

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 11, 2015**

REGULAR  CONSENT  EFFECTIVE DATE Upon Commission Approval

DATE: August 4, 2015

TO: Public Utility Commission

FROM: Cindy Dolezel *CD*

THROUGH: *MA for JE* Jason Eisdorfer and *AA* Aster Adams

**SUBJECT:** OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 1020) Portfolio Options Committee Annual Report and Member Appointments.

**STAFF RECOMMENDATION:**

Staff recommends the Commission:

- 1) Approve the continuation of the portfolio options products offered by Portland General Electric (PGE), PacifiCorp (PAC), and Northwest Natural Gas Company (NW Natural), as follows:
  - a) PGE – Time of Use, Clean Wind, Green Source, Habitat Support, and the Renewable Solar Option
  - b) PAC – Time of Use, Blue Sky Block, Blue Sky Usage, and Blue Sky Habitat
  - c) NW Natural – Smart Energy
- 2) Appoint the individuals nominated by the Portfolio Options Committee (POC) to serve the July 2015 through June 2016 term.
- 3) Acknowledge the POC Governance Guidelines attached as Attachment B.
- 4) Clarify that the POC should continue its annual review of program costs and require the POC to report to Commission Staff in its annual memo the results of its confidential program performance reviews when the review shows a significant deviation from established ranges.

## **DISCUSSION:**

### *Applicable Rules*

OAR 860-038-0005(2) specifies that the POC consist of a group appointed by the Commission that includes representatives of Commission staff, Oregon Department of Energy, electric companies, residential and small nonresidential customers, local governments, and public or regional interest groups. OAR 860-038-0220(3) states that by July 1 of each year, the POC will recommend portfolio options to the Commission that will be effective January 1 of the following year. Staff received the current-year annual POC recommendations memo on June 19, 2015, (Attachment A) that included newly developed Governance Guidelines, that are a summary of agreed upon roles and responsibilities of the POC members. The POC asked that these Governance Guidelines be acknowledged by the Commission to ensure that the roles and responsibilities are in alignment with the Commission's expectations of the POC members.

### *Relevant Background*

On March 7, 2012, the Commission issued a letter asking the POC to initiate a review of the implementation of voluntary renewable energy programs for PGE and PAC and the voluntary smart energy program of NW Natural. This letter asked the POC to report back to the Commission with recommendations to improve program implementation by January 1, 2013, specifically addressing these four primary topics:

1. Marketing Costs
2. Administrative Costs
3. Communication to the Public
4. Green-e Certification

In response to the request from the Commission to conduct a program review, the POC submitted a letter to the Commission on May 17, 2013, outlining the findings and committing the POC to continue:

1. Monitoring of the costs and management of the programs through executive sessions and oversight of customer communication, and to make recommendations to the Commission if concerns arise.
2. Investigating crossover opportunities for messaging between programs, with the discussion centering on the detail, method, and form of cost disclosure. POC members believed that some form of program expense acknowledgement was

an important part of customer communication and a subcommittee further suggested that if volatility or confidentiality were a concern that a rolling three-year average could be used in the their cost disclosure.

3. Supporting the rigor and reliability of Green-e Energy to improve programs and benefit customers.

Additionally, to support program implementation, the POC enhanced its activities by creating subcommittees, increasing the frequency of its meetings, initiating annual executive sessions to explore primary topics, and developing metrics to be reviewed annually as part of these executive sessions.

With this history in mind, Staff is requesting that the Commission approve the 2015-2016 portfolio options and the member nominations outlined below. Staff then asks the Commission to acknowledge that the Governance Guidelines align with the Commission's expectations, which outline the roles of the utilities, the POC, PUC Staff, and the Commission. Pending Commission acknowledgement of the attached Governance Guidelines, Staff expects to conduct housekeeping on the POC Charter (2013) to ensure alignment between the Charter and the guidelines and the charter will be presented to the Commission in late 2015.

Staff is also asking for Commission acknowledgement on reporting expectations for program metrics. The collection of program metrics occurs annually during confidential program performance reviews. This practice started in 2013 and there is not currently a mechanism in place to have the Commission weigh in on these metrics. The 2015 POC memo to PUC Staff requested that when metrics reported to the POC show significant deviations from the established ranges that these changes should be investigated and reported to the Commission.

The following sections discuss and offer Staff recommendations for the continuation of the current portfolio options, the appointment of POC members, acknowledgement of the POC Governance Guidelines, and how to report metrics when annual review shows a deviation from established ranges.

## **I. POC Recommendations for Portfolio Options**

The POC makes the following portfolio option recommendations to the Commission as listed for each company.

### **Portland General Electric**

#### **Current Portfolio Options**

- Continuation of current Commission-approved customer options Time of Use, Green Source, Clean Wind, and Habitat Restoration adder.
- Continue implementation of the current PGE contract with The Nature Conservancy as its Habitat Restoration provider.
- Continuation of program delivery using existing Commission approved third-party marketing/education and supply contracts. PGE is in the first year of two three-year contracts, one for marketing and another for supply. These contracts will expire December 31, 2016.
  - Prepare and present a draft Request for Proposals (RFP) for third-party program services commencing January 1, 2017, to POC for review no later than first meeting of 2016.

#### **PGE's New Portfolio Option- Renewable Solar**

The POC's list for PGE does not include PGE's newest tariff that was approved with conditions by the Commission on July 21, 2015. In April 2015, PGE filed tariff revisions through Advice Filing 15-10 to Schedules 7 and 32 to incorporate the new, local, solar REC-based program, with a requested effective date of August 3, 2015. The Commission approved PGE's Advice No. 15-10 (docketed as ADV 23) with the following additional requirements:

- a. Staff will report on the discussions of the Portfolio Options Committee to be held on September 15, 2015 about the educational and marketing materials to be provided to customers about this option; and
- b. This tariff is limited to the Steel Bridge Project. Future projects would appear before the Commission on a case-by-case basis for review.

#### **Upcoming: PGE Development Guidelines**

PGE holds approximately \$12.5 million from Clean Wind and Green Source funds and has been drafting guidelines to support the distribution of those funds to renewable projects. PGE and Staff have made several attempts to create transparent guidelines and process for PGE's use of development funds. This will likely come before the Commission later this year.

## **PacifiCorp**

### Current Portfolio Options

- Continuation of current Commission-approved voluntary market-based and renewable-energy options for residential and small non-residential customers. For Pacific Power this includes the Time of Use and Blue Sky options (Blue Sky Habitat, Blue Sky Block, and Blue Sky Usage).
- Continuation of the delivery of the Blue Sky options utilizing services offered through existing Commission-approved third party contracts which provide the following services: retail marketing, REC supply, and funds administration.
- PAC's RFP for third-party program services was approved by Commission Order No. 15-155, dated May 19, 2015.
- Continue implementation of the current PacifiCorp contract with The Freshwater Trust (as it is Blue Sky Usage and Habitat fund administrator).

### **Northwest Natural**

- Continuation of Commission-approved NW Natural's "Smart Energy" greenhouse gas emissions offset program and procurement through The Climate Trust.

### **Staff Recommendations**

Staff supports the POC recommendations for current portfolio options offered by PGE, PacifiCorp, and NW Natural. The performance metrics for the current portfolio options have been reviewed and are within established ranges as determined by the POC. Staff notes that a new Portfolio Options was submitted by PGE through Advice Filing 15-10 and was conditionally approved by the Commission on July 21, 2015.<sup>1</sup>

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<sup>1</sup> PGE Advice Filing 15-10

**II. POC Recommendations for Membership**

The POC nominates the following members and proxy members for consideration by the Commission for the July 2015 through June 2016 term. Unless otherwise noted, the nominees are currently serving on the POC.

<b>Portfolio Options Committee Membership Roster - June 2015</b>		
<b>Member Name</b>	<b>Company</b>	<b>Representing</b>
Jeff Bissonnette	Citizens' Utility Board	Residential consumers
Sommer Templet	Citizens' Utility Board – Proxy	Residential consumers
Sven Gatchev*	Unaffiliated	Residential consumers
Pamela Birkel	Unaffiliated	Residential consumers
Eric Lovell	Uroboros Glass – Vice Chair	Small non-residential consumers
Terri Bowman	Portland General Electric	Electric companies
Karla Wenzel	Portland General Electric – Proxy	Electric companies
Erin Apperson*	PacifiCorp	Electric companies
Natasha Siores*	PacifiCorp – Proxy	Electric companies
Brian Harney	Northwest Natural	Gas companies
<i>Vacant</i>	Northwest Natural – Proxy	Gas companies
Julie Peacock	Oregon Department of Energy – Chair	Oregon Department of Energy
Jess Kincaid*	Oregon Department of Energy – Proxy	Oregon Department of Energy
<i>Vacant</i>	City of Portland	Local governments
Alisa Kane	City of Portland – Proxy	Local governments
Cindy Dolezel*	Oregon Public Utility Commission	Commission Staff
Brittany Andrus	Oregon Public Utility Commission – Proxy	Commission Staff
Megan Decker	Renewable Northwest	Public or regional interest groups
Dina Dubson Kelley**	Renewable Northwest– Proxy	Public or regional interest groups

\*Represents 2015-16 new members

\*\* Dina Dubson Kelley replaced Caitlyn Peel, in late July 2015, as the Proxy for Renewable Northwest.

Changes from prior year POC membership include the nomination of residential consumer representative Sven Gatchev, a change in the NW Natural's primary to Brian Harney, and both Erin Apperson and Natasha Siores (proxy) are new members for PacifiCorp; and the resignation of two members: David Philbrick, representing residential consumers; and David Tooz, City of Portland, representing local governments. The POC will recruit nominees to fill open seats in the upcoming year.

### **Staff Recommendations**

Staff acknowledges the commitment and dedication of the POC committee members and thanks them for their participation. Staff recommends the Commission appoint the individuals nominated by the POC.

### **III. Supporting an Expanding POC: Governance Guidelines and Metrics Reporting**

Staff recommends the Commission acknowledge that the Governance Guidelines align with their expectations and require that program metrics are to be reported to Commission Staff when program performance review metrics deviate from established ranges (note that these metrics are confidentially filed). Clearly outlining roles and responsibilities and reporting expectations supports the POC's role as renewable energy markets expand and evolve.

For many years, typical POC recommendations to the Commission have addressed continuation of existing options and POC membership. However, there was a need for additional clarification and guidance as the POC and its programs mature, as evidenced by the 2012 letter from the Commission to the POC requesting investigation into program implementation and the 2014 and 2015 Staff reports that discuss program expansion issues, development guidelines, and oversight of funds. This maturation has also influenced the role of the POC to be more active and observant of changing markets and program criteria and the POC wants to ensure that these newly developed guidelines are in alignment with the Commission's expectations. POC members have also expressed noteworthy interest in messaging to customers and as new products emerge as part of a growing renewable energy sector, the authority to approve or disprove program messaging should be clearly understood and is outlined in the Governance Guidelines before the Commission. Roles and responsibilities are important to clarify so that POC members have an approved understanding and expectation of each member's role.

#### **Metrics:**

The POC has been striving to enhance oversight of program costs and other metrics through annual performance reviews held in Executive Sessions with the POC advisory group and individual utility partners. The POC and Staff developed performance metrics to monitor cost allocations between RECs and non-REC costs in the context of specific contract structures, product rates, and participation and retention levels. The metrics are described on the following page:

1. Costs per Eligible-Customer vs. Actuals
2. Percent of Revenues (Block & Usage)
3. Costs per New Enrollment (Block & Usage)

PGE, PAC, and NW Natural submit these metrics annually and confidentially to the POC as part of the annual executive session. The POC conducted its third such annual review in April 2015, leading to three years of data collection of these program metrics. Three years was noted by the POC as a preferred timeframe to evaluate costs because of annual volatility of costs and confidentiality.

These annual confidential program performance reviews have led to more in-depth discussions about program reporting and data and have also increased the POC's understanding of the impacts that different contract delivery mechanisms can have on program costs and performance. Because contracts are in place for multiple years, and therefore opportunities for adjustments are limited, when data significantly falls outside of expected ranges this triggers a detailed investigation by the POC why there are notable cost changes, before locking into contracts spanning several years. When these deviations are deemed significant by the POC, Staff would like to inform the Commission of changing trends and give the Commission the opportunity to weigh in on the changing metrics.

This leads to Staff's recommendation that the Commission acknowledge that these metrics should be reported to the Commission by Staff when there is a significant deviation from ranges established by the POC.

**PROPOSED COMMISSION MOTION:**

- 1) The portfolio options offered by PGE, PacifiCorp, and NW Natural, be approved. Those portfolio options are listed below:
  - a) PGE - Time of Use, Clean Wind, Green Source, and Habitat Support
  - b) PAC - Time of Use, Blue Sky Block, Blue Sky Usage, and Blue Sky Habitat
  - c) NW Natural - Smart Energy
- 2) The individuals nominated by the POC be appointed to serve the July 2015 through June 2016 term.
- 3) The Governance Guidelines attached as Attachment B be acknowledged to be aligned with the Commission's expectations.
- 4) The POC should continue its annual review of program costs and should report in its annual memo to Commission Staff the results of its confidential program performance reviews when the review shows a significant deviation from established ranges.

## MEMORANDUM

Date: June 19, 2015

From: Julie Peacock, Chair, Portfolio Options Committee

To: Cindy Dolezel, Public Utilities Commission staff

RE: 2015 Recommendations to the Commission from the Portfolio Options Committee

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Per OAR 860-038-0220(3), by July 1 of each year, the Portfolio Options Committee (POC) is delegated the responsibility to recommend portfolio options to the Commission that will be effective January 1<sup>st</sup> the following year.<sup>1</sup> For administrative simplicity, the POC also includes in this memo recommendations concerning membership and other subjects under its purview including its 2015-2016 proposed Work Plan (Attachment A).

### Portfolio Option Recommendations

Based on its review of offered and new portfolio options, the POC makes the following portfolio option recommendations to the Commission:

#### PacifiCorp

- Continuation of current Commission-approved voluntary market-based and renewable-energy options for residential and small non-residential customers. For Pacific Power this includes the Time of Use and Blue Sky options (Blue Sky Habitat, Blue Sky Block and Blue Sky Usage).
- Continuation of the delivery of the Blue Sky options utilizing services offered through Commission reviewed third party contracts which provide the following services: retail marketing, REC supply and funds administration.
  - Prepare and present a draft RFP for third-party program services commencing 1-1-2019 to the POC for review no later than first meeting of 2018.
- Continuation of implementation of the current PacifiCorp contract with The Freshwater Trust as its Blue Sky Habitat fund administrator.

#### Northwest Natural

- Continuation of current Commission-approved “Smart Energy” greenhouse gas emissions offset program and procurement of offsets through The Climate Trust.

#### Portland General Electric

- Continuation of current Commission-approved customer options Time of Use, Green Source (renewable usage option), Clean Wind (fixed renewable option), and Habitat Restoration adder.
- Continuation of program delivery using existing Commission reviewed third-party marketing/education and supply contracts. PGE is in the second year of two three-year contracts, one for marketing and another for supply. These contracts will expire 12-31-2016.
  - Prepare and present a draft RFP for third-party program services commencing 1-1-2017 to POC for feedback no later than first meeting of 2016.
- Continuation of implementation of the current PGE contract with The Nature Conservancy as its Habitat Restoration provider.
- **New Portfolio Option:** In 2014, the POC voted to recommend a new, local solar, REC-based voluntary renewable portfolio option product. In 2015, PGE introduced the Renewable Solar Option solar option by means of a tariff at the PUC.<sup>2</sup> The POC discussed this option during its April meeting. This new option would allow customers to purchase Renewable Energy

<sup>1</sup> OAR 860-038-0220 (3).

<sup>2</sup> PGE filed Advice No. 15-10 with the PUC April 15, requesting an effective date in August.

Certificates (RECs) equivalent to a 1 kW share of a solar project. This new option would begin in 2015.

### POC Membership List

Per OAR 860-038-005(2), the POC is “a group appointed by the Commission, consisting of representatives from Commission Staff, the Oregon Department of Energy, and the following:

- (a) Local governments;
- (b) Electric companies;
- (c) Residential consumers;
- (d) Public or regional interest groups; and
- (e) Small nonresidential consumers.”<sup>3</sup>

The POC recommends the following membership roster for Commission approval for the July 2015 to June 2016 term. The POC successfully recruited one new residential consumer representative in the past year. The POC has actively been recruiting new members since its last memo but has not replaced all available spots. Currently, there are two residential consumer representative seats, one local government seat, and one small non-residential consumer representative seat open. The POC will recruit new members to fill those seats in 2015-2016 and recommend appointment of new POC members to the Commission.

<b>Portfolio Options Committee Membership Roster June 2015</b>		
<b>Member Name</b>	<b>Company</b>	<b>Representing</b>
Jeff Bissonnette	Citizens' Utility Board	Residential consumers
Sommer Templet	Citizens' Utility Board – Proxy	Residential consumers
Sven Gatchev*	Unaffiliated	Residential consumers
Pamela Birkel	Unaffiliated	Residential consumers
Eric Lovell	Uroboros Glass – Vice Chair	Small non-residential consumers
Terri Bowman	Portland General Electric	Electric companies
Karla Wenzel	Portland General Electric – Proxy	Electric companies
Erin Apperson*	PacifiCorp	Electric companies
Natasha Siores*	PacifiCorp – Proxy	Electric companies
Brian Harney*	Northwest Natural	Gas companies
<i>Vacant</i>	Northwest Natural – Proxy	Gas companies
Julie Peacock	Oregon Department of Energy – Chair	Oregon Department of Energy
Jess Kincaid*	Oregon Department of Energy – Proxy	Oregon Department of Energy
<i>Vacant</i>	City of Portland	Local governments
Alisa Kane	City of Portland – Proxy	Local governments
Cindy Dolezel*	Oregon Public Utility Commission	Commission Staff
Brittany Andrus	Oregon Public Utility Commission - Proxy	Commission Staff
Megan Decker	Renewable Northwest	Public or regional interest groups
Caitlin Peel	Renewable Northwest– Proxy	Public or regional interest groups

<sup>3</sup> OAR 860-038-0005 (2).

\*Indicates prospective members or changes to the Committee to be approved by the Commission.

## Other Recommendations

### 1. Governance Structure

In its 2014-2015 Work Plan, the POC committed to developing a matrix or governance structure (Attachment B) of the oversight functions and responsibilities for each committee member engaged in activities related to implementation and oversight of the portfolio options. The role assigned to the POC by administrative rule is to recommend portfolio options and delivery mechanisms to the PUC. Specifically:

*OAR 860-038-0220 (3) By July 1 of each year, the Portfolio Options Committee will recommend portfolio options to the Commission that will be effective January 1 of the following year. Each recommended portfolio option shall specify a service period from 12 months to 36 months. The Commission is not bound by the recommendations of the Portfolio Options Committee.*

*OAR 860-038-0220 (4) The portfolio must include at least one product and rate that reflects renewable energy resources and one market-based rate. The Portfolio Options Committee will recommend the resource content of each renewable energy resource product. At least one renewable energy resource product will contain "significant new" resources. The Portfolio Options Committee will recommend a definition of "significant" based on an evaluation of resource availability, resource cost, and other factors. The portfolio options may include options for the collection of funds for future renewable resource purchases or collection of funds for energy related environmental mitigation measures such as salmon recovery.*

Through its discussions of the Governance Structure the POC addressed the question of whether or not the actions and functional areas included within the Governance Structure were within the scope of the authority delegated to the POC by Commission rule. The POC has extensively discussed the concept that in order to perform its delegated advisory functions from a well-informed basis, and for the PUC to provide regulatory oversight, the responsibilities detailed in the Governance Structure must be carried out in collaboration with the programs, the POC, PUC Staff, and/or the Commission.

To minimize confusion about roles and responsibilities and ensure that the POC reasonably exercises its recommending authority and the expected level of oversight is occurring, the POC described in some detail the functional areas of activity and appropriate roles for different POC members within each. The functional areas are listed here, with more detail provided in Attachment B:

- A. Program Goals and Performance
- B. Product Design and Pricing
- C. Customer Communications
- D. Interaction with Other Programs

From this exercise the POC learned that most POC members had very similar ideas of the roles of various members of the POC, the programs, the Commission, and its staff. In a few cases, those ideas of roles diverged and where relevant the POC highlights those areas for Commission review. The most significant divergence centered on the ongoing monitoring of program costs, including those for administration and marketing which is discussed in further detail in the next section.

The POC does not propose that the Commission formally adopt the detailed attachment, which is intended as an informal setting of guidelines for the involved parties to provide structure within the POC. However, the POC does request that the Commission provide feedback on whether these guidelines are out of sync with the Commission's expectations of the how the POC will collaborate with the Commission and other parties to carry out the functions assigned in the OAR. Further, the POC requests

that the Commission indicate whether or not it deems functions detailed in the Governance Structure as under the POC's delegated authority.

## 2. Continuation of Executive Session Review

In a March 7, 2012, letter to the POC, the Commission asked the Committee to review the implementation of the voluntary programs and report back with recommendations to improve the implementation of the programs. The Commission asked the POC to focus its review on three questions:

- Are the current levels of marketing costs and administrative costs for these programs appropriate? Are there opportunities to bring these costs down?
- Are the current marketing messages conveying the correct information to customers?
- Would Green-e certification improve the programs or benefit customers?

In 2012-2013, a POC subcommittee developed three metrics to better understand how the costs associated with the programs were changing with new enrollments, program churn (i.e., those who leave the program and must be replaced with new enrollments), new resource requirements, and changes in contract structure. These metrics are: 1.) the cost of marketing and administration per eligible customer, 2.) the percentage of marketing and administration costs as a share of program revenue, and 3.) marketing and administration costs per new enrollment. For the first metric, marketing and administration per eligible customer, the POC developed a range of \$2.90-3.20 as a reasonable band for an average program of this type. This band was developed to further enhance the POC's understanding of how historical costs compared. This metric was developed using third-party resources and is in 2012 dollars. In the POC letter to the Commission, the Committee indicated that there is enough uncertainty in costs year-to-year that it was essential to review multiple years to identify trends. Following the initial executive session in 2013, the POC has continued to hold an annual executive session and apply the metrics.

During the 2015 annual review of the programs, the POC has continued to ask the questions above with special attention to the marketing and administrative costs incurred by the programs. Using the PUC staff developed template to review the progress of the programs, this year marked the POC's third executive session that reviewed data from PacifiCorp's Blue Sky, PGE's Green Source and Clean Wind, and NW Natural's Smart Energy program. During the executive session and in subsequent meetings, the discussion has centered on:

- 1.) The cost impact of using a more robust marketing strategy when the cost band represents a generic hypothetical marketing plan;
- 2.) Whether the first metric (comparison to a hypothetical benchmark program) is an adequate indicator of program performance, given that the metric is not updated regularly;
- 3.) Changes in the third-party contract structure's impact on the program costs; and
- 4.) The POC's continued role monitoring the program costs with assistance from PUC staff

### **Third Party Contracts**

In reviewing costs associated with marketing and administering the programs, it became clear to the POC that the structure of the third-party contracts have a significant impact on program costs. Changes in the third-party contract are made known when reviewing confidential information provided during the executive session. Noticeably, the POC has observed that contract structures in which the company pays a fixed, combined price for renewable energy certificates (RECs), marketing, and administration, provide less transparency into the price per REC, but require that the contractor takes the risk of REC market price fluctuations. It is likewise apparent that there is more transparency into overall REC costs when the

company purchases the RECs as a standalone, but that the company bears the risk in REC price fluctuation.

Currently, the POC's role in relation to contracts has been to preview the Request for Proposal (RFP) before it is released. Since the POC is a public body which must follow open meetings law, any interested entity can attend, review and comment on the draft RFP before it is released, potentially giving an advantage to some bidders on these RFPs. As a result of this, the POC is considering reviewing the draft RFPs during abbreviated executive sessions.

### **Continued Role in Monitoring Costs**

In its 2013 response to the Commission, the POC reported on its new practice of holding executive sessions and committed that it would continue monitoring costs and management of the programs through the executive session and oversight of customer communications. It also indicated that it would make recommendations to the Commission if concerns arose. In the POC's Governance Structure conversations the question of whether this role was clearly delegated to the POC was debated. As a result of those conversations, the POC requests that the Commission indicate if it anticipates that the POC would continue this annual role of reviewing program costs.

### Summary

#### *Recommendations*

1. The POC recommends the Commission continue with the current Portfolio Options.

#### *Requests for Clarification*

1. The POC requests feedback on the draft Governance guidelines, that is whether the roles and responsibilities outlined for the parties, in particular those identified for the POC advisory group, align with Commission expectations.
2. The POC requests clarification whether or not the Commission anticipates the POC would continue its annual review of program costs and if desired, describe and delegate authority to the POC.
3. The POC requests clarification on whether the Commission anticipates the POC will continue to use the developed metrics to review costs; whether it should continue to monitor this number and report to the Commission if concerns arise; or if adjustments should be made to the program or to the metric once this band is exceeded over multiple years.

# Attachment A

## Portfolio Options Committee Work Plan 2015-2016

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### Meeting Schedule

- September 15, 2015
- November 2015
- December 1, 2015
- February 2016
- April 2016 Executive Session
- May 2016

### Annual POC Oversight Activities

- General program updates and reviews take place at the May and November meetings.
- Executive session reviews specific program costs in April.
- Prepare the upcoming year's POC Work Plan and Annual Commission recommendations, with final discussion at the May POC meeting, and final documents due by July 1<sup>st</sup>
- Items that must be reviewed by the POC in advance of PUC submission:
  - o RFPs
  - o Any significant changes to selected contractors, including extensions
  - o Changes to tariffs
  - o Significant and/or non-standard deployment of funds

### Education and Presentations

- Habitat option providers
- Mandatory and Voluntary program interactions
- Retail Labels per AR 555

### Special Projects and Issues for 2015 - 2016

- Explore opportunities for new product structures that are the most attractive to energy consumers.
- Time of use options (February 2016)

## Attachment B

### Portfolio Options Governance Document – 06/12/2015

This dynamic document serves as a guideline to summarize the roles and responsibilities for the utilities, the Portfolio Options Committee (POC), Public Utility Commission (PUC) Staff, and the Public Utility Commission (Commission), relative to the delivery of voluntary renewable energy and carbon offset products to utility customers.

In its 2014 annual memo to the Commission, the POC committed to draft a matrix of oversight functions and the recommended areas of responsibility for the POC and for Commission Staff as a way of clarifying the “shared responsibility” construct. This document is not intended as a rigid set of requirements for the Commission to formally adopt. Rather, this document is intended to outline the POC’s recommendation - for assigning responsibility related to tasks (functional areas) associated with the design and delivery of these products.

The POC is seeking feedback and adjustment from the Commission about the assignment of these responsibilities. The purpose of this document is to guide and assist the involved parties about the roles and responsibilities of the POC with respect to the voluntary programs.

This intentionally excludes activities related to evaluating projects that will go through a regulatory process for cost recovery via cost-based non-voluntary utility rates (i.e., return of expenses and return on investment [rate base]).

The role assigned to the POC by administrative rule is to recommend portfolio options and delivery mechanisms to the PUC. Specifically:

*OAR 860-038-0220 (3) By July 1 of each year, the Portfolio Options Committee will recommend portfolio options to the Commission that will be effective January 1 of the following year. Each recommended portfolio option shall specify a service period from 12 months to 36 months. The Commission is not bound by the recommendations of the Portfolio Options Committee.*

*OAR 860-038-0220 (4) The portfolio must include at least one product and rate that reflects renewable energy resources and one market-based rate. The Portfolio Options Committee will recommend the resource content of each renewable energy resource product. At least one renewable energy resource product will contain "significant new" resources. The Portfolio Options Committee will recommend a definition of "significant" based on an evaluation of resource availability, resource cost, and other factors. The portfolio options may include options for the collection of funds for future renewable resource purchases or collection of funds for energy related environmental mitigation measures such as salmon recovery.*

Policy goals for the portfolio options have been stated in the POC charter. They are as follows:

*In reviewing existing and proposed portfolio option products, the Committee’s current goals are to support:*

- 1. Renewable energy and carbon offset markets;*
- 2. Growth in participation rates at reasonable costs;*
- 3. High-quality consumer education on portfolio options and renewable energy and carbon offset markets; and*
- 4. Valuable and reasonable rate options for customers.*

## **A. PROGRAM GOALS AND PERFORMANCE**

### **A.1. Establish program goals:**

#### Utility

- Must meet requirements in statute.
- Will meet internal benchmarks that are set by company policies.
- Highlights emerging trends for each product, which may lead to adjustments for the overarching policy goals.
- Participates as member of POC.

#### POC

- Responsible for developing and recommending to the Commission high-level policy goals.
- Should periodically review existing goals and determine if there is need for revision or amendment (at minimum every 3-5 years, or if emerging trend indicates change.)

#### PUC Staff

- Participates as member of POC.
- Conveys goals to Commission with Staff's comments and recommendations.

#### Commission

- Approves or recommends high-level policy goals of the portfolio options.

### **A.2 Establish metrics for program performance:**

#### Utility

- Recommends appropriate metrics to measure and report on program performance that will inform POC and PUC Staff about the particular program.
- Participates as member of POC.

#### POC

- Adopts performance metrics.
- Refines metrics based on how well they are relating program performance to high-level goals.

#### PUC Staff

- Participates as member of POC.
- Maintains an independent responsibility to develop other metrics (if necessary) to carryout regulatory oversight.

#### Commission

- Informed of the metrics in annual memo, but not the results.

### **A.3. Assess performance:**

#### Utility

- Reports program standing against established metrics in Executive Session.

#### (Non-utility) POC members

- Receives annual Executive Session briefing on program performance against metrics.
- Determines annually whether program performance meets Commission approved high-level policy goals.
- Recommends action items if not meeting policy goals.

#### PUC Staff

- Collaborates with POC to determine whether programs meeting high-level policy goals.
- Pursues additional assessments and action items independent of POC as necessary.

#### Commission

- Review high-level outcomes or action items in annual memo from POC, may act on recommendations.
- Holds the ultimate authority to determine if programs are performing adequately.

**A.4. Verify resource purchases using reconciliation reports:**

Utility

- Procures resources; verified using certification process, i.e. Green-e.
- Submits results using reconciliation report template to Commission.

POC

- Receives briefings by utility and PUC Staff about final, non-confidential report results, i.e. inventory of RECs.
- Comments on how annual resource supply measures up to desired high-level standards for resource content.

PUC Staff

- Reviews report to verify resource number retired and compliance with resource content rules, if any.
- Provides non-confidential results to POC.

Commission

- No role, unless issue is raised in POC annual memo.

**A.5. Conduct program audits:**

Utility

- Informs/responds to audit.

POC

- Informs/responds to audit.
- Reviews high-level results from PUC staff.

PUC Staff

- Proposes and conducts audits.
- Reports results to POC and Commission.

Commission

- Reviews results of audit conducted by Staff.

**B. PRODUCT DESIGN AND PRICING**

**B.1. Product: Determine minimum standards for renewable resource content:**

Utility

- Procures resources in compliance with required minimum standards for resource content, i.e. Green-e; Oregon statute and regulations.
- Makes best effort to achieve POC-desired minimum preferences for resource content, above and beyond required content standards.
- Responds to requests from POC relating to resource supply sought in RFP.

POC

- Recommend to utility minimum preferences for resource content consistent with Commission policy and Oregon statute.
- Reviews and makes recommendations for changes to required minimum standards to Commission.

PUC Staff

- Advises POC whether changes to required minimum standards for resource content are significant enough for Commission action.

Commission

- Adopts required minimum standards for resource content.
- Informed of POC minimum preferences for resource content.
- Reviews and acts on POC recommendation on significant changes to required minimum standards for resource content.

**B.2. Product: Explore product structures (unbundled REC: usage, block, new product design):<sup>4</sup>**

Utility

- Proposes new product structure with input from PUC Staff and the new product development guidelines.

POC

- Helps explore or promote new product structures.
- Stays informed about changing policies in the state and how they might affect voluntary programs.
- Reviews the basic structure of new product proposal against the new product development guidelines.
- Recommends new product proposal to Commission for in-depth evaluation. (Under extraordinary, time-sensitive circumstances, POC Chair could schedule special meeting and/or waive POC recommendation.)

PUC Staff

- Performs in-depth evaluation of new product structure in support of Commission.

Commission

- Approves tariff for new product structure if it meets requirement in statute and commission orders.

**B.3. Product Price: Review and set tariff rate in relation to program costs:**

Utility

- Proposes tariff rates.
- Provides a summary of rate changes to POC.
- Regular reviews and ensures that program cost is in line with customer price.

POC

- Reviews tariff changes recommendations by utility, and provides high-level discussion/feedback.
- Recommends tariff changes to Commission for in-depth evaluation. (Under extraordinary, time-sensitive circumstances, POC Chair could schedule special meeting and/or waive POC recommendation.)

PUC Staff

- Analyze tariff rates with respect to program costs.
- Makes recommendations to Commission.

Commission

- Approves tariff rates, or suspends.

**B.4. Supply & Marketing Contracts: RFP Design and Approval:**

Utility

- Ensures that the RFP and contract design are in compliance with program goals, metrics, and resource content.
- Provides draft RFP to the POC three days before a meeting for review.

POC

- Reviews draft RFP for language related to program goals, metrics, and resource content in Executive Session (without marketers).
- Offers suggestions to be used at utility discretion and help inform PUC Staff review.

PUC Staff

- Provides input through the POC review.
- Analyzes draft RFP and makes recommendation to Commission.

<sup>4</sup> Cross-reference new product development guidelines on POC website.

Commission

- Approves RFPs.

**B.5. Supply & Marketing Contracts: Bid negotiation and contract award:**

Utility

- Primary role to negotiate bids and award contracts.

POC

- Informed of final decision by each utility.

PUC Staff

- Participates as an observer in the RFP response review and contracting process, and offers input for consideration.
- Receives copy of executed contract.

Commission

- No role.

**B.6. Disbursement of Development Funds: Establish general guidelines and processes:**

Utility

- Proposes draft development fund guidelines in consultation with POC members.

POC

- Reviews and suggests adjustments and additional guidelines, and approves guidelines.
- Recommends final guidelines in annual memo to the Commission.

PUC Staff

- Provides input as a member of POC.
- Reviews filing (tariff or other) and makes recommendation to Commission.

Commission

- Reviews final guidelines.
- Approves final guidelines if applicable, i.e. filed in tariff.

**B.7. Disbursement of Development Funds: Evaluate applications and award project grants:<sup>5</sup>**

Utility

- Primary role to select projects and report on awarding of grants.
- Encouraged to use neutral third-party involvement.
- Follows project funding criteria and guidelines as reviewed by POC and the Commission.
- Briefs POC annually on development fund revenues/disbursements, contract awards and applications, etc.

POC

- Briefed by utility on project and contract awards.
- Occasionally reviews/recommends when there are special circumstances that warrant further investigation, i.e. expenditures over a particular investment level; utility-owned projects.

PUC Staff

- Participates as member of POC.
- May request additional information through data requests.
- Evaluates whether guidelines and processes have been followed.

Commission

- May review as part of annual memo.

<sup>5</sup> This intentionally excludes activities related to evaluating projects that will go through a regulatory process for cost recovery via cost-based non-voluntary utility rates (i.e., return of expenses and return on investment [rate base]).

## **C. CUSTOMER COMMUNICATIONS**

### **C.1. Design Branding and Product Marketing/Education Approach:**

#### Utility

- Designs program branding.
- Conducts program marketing.
- Performs customer education and outreach.
- Ensures materials and outreach meet established program standards.

#### POC

- May occasionally review marketing materials for clarity and messaging consistencies to utility customers.
- May make suggestions to improve the materials.

#### PUC Staff

- Participates as member of the POC.
- Reviews materials for compliance with Commission required standards that are incremental to other outside certifications, i.e. Green-e.

#### Commission

- No role.

### **C.2. Ensure Accuracy and Clarity of Communications/Consumer Protection:**

#### Utility

- Follows industry standards – i.e. Green-e Customer Disclosure Requirements; FTC Green Guides

#### POC

- Reviews materials for clarity to customers.

#### PUC Staff

- Participates as member of POC.
- Reviews materials for accuracy and consistent/clear messaging.

#### Commission

- No role.

### **C.3. Tariff Language**

#### Utility

- Proposes tariff language for Commission approval.
- Briefs POC on final, Commission-approved tariff language.

#### POC

- Briefed by utility on final tariff language.

#### PUC Staff

- Analyzes and recommends proposed tariff language to Commission.

#### Commission

- Approves tariff language.

## **D. INTERACTION WITH OTHER PROGRAMS**

### **D.1. Strategically Consider How Voluntary Programs Interact With Other Policies (RPS, Portfolio Options, Potential “Green Tariff” [UM 1690])**

#### Utility

- Interacts with emerging or existing policies.
- Proposes solutions to communicate to customers how these programs might interact with the products.

#### POC

- Discusses new programs, and how programs interact with other policies and programs.

PUC Staff

- Informs POC when programs may be affected by other policies and emerging trends.

Commission

- Provides guidance to POC about program requirements and potential policy interactions through Commission Orders.

## Attachment B

### Portfolio Options Governance Document – 06/12/2015

This dynamic document serves as a guideline to summarize the roles and responsibilities for the utilities, the Portfolio Options Committee (POC), Public Utility Commission (PUC) Staff, and the Public Utility Commission (Commission), relative to the delivery of voluntary renewable energy and carbon offset products to utility customers.

In its 2014 annual memo to the Commission, the POC committed to draft a matrix of oversight functions and the recommended areas of responsibility for the POC and for Commission Staff as a way of clarifying the “shared responsibility” construct. This document is not intended as a rigid set of requirements for the Commission to formally adopt. Rather, this document is intended to outline the POC’s recommendation - for assigning responsibility related to tasks (functional areas) associated with the design and delivery of these products.

The POC is seeking feedback and adjustment from the Commission about the assignment of these responsibilities. The purpose of this document is to guide and assist the involved parties about the roles and responsibilities of the POC with respect to the voluntary programs.

This intentionally excludes activities related to evaluating projects that will go through a regulatory process for cost recovery via cost-based non-voluntary utility rates (i.e., return of expenses and return on investment [rate base]).

The role assigned to the POC by administrative rule is to recommend portfolio options and delivery mechanisms to the PUC. Specifically:

*OAR 860-038-0220 (3) By July 1 of each year, the Portfolio Options Committee will recommend portfolio options to the Commission that will be effective January 1 of the following year. Each recommended portfolio option shall specify a service period from 12 months to 36 months. The Commission is not bound by the recommendations of the Portfolio Options Committee.*

*OAR 860-038-0220 (4) The portfolio must include at least one product and rate that reflects renewable energy resources and one market-based rate. The Portfolio Options Committee will recommend the resource content of each renewable energy resource product. At least one renewable energy resource product will contain "significant new" resources. The Portfolio Options Committee will recommend a definition of "significant" based on an evaluation of resource availability, resource cost, and other factors. The portfolio options may include options for the collection of funds for future renewable resource purchases or collection of funds for energy related environmental mitigation measures such as salmon recovery.*

Policy goals for the portfolio options have been stated in the POC charter. They are as follows:

*In reviewing existing and proposed portfolio option products, the Committee’s current goals are to support:*

- 1. Renewable energy and carbon offset markets;*
- 2. Growth in participation rates at reasonable costs;*
- 3. High-quality consumer education on portfolio options and renewable energy and carbon offset markets; and*
- 4. Valuable and reasonable rate options for customers.*

## **A. PROGRAM GOALS AND PERFORMANCE**

### **A.1. Establish program goals:**

#### Utility

- Must meet requirements in statute.
- Will meet internal benchmarks that are set by company policies.
- Highlights emerging trends for each product, which may lead to adjustments for the overarching policy goals.
- Participates as member of POC.

#### POC

- Responsible for developing and recommending to the Commission high-level policy goals.
- Should periodically review existing goals and determine if there is need for revision or amendment (at minimum every 3-5 years, or if emerging trend indicates change.)

#### PUC Staff

- Participates as member of POC.
- Conveys goals to Commission with Staff's comments and recommendations.

#### Commission

- Approves or recommends high-level policy goals of the portfolio options.

### **A.2 Establish metrics for program performance:**

#### Utility

- Recommends appropriate metrics to measure and report on program performance that will inform POC and PUC Staff about the particular program.
- Participates as member of POC.

#### POC

- Adopts performance metrics.
- Refines metrics based on how well they are relating program performance to high-level goals.

#### PUC Staff

- Participates as member of POC.
- Maintains an independent responsibility to develop other metrics (if necessary) to carryout regulatory oversight.

#### Commission

- Informed of the metrics in annual memo, but not the results.

### **A.3. Assess performance:**

#### Utility

- Reports program standing against established metrics in Executive Session.

#### (Non-utility) POC members

- Receives annual Executive Session briefing on program performance against metrics.
- Determines annually whether program performance meets Commission approved high-level policy goals.
- Recommends action items if not meeting policy goals.

#### PUC Staff

- Collaborates with POC to determine whether programs meeting high-level policy goals.
- Pursues additional assessments and action items independent of POC as necessary.

#### Commission

- Review high-level outcomes or action items in annual memo from POC, may act on recommendations.
- Holds the ultimate authority to determine if programs are performing adequately.

**A.4. Verify resource purchases using reconciliation reports:**

Utility

- Procures resources; verified using certification process, i.e. Green-e.
- Submits results using reconciliation report template to Commission.

POC

- Receives briefings by utility and PUC Staff about final, non-confidential report results, i.e. inventory of RECs.
- Comments on how annual resource supply measures up to desired high-level standards for resource content.

PUC Staff

- Reviews report to verify resource number retired and compliance with resource content rules, if any.
- Provides non-confidential results to POC.

Commission

- No role, unless issue is raised in POC annual memo.

**A.5. Conduct program audits:**

Utility

- Informs/responds to audit.

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- Informs/responds to audit.
- Reviews high-level results from PUC staff.

PUC Staff

- Proposes and conducts audits.
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**B. PRODUCT DESIGN AND PRICING**

**B.1. Product: Determine minimum standards for renewable resource content:**

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- Responds to requests from POC relating to resource supply sought in RFP.

POC

- Recommend to utility minimum preferences for resource content consistent with Commission policy and Oregon statute.
- Reviews and makes recommendations for changes to required minimum standards to Commission.

PUC Staff

- Advises POC whether changes to required minimum standards for resource content are significant enough for Commission action.

Commission

- Adopts required minimum standards for resource content.
- Informed of POC minimum preferences for resource content.
- Reviews and acts on POC recommendation on significant changes to required minimum standards for resource content.

**B.2. Product: Explore product structures (unbundled REC: usage, block, new product design):<sup>4</sup>**

Utility

- Proposes new product structure with input from PUC Staff and the new product development guidelines.

POC

- Helps explore or promote new product structures.
- Stays informed about changing policies in the state and how they might affect voluntary programs.
- Reviews the basic structure of new product proposal against the new product development guidelines.
- Recommends new product proposal to Commission for in-depth evaluation. (Under extraordinary, time-sensitive circumstances, POC Chair could schedule special meeting and/or waive POC recommendation.)

PUC Staff

- Performs in-depth evaluation of new product structure in support of Commission.

Commission

- Approves tariff for new product structure if it meets requirement in statute and commission orders.

**B.3. Product Price: Review and set tariff rate in relation to program costs:**

Utility

- Proposes tariff rates.
- Provides a summary of rate changes to POC.
- Regular reviews and ensures that program cost is in line with customer price.

POC

- Reviews tariff changes recommendations by utility, and provides high-level discussion/feedback.
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PUC Staff

- Analyze tariff rates with respect to program costs.
- Makes recommendations to Commission.

Commission

- Approves tariff rates, or suspends.

**B.4. Supply & Marketing Contracts: RFP Design and Approval:**

Utility

- Ensures that the RFP and contract design are in compliance with program goals, metrics, and resource content.
- Provides draft RFP to the POC three days before a meeting for review.

POC

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- Offers suggestions to be used at utility discretion and help inform PUC Staff review.

PUC Staff

- Provides input through the POC review.
- Analyzes draft RFP and makes recommendation to Commission.

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<sup>4</sup> Cross-reference new product development guidelines on POC website.

Commission

- Approves RFPs.

**B.5. Supply & Marketing Contracts: Bid negotiation and contract award:**

Utility

- Primary role to negotiate bids and award contracts.

POC

- Informed of final decision by each utility.

PUC Staff

- Participates as an observer in the RFP response review and contracting process, and offers input for consideration.
- Receives copy of executed contract.

Commission

- No role.

**B.6. Disbursement of Development Funds: Establish general guidelines and processes:**

Utility

- Proposes draft development fund guidelines in consultation with POC members.

POC

- Reviews and suggests adjustments and additional guidelines, and approves guidelines.
- Recommends final guidelines in annual memo to the Commission.

PUC Staff

- Provides input as a member of POC.
- Reviews filing (tariff or other) and makes recommendation to Commission.

Commission

- Reviews final guidelines.
- Approves final guidelines if applicable, i.e. filed in tariff.

**B.7. Disbursement of Development Funds: Evaluate applications and award project grants:<sup>5</sup>**

Utility

- Primary role to select projects and report on awarding of grants.
- Encouraged to use neutral third-party involvement.
- Follows project funding criteria and guidelines as reviewed by POC and the Commission.
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POC

- Briefed by utility on project and contract awards.
- Occasionally reviews/recommends when there are special circumstances that warrant further investigation, i.e. expenditures over a particular investment level; utility-owned projects.

PUC Staff

- Participates as member of POC.
- May request additional information through data requests.
- Evaluates whether guidelines and processes have been followed.

Commission

- May review as part of annual memo.

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<sup>5</sup> This intentionally excludes activities related to evaluating projects that will go through a regulatory process for cost recovery via cost-based non-voluntary utility rates (i.e., return of expenses and return on investment [rate base]).

## **C. CUSTOMER COMMUNICATIONS**

### **C.1. Design Branding and Product Marketing/Education Approach:**

#### Utility

- Designs program branding.
- Conducts program marketing.
- Performs customer education and outreach.
- Ensures materials and outreach meet established program standards.

#### POC

- May occasionally review marketing materials for clarity and messaging consistencies to utility customers.
- May make suggestions to improve the materials.

#### PUC Staff

- Participates as member of the POC.
- Reviews materials for compliance with Commission required standards that are incremental to other outside certifications, i.e. Green-e.

#### Commission

- No role.

### **C.2. Ensure Accuracy and Clarity of Communications/Consumer Protection:**

#### Utility

- Follows industry standards – i.e. Green-e Customer Disclosure Requirements; FTC Green Guides

#### POC

- Reviews materials for clarity to customers.

#### PUC Staff

- Participates as member of POC.
- Reviews materials for accuracy and consistent/clear messaging.

#### Commission

- No role.

### **C.3. Tariff Language**

#### Utility

- Proposes tariff language for Commission approval.
- Briefs POC on final, Commission-approved tariff language.

#### POC

- Briefed by utility on final tariff language.

#### PUC Staff

- Analyzes and recommends proposed tariff language to Commission.

#### Commission

- Approves tariff language.

## **D. INTERACTION WITH OTHER PROGRAMS**

### **D.1. Strategically Consider How Voluntary Programs Interact With Other Policies (RPS, Portfolio Options, Potential “Green Tariff” [UM 1690])**

#### Utility

- Interacts with emerging or existing policies.
- Proposes solutions to communicate to customers how these programs might interact with the products.

#### POC

- Discusses new programs, and how programs interact with other policies and programs.

PUC Staff

- Informs POC when programs may be affected by other policies and emerging trends.

Commission

- Provides guidance to POC about program requirements and potential policy interactions through Commission Orders.