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October 25, 2018

## *Via Electronic Filing and Federal Express*

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St. SE, Suite 100  
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY,  
2018 Request for Proposals for Renewable Resources  
**Docket No. UM 1934**

Dear Filing Center:

Please find enclosed the Comments of the Alliance of Western Energy Consumers (“AWEC”) on Portland General Electric Company’s (“PGE”) Request for Acknowledgement of its Final Short List of Bidders in PGE’s 2018 Request for Proposals for Renewable Resources.

Please note that AWEC’s Comments and Attachment A thereto include highly protected information subject to Modified Protective Order No. 18-366, as well as protected information subject to Order No. 18-063. A hard copy of the protected and highly protected portions of AWEC’s filing will follow to the Commission under seal via Federal Express.

Thank you for your assistance. If you have any questions, please do not hesitate to call.

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

Enclosure

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the **protected and highly protected portions of AWEC's comments** upon the parties shown below by mailing copies via First Class U.S. Mail, postage prepaid, and by sharing copies via the Huddle workspace in this docket.

Dated at Portland, Oregon, this 25th day of October, 2018

Sincerely,

/s/ Jesse O. Gorsuch  
Jesse O. Gorsuch

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM 1934**

In the Matter of	)	
	)	COMMENTS OF THE ALLIANCE OF
PORTLAND GENERAL ELECTRIC	)	WESTERN ENERGY CONSUMERS
COMPANY,	)	
	)	(REDACTED)
2018 Request for Proposals for Renewable	)	
Resources.	)	
_____	)	

**I. INTRODUCTION**

Pursuant to the Administrative Law Judge’s October 12, 2018 Ruling, the Alliance of Western Energy Consumers (“AWEC”) files these Comments on Portland General Electric Company’s (“PGE” or “Company”) Request for Acknowledgement of Final Short List of Bidders in 2018 Request for Proposals for Renewable Resources (“Request”).

The Oregon Public Utility Commission (“Commission”) should decline to acknowledge PGE’s final shortlist because the Company’s 2018 Renewables Request for Proposals (“RFP”) has not delivered on its central promise of providing resources to meet PGE’s renewable portfolio standard (“RPS”) obligations that are sufficiently likely to reduce long-term costs for customers.

This RFP was issued because the Company identified a time-limited opportunity to acquire new resources qualifying for the expiring federal production tax credit (“PTC”) necessary to comply with the State’s RPS. PGE reasoned that acquiring these resources now would be a low-risk, low-cost way to meet these RPS requirements. This economic justification

is the sole reason for issuing this RFP, as PGE has no immediate need for any of the resources on the final shortlist.<sup>1/</sup> In fact, the RFP itself stated that preference would be given to bids “that offer the ability to maximize cost savings to customers.”<sup>2/</sup> Unfortunately, the results of this ultimately uncompetitive RFP do not meet PGE’s stated expectations. The final shortlist’s resources do not provide a sufficient combination of low cost and risk to justify their acquisition.

And even if the Commission concludes that some of the shortlist resources are likely to provide value to customers, the Company has not identified the preferred portfolio from a cost and risk perspective.

## II. DISCUSSION

### A. Ratepayers are insufficiently likely to benefit from acquiring any of the final shortlist’s resources.

It is notable upfront that, while the Independent Evaluator (“IE”) states that PGE’s final shortlist consists of “the top offers that were able to meet all RFP qualification criteria” and were “the best-qualified offers from a reasonably competitive process,” the Report is silent on whether the Commission should acknowledge this final shortlist. Contrast this with the IE report on PacifiCorp’s most recent renewable RFP, in which the same IE “recommend[ed] that the Commission acknowledge the Final Shortlist as presented.”<sup>3/</sup> This recommendation came despite the IE raising significant concerns with the competitiveness of PacifiCorp’s RFP, noting that transmission constraints eliminated a number of better priced bids.<sup>4/</sup>

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<sup>1/</sup> PGE Request at 29 (Table 7).

<sup>2/</sup> PGE RFP at 13.

<sup>3/</sup> Docket UM 1845, IE Report at 1.

<sup>4/</sup> Id. at 5.

There are echoes of PacifiCorp’s RFP process in PGE’s RFP. Like PacifiCorp, the RFP’s lowest-cost bid, [REDACTED]

[REDACTED] <sup>5/</sup> In fact, also like PacifiCorp, the *only* bids that reached PGE’s final shortlist were those that met the minimum RFP criteria.<sup>6/</sup> AWEC does not share the IE’s conclusion that this represents a “reasonably competitive process.”<sup>7/</sup>

Given that PGE’s and PacifiCorp’s RFPs were similarly competitive, it may be that the IE does not explicitly recommend acknowledgement of PGE’s shortlist due to the economics of the bids. Simply put, while these offers may be “reasonably priced,” they do not deliver on the promise of securing likely near-term cost savings for customers. PGE’s “primary ranking metric” was the cost/risk metric.<sup>8/</sup> The IE describes this metric as “one-half the reference case net cost [net present value (“NPV”)] plus one half the standard deviation net cost NPV across all 27 sensitivities.”<sup>9/</sup> Standard deviation is a common mathematical method of determining risk; the greater the standard deviation, the riskier the portfolio.<sup>10/</sup> Thus, while the Company’s cost/risk metric appears somewhat arbitrary (why 50% of the net cost and standard deviation?), every single possible portfolio analysis, taking into account varied procurement

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<sup>5/</sup> IE Report at 20.

<sup>6/</sup> Technically, other bids reached PacifiCorp’s final shortlist, but they were subsequently eliminated due to transmission constraints. PacifiCorp IE Report at 34-35.

<sup>7/</sup> IE Report at 2.

<sup>8/</sup> Id. at 24.

<sup>9/</sup> Id.

<sup>10/</sup> See, e.g., id. at 26-27.

targets (75, 100, 125 MWa) and two fill resource (IRP and average bid) possibilities, has a positive cost/risk score.<sup>11/</sup> This indicates that the risks of this procurement outweigh the potential benefits. PGE confirmed that no bid or combination of bids yielded a negative cost/risk score.<sup>12/</sup> Such a result should be possible if the net benefit to customers is significant and the standard deviation is small (i.e., the benefits are high and the risk is low). While a positive cost/risk score may be acceptable in circumstances where PGE has a need for the resource, the very basis for this RFP was to identify resources with a high likelihood of producing long-term cost savings for customers – resources that should yield a negative cost/risk score. No such resources materialized. Accordingly, AWEC recommends that PGE discontinue the RFP process.

**B. If PGE intends to acquire any of the final shortlist’s resources, it should limit procurement to no more than [REDACTED].**

PGE and the IE do not agree on how to rank the resources on the final shortlist.

[REDACTED]

[REDACTED]<sup>13/</sup> [REDACTED]<sup>14/</sup> In contrast, the IE states that there is “a clear preference when it comes to project selection. Specifically, [REDACTED]

[REDACTED] We would expect the Company to adhere to this preference in pursuing agreements and have a clear explanation if their final portfolio does not reflect this ranking.”<sup>15/</sup>

The difference between PGE’s and the IE’s rankings is due primarily to the choice of bid fill. As the IE describes: “In order to evaluate all portfolios on a consistent basis

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<sup>11/</sup> Attachment A at 3-6 (PGE Response to AWEC Data Request (“DR”) 17, Highly Confidential Att. A.)

<sup>12/</sup> Id. at 2 (PGE Response to AWEC DR 16).

<sup>13/</sup> PGE Request at 17.

<sup>14/</sup> Id. at 17, 30.

<sup>15/</sup> IE Report at 4.

PGE filled any unmet energy and capacity needs, up to targeted levels for a given simulation with a generic resource, priced at either (a) the cost of generic wind from PGE’s IRP process or (b) the average cost of the offers on the shortlist.”<sup>16/</sup> PGE develops its portfolio ranking using only the generic fill from its IRP, whereas the IE considers both the IRP and average fill sensitivities.<sup>17/</sup> PGE’s modeling puts ██████████ in the top five portfolios nearly half the time, as measured by the cost/risk metric; but if average bid fill is used, ██████████ is almost never in the top five portfolios, either by itself or in combination with other bids.<sup>18/</sup>

AWEC disagrees with PGE’s rationale for discounting the relevance of average bid fill-based analysis. PGE’s purported justification is that “a major purpose of this 2018 RFP is to secure the benefits of expiring federal tax credits that will otherwise make renewable projects more expensive in the future. The impetus behind the 2016 IRP, 2016 IRP Addendum, and 2018 RFP is that renewables are unlikely to be as cost effective in the next ten years as they are today.”<sup>19/</sup> In other words, the IRP fill is preferable to the average bid fill because PGE’s IRP forecasts that renewables will be costlier in the future, a conclusion that itself relies on the generic resource costs PGE uses in its IRP. This circular logic gets PGE nowhere.

The fact is that the average bid fill reflects the costs of actual resources. PGE itself notes that “Renewable resources have been offered to PGE at prices significantly below what was forecasted in the 2016 IRP and 2016 IRP Addendum ... filings,” thereby admitting to the inaccuracy of its IRP assumptions.<sup>20/</sup> Indeed, that this was the case is unsurprising given how

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<sup>16/</sup> IE Report at 23.  
<sup>17/</sup> PGE Request at 20; IE Report at 29.  
<sup>18/</sup> IE Report at 25, 29.  
<sup>19/</sup> PGE Request at 26.  
<sup>20/</sup> Id. at 3.

high PGE's generic cost is. The Company identifies a real-levelized cost of \$57.95/MWh, while the IE identifies a levelized nominal cost of \$82/MWh starting in 2025.<sup>21/</sup> This latter figure is higher even than the Bonneville Power Administration's rate for New Large Single Loads – a rate that is deliberately designed to be punitive in order to preserve federal power to previously existing preference customers.<sup>22/</sup> Given that, there is no reason to believe that PGE's IRP assumptions from which the IRP generic fill is derived are accurate or, at least, are more accurate than actual pricing that is available in the market today. Therefore, if PGE is to acquire any resources through this RFP, it should be consistent with the portfolio modeling using average bid fill, which prefers [REDACTED].

AWEC disagrees with the IE on one aspect of its ranking of bids, however. Specifically, if PGE is to acquire resources through this RFP, it should negotiate only with [REDACTED]. As both PGE and the IE note, there are some uncertainties with whether [REDACTED].<sup>23/</sup> The IE determined that, if [REDACTED] became unviable, PGE could proceed to negotiations with [REDACTED].<sup>24/</sup> AWEC, conversely, does not believe that [REDACTED] is a viable resource under any circumstance. As noted above, this resource performs poorly in portfolio analyses using average bid fill. It is also the largest of the three shortlist bids. As PGE notes, modeling assuming average bid fill generally leads to smaller preferred portfolios because it assumes the Company can procure alternative resources at

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<sup>21/</sup> Attachment A at 1 (PGE Response to AWEC DR 5); IE Report at 28.

<sup>22/</sup> <https://www.bpa.gov/Finance/RateInformation/Pages/Current-Power-Rates.aspx>; BPA New Large Single Load Policy at 3, available at: [https://www.bpa.gov/p/Power-Contracts/Regional-Dialogue/rdi/NLSL\\_Policy\\_04-2001.pdf](https://www.bpa.gov/p/Power-Contracts/Regional-Dialogue/rdi/NLSL_Policy_04-2001.pdf).

<sup>23/</sup> PGE Request at 32-33; IE Report at 4-5.

<sup>24/</sup> IE Report at 4.

a lower cost in the future.<sup>25/</sup> Consequently, if negotiations with [REDACTED] fall through, customers would be better served by PGE limiting its procurement to [REDACTED] rather than proceeding with a package of [REDACTED].

This conclusion is confirmed by the modeling results. As shown in Table 8 on page 25 of the IE Report, a portfolio consisting of [REDACTED] [REDACTED]. By contrast, only one portfolio consisting of the various iterations of the [REDACTED] [REDACTED]. [REDACTED] is simply not an attractive resource.

[REDACTED]. PGE's renewable resources are already [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] (indeed, as discussed above, AWEC does not believe PGE should select even one). In contrast, [REDACTED]

[REDACTED].<sup>26/</sup>

**C. The results of this RFP were difficult to review.**

As a final comment, AWEC wishes to note that review of PGE's Request and the IE's report has been complicated by a number of factors that could be avoided in the future. First, resources were not transparently identified and were, in fact, identified differently in

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<sup>25/</sup> PGE Request at 25-26.  
<sup>26/</sup> PGE 2016 IRP at 142-43.

different places. Portfolios were given labels like “F-1, F-2, etc.” while individual resources were also identified variously by their bid numbers (i.e., [REDACTED]), a letter, a different number, or identified as “Resource 1.” This made it extremely difficult to determine which resources were being considered in various places of PGE’s Request and the IE Report. In the future, using a single consistent identifier for resources would be far more transparent and helpful.

Further, when a page contains both confidential and highly confidential material, PGE blacked out the confidential material on the highly confidential pages, and vice versa, leading parties to review multiple versions of the same page to understand the narrative. AWEC believes that any party qualified to view highly confidential material should be automatically qualified to view confidential material and that the highly confidential pages should reveal both highly and non-highly confidential material.

PGE should also more carefully review what information qualifies as confidential and highly confidential. The Company made frequent updates to these materials, making it difficult to keep track of everything. Indeed, in some instances, the updates appeared to be contradictory. In one case, AWEC received two highly confidential pages in one mailing showing different material as protected. This makes it difficult to ensure that information is appropriately protected in comments on PGE’s RFP.

### **III. CONCLUSION**

For the foregoing reasons, AWEC recommends that the Commission decline to acknowledge the final shortlist from PGE’s RFP. This RFP was uncompetitive and yielded resources of questionable value to ratepayers considering that they are being procured solely for

economic purposes. If, however, the Commission believes PGE should acquire resources from this RFP, it should limit acknowledgement to [REDACTED], as [REDACTED], the only other final shortlist bid, scores poorly in the portfolio analysis, both alone and in combination with [REDACTED].

Dated this 25th day of October, 2018.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

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Of Attorneys for the Alliance of Western Energy  
Consumers

October 18, 2018

TO: Jesse O. Gorsuch  
Alliance of Western Energy Consumers'

FROM: Jimmy Lindsay  
Manager, Resource Strategy

**PORTLAND GENERAL ELECTRIC  
UM 1934  
PGE Response to AWEC Data Request No. 005  
Dated October 11, 2018**

**Request:**

**Please identify the cost of the generic fill PGE used to evaluate bids in \$/MWh. Please also provide each and every input that produces this cost and identify where PGE derived these inputs from.**

**Response:**

PGE objects to this question on the basis that it is overly broad and unduly burdensome. Without waiving the foregoing objection, PGE responds as follows:

The \$/MWh cost of the energy fill resources used by PGE in the 'IRP Fill' cost assumptions is \$57.95/MWh real-levelized (2018\$). The 'IRP Fill' cost assumptions are based on the real levelized cost of a 'Gorge Wind' resource from the 2016 IRP Update whose costs decline following the forecasted capital declines associated with PGE's Overnight Capital Cost Technology Maturity Outlook. Please refer to page 28 of the 2016 IRP Update.

The \$/MWh cost of the energy fill resources used by PGE in the 'Average Fill' cost Portfolio Analysis is [REDACTED] real-levelized (2018\$). The 'Average Fill' cost is the weighted average real-levelized cost of each bid on the final shortlist weighted by energy volume associated with each bid. Please refer to Attachment 002-A for additional detail on the assumptions used to calculate the real-levelized costs of bids on the final shortlist.

October 22, 2018

TO: Jesse O. Gorsuch  
Alliance of Western Energy Consumers'

FROM: Jimmy Lindsay  
Manager, Resource Strategy

**PORTLAND GENERAL ELECTRIC  
UM 1934  
PGE Response to AWEC Data Request No. 016  
Dated October 15, 2018**

**Request:**

**Please refer to pages 24 and 27 of the Independent Evaluator's Report. Did PGE's modeling identify any bids or portfolios in which the cost/risk score was negative? If so, please identify the bids and/or portfolio of bids that produced this result and all assumptions PGE used (i.e., average bid fill or IRP fill, percentage of completed QF additions, time horizon, etc.).**

**Response:**

PGE's Portfolio Analysis modeling did not identify any bids or portfolios in which the cost/risk score was negative.

October 23, 2018

TO: Jesse O. Gorsuch  
Alliance of Western Energy Consumers'

FROM: Jimmy Lindsay  
Manager, Resource Strategy

**PORTLAND GENERAL ELECTRIC  
UM 1934  
PGE Response to AWEC Data Request No. 017  
Dated October 16, 2018**

**Request:**

**Please refer to page 27, Table 9, of the Independent Evaluator's Report, which uses average bid fill, 100 MWa target, and a 100% executed QF rate. Please provide identical tables with only the following modified assumptions:**

- a. 125 MWa target;**
- b. 75 MWa target;**
- c. IRP fill;**
- d. IRP fill, 125 MWa target;**
- e. IRP fill, 75MWa target.**

**Response:**

Please see Highly Confidential Attachment 017-A. Highly Confidential Attachment 017-A is subject to Modified Protective Order No. 18-366.

Pages 4 – 6 of Attachment A include highly protected information subject to Modified Protective Order No. 18-366 and have been redacted in their entirety.