



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

November 28, 2017

Public Utility Commission of Oregon
201 High St. SE, Ste. 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: OPUC Filing Center

Re: UM 1892 PGE's Application for Waiver of the Competitive Bidding Guidelines

Enclosed for filing are Portland General Electric Company's final comments in the matter referenced above.

If you have any questions or require further information, please call Stefan Brown at (503) 464- 7805. Please direct all formal correspondence, questions, or requests to the following email address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over a white background.

Stefan Brown
Manager, Regulatory Affairs

Encl.

cc: Kaylie Klein, OPUC
JP Batmale, OPUC
Geoffrey Ihle, OPUC
Elizabeth Jones, CUB
Bob Jenks, CUB
Tyler Pepple, ICNU
Nathan Sandvig, National Grid
Chris Zentz, Troutman Sanders, LLC
Robert Kahn, NIPPC
Irion Sanger, Sanger Law, PC
Sidney Villanueva, Sanger Law, PC
Wendy Gerlitz, NW Energy Coalition
Fred Heutte, NW Energy Coalition
Michael O'Brien, Renewable NW
Silvia Tanner, Renewable NW

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UM 1892

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Waiver of the Competitive
Bidding Guidelines.

PGE'S FINAL REPLY COMMENTS

Introduction and Summary

Portland General Electric Company (PGE) appreciates the opportunity to provide these Final Reply Comments. PGE appreciates the Public Utility Commission of Oregon (Commission) and Commission Staff's (Staff) willingness to evaluate PGE's Application for Waiver of the Competitive Bidding Guidelines (Application) expeditiously. In these Reply Comments, PGE provides its comments on Staff's Report and responds to Staff's proposed conditions for granting a waiver.

Staff Recommendation to Grant Waiver

Staff recommends that the Commission grant PGE's request for a waiver of the competitive bidding guidelines. Staff finds that there is good cause for granting the waiver and that PGE's request meets all of Staff's proposed criteria for evaluating waiver requests in UM 1773.¹ Staff's recommendation recognizes PGE's need to procure capacity resources, the fairness and transparency of PGE's solicitation process, and the consistency of PGE's evaluation with the competitive bidding guidelines.^{2,3}

¹ See UM 1892 Staff Report Page 8

² *Id.*

³ See UM 1892 Staff Report Page 10

PGE appreciates Staff's review of its application and is pleased that Staff found the Company's filing well documented and supported. PGE supports Staff's recommendation to waive all of the competitive bidding guidelines to facilitate PGE's bilateral capacity negotiations.

Staff's Proposed Conditions

Staff proposes that the Commission grant PGE's requested waiver of the competitive bidding guidelines subject to four conditions.

1. The weighting of price and non-price factors

Staff's first proposed condition is that PGE re-run its ranking and portfolio analysis equally weighting price and non-price scores. In its report, Staff describes that Staff has internally performed this sensitivity analysis and found top-performing offers to not be sensitive to a 50% price 50% non-price weighting adjustment. However, Staff asks that PGE make a similar analysis available to Staff and the Commission.

PGE is willing and able to perform the sensitivity analysis requested by Staff. However, PGE seeks to clarify Staff's characterization of weighting differences between the bilateral evaluation (or RFPs more broadly) and the IRP. Staff suggests that price and non-price criteria should be weighted equally "as they were in the IRP."⁴ The characterization appears to reflect a misunderstanding about how PGE's evaluation of the bi-lateral bids differed from the 2016 IRP.

PGE's bilateral portfolio analysis weighed portfolio cost and portfolio risk in the same manner as the 2016 IRP with each component weighted 50%. However, whereas the IRP measures risk only through portfolio analysis, RFP evaluations (consistent with the Guidelines) measure risk in two ways: individual offer non-price scoring and portfolio analysis. The IRP methodology does not perform non-price scoring which is used within an RFP to evaluate specific resource performance and specific resource risk (i.e. interconnection status and conformance with form contracts). The IRP methodology studies macro-economic risks and reliability risks only. In the bilateral evaluation's individual offer analysis, PGE weighted price results to reflect 60% of an offer's total score and non-price results to reflect 40% of an offer's total score. As clarified in OPUC Data Request 013, the bilateral evaluation's portfolio analysis results were weighted 50% by expected cost and 50% by risk. The portfolio analysis used in the bilateral evaluation weighs cost and risks with the same magnitude used in the IRP.

PGE will provide the sensitivity results at the OPUC's December 5th Public Meeting. If the Commission and Staff are satisfied by the presentation of the sensitivity analysis, then the Commission should be able to grant the requested waiver without this condition given that condition will have been satisfied before the Commission issues its final order.

⁴ See UM 1892 Staff Report page 10

2. Bilateral negotiations for top-performing resources

PGE intends to negotiate with the top-five performing resources on the final shortlist. Together, the top-five performing resources would allow PGE to meet its procurement target of 350-450 MW. PGE agrees with Staff's requests that PGE would update the Commission and seek guidance before procuring offers not included in the top-five offers of the final shortlist.

3. Bilateral negotiations for ownership offers

Staff requests that Commission's waiver of Competitive Bidding Guidelines be conditioned to preclude purchasing resources to be owned by the Company. Staff suggests that procurement of utility owned resources should instead go through the standard RFP process.

PGE has identified the most cost effective resource to meet short to medium term capacity needs. This evaluation has been open to multiple ownership structures in order to identify the most cost effective capacity resource and give PGE confidence that the Company has identified the best resources for customers. To exclude utility owned resources from this evaluation would harm customers and is not in the spirit of promoting competition protected by the Commission.

Should the top-five performing resources not be available to meet PGE's capacity needs, PGE is willing to reengage the Commission and seek guidance consistent with Condition No. 2. However, PGE feels that it is unnecessary and inappropriate to set as a condition of waiver to be based on the commercial structure of the offered transactions (in this case ownership of an asset).

The Guidelines already have established criteria to be used when evaluating the merits of a waiver request. The guidelines do not include ownership based criteria for evaluating the suitability of a waiver. To do so would harm customers by limiting opportunities to pursue time-limited resources of unique value. PGE asks the Commission to not include this condition in its waiver given the fairness of the evaluation described in PGE's Waiver Application and PGE's willingness to reengage the Commission if top-performing resources cannot be procured. At a minimum, we urge the Commission to clarify that this proposed condition does not suggest that the applicable standards for a waiver of, or an exemption from, the competitive bidding guidelines differ depending upon the commercial structure of the transactions.

4. Updates on bilateral negotiations

Staff requests that PGE update its capacity deficit analysis upon the completion of bilateral negotiations. Staff asks that this update be included in the IRP Update and be used to inform additional procurement activities outlined in Order No 17-286. PGE intends to update its capacity deficit analysis upon completion of bilateral negotiation and will update Staff and the Commission on regular basis.

Conclusion

PGE appreciate the efforts of Staff in this docket, particularly in light of the expedited schedule over the Thanksgiving holiday. PGE looks forward to continuing to work with Staff and the parties to answer any remaining questions and to provide additional information demonstrating the appropriateness of PGE's Application. We will be available at the December 5 public meeting to answer any questions from the Commissioners.

PORTLAND GENERAL ELECTRIC COMPANY



David F. White
Associate General Counsel
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
Telephone: (503) 464-7701
david.white@pgn.com
Attorneys for Portland General Electric Company