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July 24, 2006

REWG Members:

At the July 11, 2006 meeting of the Governor's Renewable Energy Working Group (REWG), I delivered a presentation as part of a coalition of utilities that have been following discussions about a Renewable Portfolio Standard (RPS) for quite some time. This letter is meant to clarify Portland General Electric's (PGE) position and priorities regarding an RPS and serve as a basis for our discussions from this point forward.

PGE supports an RPS for the state of Oregon in conjunction with meaningful long-term federal and state incentives that advance the development of renewable resources and lessen the emissions footprint of the state of Oregon. To be successful a RPS must continue to fulfill the state's commitment to provide retail customers with safe, reliable electric service at reasonable prices.

An effective RPS must address a number of priority items to ensure the state's environmental, economic competitiveness and electric system reliability objectives are met. These priorities include finding a balanced approach, setting achievable objectives, allowing reasonable flexibility in meeting standards and periodic recalibration to ensure successful implementation. The priorities should also include a continued reliance on the detailed planning and portfolio analysis of the integrated resource planning process for investor owned utilities and a reasonable expectation of cost recovery of prudent investments made to achieve any mandated standard.

The status of the electric power supply system in the Pacific Northwest today is robust and challenged. According to the Northwest Power and Conservation Council the four western states (OR, WA, ID, MT) are currently in the midst of a surplus of electric generation that runs until 2012. However, at the same time we are quickly consuming surpluses that exist in our transmission system and placing further reliance on fossil fuels that have become increasingly more sensitive to supply and demand market fundamentals. In this light, PGE believes that it is important to begin to look at future electric generation choices that begin to transition power supplies to a more sustainable future while preserving reliability and the economic competitiveness of the state.

The attached policy position paper outlines our priorities in further detail. We look forward to continuing to work with you as an active member the REWG and to developing the best possible policy to help achieve a secure energy future for the state of Oregon.

Sincerely,

PORTLAND GENERAL ELECTRIC

POLICY POSITION

RENEWABLE PORTFOLIO STANDARD (RPS) FOR THE STATE OF OREGON

Portland General Electric (PGE) supports a Renewable Portfolio Standard (RPS) for the state of Oregon that includes meaningful long-term federal and state incentives to help the development of renewable resources.

A successful RPS must over time lessen the emissions footprint for the state of Oregon and continue to fulfill the state's commitment to assure retail customers safe, reliable electric service at a reasonable price, and also achieve environmental and economic development objectives.

PGE believes the following priorities should be considered in a successful state RPS:

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1. The development of an RPS target (e.g. 25% in 20 years) should be informed by consideration of the economics, resource availability, transmission availability, environmental impacts, and customer impacts.

2. An RPS should apply uniformly to all retail electric load serving entities (LSEs).

3. For OPUC-regulated LSEs, the OPUC should have regulatory oversight for implementing and enforcing an RPS. In addition, the OPUC should have flexibility in its regulation of the RPS to ensure that the objectives are met.

4. Qualified renewable resources should include, but not be limited to owned or contracted for: solar, wind, geothermal, new low impact hydro, hydro efficiency upgrades, wave, tidal, biomass, biofuels and landfill gas resources.

5. The RPS should allow LSEs flexibility to use physical resources or renewable energy credits (e.g. green tags) to meet RPS targets. The use of green tags, including banking and borrowing, will enable LSEs to better manage the timing and cost of compliance.

6. Due to the variability of the output of renewable resources like hydro and wind, the RPS targets should be stated as a percentage that would then be multiplied by the peak load (in MW, based on a 1 in 2 probability) of the LSEs retail customers to determine the amount of name plate rated renewables or peak energy efficiency related savings that the LSE would need to acquire.

7. All energy efficiency savings achieved by an LSE's customers after adoption of the RPS and verified according to a specified process should reduce that LSE's target.

8. For OPUC-regulated LSEs, the integrated resource planning process should be the venue for exploring the impacts on customer prices, the utility system reliability and stability, externalities and the cost and availability of renewable resources as a result of implementing the RPS.

9. An RPS should include a cost cap that limits the rate exposure for customers.

10. Penalties should be reasonable in scope, size and application. The process should include exceptions for circumstances beyond the LSE's control and the right to a hearing.

11. For OPUC-regulated LSEs, the OPUC would allow recovery through approved tariffs of all prudently incurred costs incurred in compliance with the RPS.

12. If a federal RPS is legislated then the state mandated RPS should be reconciled with the federal standard so that these principles are maintained.