advice No. 12-017 requesting revisions to Schedules 211 and 213 that lower the prices for the Blue Sky Renewable Usage Supply Service and Habitat Supply Service programs.

Staff will continue to monitor and evaluate the Company's renewable portfolio options programs, as well as the REC market as a whole.

OAR 860-038-0220(7) states that, "Four months prior to the implementation of the portfolio product and pricing options an electric company must file tariffs for its portfolio options." PacifiCorp requests a waiver of this notice period due to the timing of the RFP and subsequent contract negotiations.

PROPOSED COMMISSION MOTION:

The proposed revisions to Schedules 211 and 213 be approved, and a waiver of OAR 860-038-220(7) be granted.