



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

April 2, 2008

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street NE, #215
PO Box 2148
Salem OR 97308-2148

Re: UM 1345

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and one copy of:

- **REPLY COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY**

This document is being filed by electronic mail with the Filing Center. An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided.

These documents are being served upon the UM 1345 service list.

Thank you in advance for your assistance.

Sincerely,

PATRICK G. HAGER
Manager, Regulatory Affairs

PGH:bmm
Enclosures
cc: Service List-UM 1345

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1345

In the Matter of)	REPLY COMMENTS OF
PORTLAND GENERAL ELECTRIC)	PORTLAND GENERAL ELECTRIC
Request for Proposal for)	COMPANY
Renewable Energy Resources)	

INTRODUCTION

Portland General Electric Company ("PGE") appreciates the opportunity to file reply comments related to PGE's Request for Proposal (RFP) for renewable resources. We appreciate both Staff's and Renewable Northwest Project's (RNP) participation in our renewables RFP and will incorporate many of their comments, as noted below, into our Final RFP to be filed with the Commission by April 7, 2008.

DISCUSSION OF STAFF'S COMMENTS

Staff commented on page three it requires the following:

1. Updated load forecasts
2. Updated planning assumption
3. Analysis of PGE's Renewable Portfolio Standard position by year

PGE will incorporate the following in its response to Staff's Data Request No. 7 – 11, due April 4, 2008: updated load forecast from January 2008 (the same load forecast that was used in UE 197); an updated estimate of energy efficiency for 2012 to 2015, as provided by the Energy Trust of Oregon (ETO); an update regarding recent resource additions; and an estimate of banked Renewable Energy Credits (RECs) starting with a January 1, 2007, first issuance date.

Reply to Staff's Additional Comments

Firming/Shaping Bids:

Staff wants PGE to be clear regarding its preference for bids with firming/shaping versus bids that require PGE to provide such services. PGE does not have a preference for bids that include

firming and shaping. The difference between such bids will be handled in price scoring, where bids providing such services will be priced as provided by the bidder; for bids not providing such services, we will add the estimated cost of these services to the bidder's price. Bidders have been informed that PGE has a limited ability to self-supply such services

Pro forma build-own-transfer agreement: Staff requested that PGE provide a pro forma build-own-transfer agreement. PGE has agreed to provide a pro forma build-own-transfer agreement. The agreement will be made available in the Final RFP, which is expected to be filed April 7, 2008.

Wind Integration Study/System specific numbers: Staff thinks it is important to use system specific numbers (contained in the wind integration study) to evaluate bids. PGE has to do so, however, PGE cautions that while results of the study are expected to be available when PGE completes the final short list, results will not be available by the time PGE completes the initial short list for the RFP. In the absence of the study results, PGE will use the wind integration costs estimated in the 2007 IRP of \$10/ MWh in 2006 (for Tier II Wind, see IRP page 107), and will use the study results in determining final short list selections.

20 MW project size limitation: Staff believes the ETO's 20 MW project size limitation is important enough that it should be included in the discussion about "Price to PGE" on page 24 of the draft RFP. PGE agrees and will make the change in the Final RFP.

SB 838 limits to cost of compliance: Staff's stated PGE should act appropriately regarding the outcome of the AR 518 rulemaking for SB 838. PGE agrees and will take any guidelines specified in AR 518 into account in the short list determinations when such guidelines are available.

Portfolio analysis: Staff stated that portfolio analysis is not appropriate for evaluating bids since the goal of this RFP is to meet SB 838 requirements. PGE agrees with Staff that portfolio analysis is not appropriate within the context of a renewable-only RFP.

Updated analysis: As stated above, Staff requested updates of a few items. In PGE's response to Staff Data Requests No. 7 – 11, due April 4, 2007, PGE will provide an updated analysis of load, recent renewable resource additions, banked RECs and energy efficiency through 2015.

DISCUSSION OF RNP'S COMMENTS

1. Protection Against Unrealistic Bidders

RNP expressed concern regarding how the Draft RFP could discern unrealistically low bids. RNP suggested requiring proforma project financing reports to show how the bid price is derived.

PGE has bid evaluation mechanisms in place to examine the integrity of proposed projects and qualifications of bidders. PGE has incorporated questions into the required bid information and

non-price bid scoring that address items such as the experience of the developer, where the project is in the permitting process, credit, and data on the quality of the renewable resource (i.e. wind data, presence of a geothermal test well, etc.) that will help PGE and the Independent Evaluator determine whether or not all components of cost and risk have been adequately priced into the bid. PGE believes that requiring bidders to include proforma financing reports could potentially eliminate smaller bidders who may not have the proforma data, as well as potentially other bidders who are at early stages in project development and for whom financing reports are not yet available. PGE has provided for data submissions on a schedule which will ensure maximum participation by all potential bidders, and not jeopardize PGE's ability to eliminate unrealistic projects/bids in the scoring process.

2. Variability of Output Specifications

RNP suggests a clearer definition regarding the fact that bid evaluations will take variability of output into consideration. RNP states that PGE may want to recommend that the data come from a consistent period. Lastly, RNP suggests that PGE may want to reconsider the "On-Peak" and "Off-Peak" categories to indicate specific hours of the day.

Regarding RNP's first comment in this section, PGE does not believe that specifying a consistent time period is practical. We do not want to disqualify or discourage projects that may have data available for an alternative time period, potentially limiting bidder participation. We will require all resources that are dependent on natural resources (wind, hydro, solar, geothermal, etc.) to submit an appropriate level of study data. Such data will be evaluated by PGE and the Independent Evaluator to ensure sufficiency in making bid comparisons. PGE agrees with RNP's second comment in this section. In the Final RFP, PGE will state specific hours for On- and Off-Peak categories in the table on p. 39 of the draft RFP.

3. Allowed Maintenance Periods for Guaranteed Availability

RNP expressed a concern that PGE's proposed annual maintenance outages limited to certain prescribed time periods may result in unduly high operation and maintenance costs for larger wind projects. RNP suggests limiting outages outside the prescribed time periods to a percentage of project nameplate generating capability.

PGE believes that RNP's suggestion makes sense for multi-shaft, intermittent resources such as wind. We will work with Accion Group to specify for such intermittent resources a reasonable alternative to the prescribed time periods. However, for other single-shaft resources such as biomass or geothermal where major maintenance occurs periodically rather than on a continuous basis, and where such maintenance is at the discretion of the operator, PGE's approach will not create the high operation and maintenance costs that RNP suggests. For such resources, we intend to maintain the requirement in the draft RFP that annual maintenance outages must not be scheduled between November 1 and February 28, and between July 1 and September 30. These periods were selected as they are generally times of higher electric loads and tighter regional supply, and as a result replacement costs and risks are typically higher.

4. Scoring Ambiguity

RNP is concerned with the lack of detail on scoring for non-price factors in the Draft RFP.

PGE is continuing work with Accion to develop appropriate scoring criteria. PGE notes this on page 18 of the Draft RFP in the section titled "Criteria Used for Scoring Qualified Bids". PGE will include high-level scoring criteria and category weightings for non-price scoring in the Final RFP to be filed with the Commission. PGE also intends to make the detailed scoring system available to Staff prior to the date bids are due. However, detailed bid scoring will not be made available to bidders or to non-bidding parties representing bidders. PGE believes that the level of detail provided in the draft RFP on scoring and in the required bid information is sufficient to fairly describe our scoring and bid evaluation process to bidders.

Regarding RNP's comment that the bidder has no way of evaluating the importance of supplying firm product on an hourly basis, versus potentially engaging one or more third parties to provide shaping services and prior scheduling notice, PGE refers to the following section on p. 24 of the draft RFP:

We will award the highest non-price score to products which, after integration, provide a flat volume of power for all hours. However, we recognize that such certainty has an associated cost, and will score that as part of the price factor scoring. For example, we would expect the price of a product that is flat for all hours, i.e., no variability, to be more expensive than a variable product provided with a 168-hour scheduling notice. Both of these products would likely be more expensive than one provided with a 24-hour scheduling notice. We expect the product with the combination of lowest price and the longest scheduling notice to achieve the highest overall score.

DATED this 2ND day of APRIL, 2008.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **REPLY COMMENTS OF PORTLAND
GENERAL ELECTRIC COMPANY** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UM 1345

Dated at Portland, Oregon, this 2nd day of April 2008.



PATRICK G. HAGER

UM 1345 Service List as of 4/2/08

**W=Waive Paper
service**

**C=Confidential
HC=Highly Confidential**

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Sort by Company Name

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