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June 1, 2012

Via Electronic Mail and U.S. Mail

Commissioner Susan Ackerman
Commissioner Stephen Bloom
Commissioner John Savage
Public Utility Commission of Oregon
550 Capitol Street N.E. Suite 215
Salem, Oregon 97301-2551

Re: Portland General Electric Company Request for Proposal
Docket No. UM 1535

Dear Commissioners:

The Industrial Customers of Northwest Utilities (“ICNU”) is submitting this letter regarding Portland General Electric Company’s (“PGE”) request for proposal (“RFP”). ICNU has previously submitted multiple rounds of comments on PGE’s RFP, but ICNU has not yet submitted comments on PGE’s owner’s cost data. ICNU has not retained a consultant to review PGE’s owner’s costs, and ICNU elected to wait to provide its final position until after having an opportunity to review the comments of PGE, the Oregon Independent Evaluator, Staff, and the Northwest and Intermountain Power Producers Coalition (“NIPPC”). ICNU is not raising new issues, merely stating its position on the remaining issues in advance of the Oregon Public Utility Commission (“OPUC”) open meeting on June 5, 2012.

ICNU appreciates the difficult position in which both NIPPC and PGE find themselves. NIPPC and independent bidders have expended a significant amount of effort to understand PGE’s RFP and to recommend reasonable changes with the goal of ensuring that all parties have a fair and reasonable opportunity to submit a winning bid. PGE’s primary obligation is to obtain reliable and reasonably priced resources that meet its load obligations for customers in a way that best fits with its existing electric system. ICNU, however, remains concerned that the competitive bidding process remains biased in favor of utility owned and/or built resources, and that PGE and other utilities are not designing their RFPs in a manner that is in customers’ best interest. ICNU also strongly believes that both past and current RFP

processes are not adequately protecting the interests of ratepayers and independent power producers.

ICNU wishes to address three significant remaining disputes regarding PGE's cost data. First, there is a dispute about whether PGE should include the costs of the South of Alston or Cascade Crossing transmission lines in the self-build bid options. ICNU has previously supported allocating the costs of PGE's transmission lines to any self-build option. ICNU Comments at 3 (June 22, 2011). PGE now asserts that these lines will not be necessary for its self-build resources, and PGE is planning to rely upon Bonneville Power Administration ("BPA") transmission. PGE Comments at 5-9 (May 18, 2012). ICNU has significant concerns about the extent and availability of BPA transmission, especially given the collapse of BPA's network open season process.

More significantly, ICNU is concerned that PGE owned resources may win the RFP based on low estimate costs of BPA transmission, but that PGE will eventually build additional transmission that will be used for its self-build resources. This is a significant risk, which would result in ratepayers paying for both a higher cost self-build resource and transmission that would not have been necessary but for the existence of PGE's own resources. In the absence of a commitment by PGE that it will shoulder the increased cost of any new transmission lines that would serve an owned resource, ICNU agrees with NIPPC that the costs of the South of Alston and Cascade Crossing transmission lines should be included in PGE's owner costs.

Second, PGE has agreed to allow limited third-party bids at its Port Westward site, but it has insisted upon unique gas delivery requirements. Bidders appear only now to understand how PGE's proposed "tolling agreement" would work, but that PGE has already negotiated a unique agreement with NW Natural that would allow its self-build resource to meet the gas delivery requirements in the RFP. NIPPC has requested that PGE be required to allow independent third-party bidders to use the agreement with NW Natural. ICNU views this issue as a classic example of a utility designing an RFP with requirements that it perfectly understands and are well suited to the utility's position, but may be unnecessarily problematic for independent bidders. In addition, if PGE were truly concerned with obtaining the lowest cost resource for ratepayers, then PGE would not have insisted upon these specific opaque gas tolling requirements while at the same time negotiating a specific agreement that allows its self-build option the ability to meet the requirements. ICNU recognizes that the Commission is unlikely to order PGE to modify its agreement with NW Natural; however, ICNU recommends that the Commission at a minimum provide a warning that any failure by PGE to use its best efforts to allow independent power producers to use the agreement would likely be considered imprudent, similar to the Commission's resolution of the issue of access to the Port Westward site. Re PGE, Docket No. UM 1535, Order No. 11-371 at 6 (Sept. 27, 2011).

Third, ICNU agrees with the Commission Staff recommendation that PGE include additional flexibility in the selection of turbine options. Staff Report at 1. Staff's recommendation is based on the analysis of the Oregon IE, and Staff believes that including additional flexibility means that "there is the possibility of a ratepayer benefit from increased

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competition by allowing for more than the currently specified manufacturers.” Staff Report at 8. ICNU agrees with both Staff and the Oregon IE, and supports this condition.

ICNU plans to attend the Commission open meeting on June 5, 2012, regarding PGE’s RFP, and will be available to further address these issues at that time.

Sincerely yours,

/s/ Irion A. Sanger

Irion A. Sanger

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Letter on behalf of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, and via electronic mail.

Dated at Portland, Oregon, this 1st day of June, 2012.

Sincerely,

/s/ Sarah A. Kohler

Sarah A. Kohler

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