

Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • jog@dvclaw.com
Suite 450
1750 SW Harbor Way
Portland, OR 97201

November 29, 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 the Oregon Public Utility Commission Staff’s Report for the December 4, 2018, Public Meeting in above-referenced docket.

Please note that AWEC’s Comments include highly protected information subject to Modified Protective Order No. 18-366. A hard copy of the 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 **highly protected portions of AWEC's comments** upon the parties shown below by mailing copies via Federal Express for overnight delivery.

Dated at Portland, Oregon, this 29th day of November, 2018

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

CUB

Robert Jenks (C) (HC)
Michael Goetz (C) (HC)
William Gehrke (C) (HC)
610 SW Broadway, Suite 400
Portland, OR 97205

NIPPC

Irion Sanger (C) (HC)
Mark Thompson (C) (HC)
Sanger Law PC
1117 SE 53rd Ave
Portland, OR 97215

OPUC STAFF

Seth Wiggins (C) (HC)
OPUC
P.O. Box 1088
Salem, OR 97308-1088

PUC STAFF - DEPARTMENT OF JUSTICE

Johanna Riemenschneider (C) (HC)
PUC Staff – Dept. of Justice
Business Activities Section
1162 Court St. NE
Salem, OR 97301-4096

PGE

Loretta Mabinton (C) (HC)
Portland General Electric Co.
121 SW Salmon, 1WTC-1711
Portland, OR 97204
(via hand-delivery)

CREA

Gregory M. Adams (C) (HC)
Richardson Adams, PLLC
P.O. Box 7218
Boise, ID 83702

CREA

Brian Skeahan (C) (HC)
PMB 409
18160 Cottonwood Rd.
Sunriver, OR 97707

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1934

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

I. INTRODUCTION

Pursuant to the Administrative Law Judge’s October 12, 2018 Ruling in the above-referenced matter, the Alliance of Western Energy Consumers files these Comments on the Staff Report for the December 4, 2018 Public Meeting.

The Staff Report recommends acknowledgment of Portland General Electric Company’s (“PGE” or “Company”) final shortlist, but barely. Staff concludes that “the final shortlist represents competitive market prices,” and that this conclusion “*is the only reason why Staff recommends Acknowledgment.*”^{1/} Essentially, Staff appears to agree with AWEC that PGE ran an uncompetitive RFP process, but that this is ultimately outweighed by the conclusion that the bids that did make the final shortlist are still “competitive.” As discussed below, AWEC disagrees with this latter conclusion.

^{1/} Staff Report at 8 (emphasis in original).

PGE's final shortlist has changed materially since it first requested acknowledgment. [REDACTED]

[REDACTED] are priced such that customers can be reasonably confident that they will be better off in the long term if PGE acquires them. That was the purpose of this RFP. Because it did not deliver the product being sought, PGE should not move forward with it.

II. COMMENTS

In its reply comments filed on November 5th, PGE characterizes AWEC's recommendation that the Commission decline to acknowledge the final shortlist as opposition to the Company's "proposed near-term actions towards meeting PGE's and the State of Oregon's long-term goals."^{2/} The Company finds AWEC's recommendation "unreasonable and disappointing."^{3/} It further asserts that "it remains committed to helping our customers and the communities we serve achieve the clean energy future they desire. The benefits of such a future are real – we must do our part to reduce the threat of climate change, improve air and water quality and live a more sustainable way of life."^{4/}

PGE's apparent implication here that AWEC's members do not care about these issues or recognize their importance is both wrong and, frankly, offensive. AWEC considers its recommendation that the Company acquire nothing rather than acquire something it does not need to be the far more "sustainable" decision.

^{2/} PGE Reply Comments at 6.

^{3/} Id.

^{4/} Id.

Regardless, though, the Company’s statements are a distraction from the task at hand. PGE’s commitment to a clean energy future is laudable, but it must pursue this commitment consistently with its obligation to serve its customers in the least-cost, least-risk manner.^{5/} This includes complying with its legal obligations, such as meeting the renewable portfolio standard, in the least-cost, least-risk manner. Within *this* context, the Commission must determine whether PGE’s final shortlist “appears reasonable” at this time.^{6/}

PGE has proposed to fulfill its regulatory obligation by arguing that the near-term opportunity to acquire expiring federal tax credits will yield lower cost resources than what the Company would otherwise acquire when a need for these resources arises.^{7/} This is an economic justification, not an environmental one – and appropriately so, as the Commission is an economic regulator, not an environmental regulator. AWEC’s reading of the Commission’s order acknowledging PGE’s revised renewable action plan is that PGE should be given the opportunity to make its case by testing the market to see whether there truly are resources available that are likely to reduce RPS compliance costs for customers over the long term.^{8/} The Commission specifically noted that “much depends on the ultimate scoring and price of proposals bid into the RFP.”^{9/} This implies that PGE should proceed with a procurement only if it received bids that were significantly below market so that the likelihood of future savings for customers is relatively higher.

^{5/} Docket No. LC 66, Order No. 17-386 at 3 (Oct. 9, 2017); OAR 860-089-0450(9).

^{6/} OAR 860-089-0500(1).

^{7/} PGE Request for Acknowledgment at 3-4.

^{8/} Docket No. LC 66, Order No. 18-044 at 6 (Feb. 2, 2018).

^{9/} Id. (finding also that “our acknowledgment here is not an open-ended support of a RFP of a certain size resource,” and that “the fundamental principle remains that, regardless of acknowledgment, any resource investment decisions ultimately rest firmly with the company.”)

Instead, PGE returned from its RFP with only [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ^{10/} [REDACTED] – the weighted average daily Mid-C price between January 1, 2014 and November 20, 2018 of \$29.92. ^{11/}

Staff’s recommendation that the Commission acknowledge the final shortlist rests entirely on its conclusion that the final shortlist bids “represent[] competitive market prices.” ^{12/} But Staff bases this conclusion on the fact that the final shortlist bids [REDACTED] [REDACTED]. ^{13/} Staff undertakes no analysis to determine whether the bids themselves are competitive with alternatives to an RFP acquisition. Staff’s approach may be appropriate when PGE has a need for a resource (in that instance, PGE must acquire something and the RFP bids represent the universe of available options), but it is not appropriate in this circumstance where PGE is pursuing resources solely for economic reasons. PGE can abandon this RFP and still reliably serve its customers.

Staff does note that PGE’s modeling shows a net customer benefit relative to no action, but this conclusion rests on PGE’s long-term forecasts of future market prices and,

^{10/} IE Report at 19 & 25 (Table 8).

^{11/} Based on data provided by the U.S. Energy Information Administration, available at: <https://www.eia.gov/electricity/wholesale/#history>

^{12/} Staff Report at 8.

^{13/} Id. at 7-8.

therefore, relies only on speculation to demonstrate that customers will achieve a net benefit overall.^{14/} This is particularly concerning considering that customers are likely to experience a net cost in the near-term from acquisition of these resources. PGE’s net benefit finding also relies on the assumption that the Company will have an RPS compliance deficit in 2025, which is highly misleading.^{15/} This is the year PGE would be *physically* short of RPS resources assuming it departs from past practice and acquires no unbundled RECs in future years.^{16/} Even then, PGE would have a large REC bank to draw on. In reality, PGE can meet the RPS beyond 2030 with its existing resources and unbundled RECs.^{17/}

The Staff Report also elides critical modeling preferences PGE uses to support its selection of [REDACTED] as the least-cost, least-risk. Specifically, Staff does not address PGE’s preference for modeling bids using generic fill from its IRP rather than average bid fill. This omission is surprising given how dramatically this change in assumption impacts the results, as well as Staff’s previous statement in this very docket that it “is very concerned with the practice of generic fill”^{18/} In crafting the new competitive bidding rules, the Commission explicitly recognized and accounted for the potential for generic fill to influence the results.^{19/} Nevertheless, Staff merely noted this issue in its October 25th comments, apparently satisfied with PGE’s position that its IRP assumptions are more accurate simply because they are from the IRP.^{20/}

^{14/} Id. at 11.

^{15/} Id.

^{16/} PGE Request for Acknowledgment at 29 (Table 7).

^{17/} Id.

^{18/} Docket UM 1934, Staff Report for the May 8, 2018 Public Meeting at 14 (Apr. 23, 2018).

^{19/} Docket AR 600, Order No. 18-324 at 12 (Aug. 30, 2018).

^{20/} Staff Comments at 6 (Oct. 25, 2018).

Using average fill to evaluate the bids changes the results. PGE's preferred portfolio [REDACTED]

[REDACTED]

[REDACTED] ^{21/} [REDACTED]

[REDACTED] ^{22/} [REDACTED]

[REDACTED]

[REDACTED] ^{23/}

The Company claims that AWEC has no supporting facts or evidence for its conclusion that PGE's IRP assumptions are inaccurate and that using average bid fill to evaluate the bids is preferable to the IRP generic fill.^{24/} That is not true. AWEC pointed to the actual prices PGE received from its RFP,^{25/} which the Company acknowledges were well below its IRP assumptions, thus clearly demonstrating that PGE's IRP assumptions are inflated.^{26/} Further, a survey of "the World's Leading Experts" on this issue, released contemporaneously with PGE's IRP, forecasts a decline in land-based wind resource costs of 24% by 2030 and 35% by 2050,^{27/} well above the IRP forecast of approximately 10% by 2035.^{28/} Thus, there are both credible forecasts and actual prices available today that contradict PGE's IRP assumptions.

^{21/} IE Report at 27 (Table 9).

^{22/} Id.

^{23/} Id. at 25 (Table 8).

^{24/} PGE Reply Comments at 9.

^{25/} AWEC Comments at 5-6 (Oct. 25, 2018).

^{26/} PGE Reply Comments at 6.

^{27/} U.S. Dept. of Energy, "Forecasting Wind Energy Costs and Cost Drivers: The Views of the World's Leading Experts" (June 2016), available at: http://eta-publications.lbl.gov/sites/default/files/iea_wind_expert_survey_full_presentation.pdf.pdf.

^{28/} Docket No. LC 66, PGE 2016 IRP at 214 (Nov. 15, 2016).

It is for all of these reasons that AWEC recommends that PGE abandon the RFP or, at most, limit its procurement to the [REDACTED]

[REDACTED]. For AWEC, the dispositive factors guiding its recommendation that the Commission decline to acknowledge the final shortlist are that (1) the bids on this shortlist are the only viable bids from an uncompetitive process that, as a consequence, (2) provide no reasonably certain value to customers. It does not “appear[] reasonable at [this] time” for PGE to move forward with the bids from the shortlist.^{29/}

To be clear, the cost of the shortlist bids is not *excessive*. AWEC does not disagree with the IE’s or Staff’s conclusion that these bids are “reasonably priced,”^{30/} and moving forward with them in the face of a need for these resources might be appropriate. But for a procurement based on economics alone, PGE should be selecting resources that are better than “reasonable.” They should be extraordinary, and that is not what PGE received.

Consequently, while AWEC recognizes that it is outside of the scope of this process, if PGE does proceed with a procurement through this RFP, it is crucial that the Company’s shareholders bear some of the risk of performance of these resources. PGE’s confidence in its IRP forecast of the future is undoubtedly driven in part by its knowledge that, if its resource procurement is found to be prudent, customers will bear the risk that this forecast goes sideways. If that happens, shareholders will shrug their shoulders and move on; customers will pay the bill. For a resource procurement that is driven entirely by an independent power producer-type mentality that PGE can beat the market, the costs of a failure to do so should not

^{29/} OAR 860-089-0500(1).

^{30/} IE Report at 2.

fall entirely on customers who have no control over the resource procurement process and have no need for these resources.

III. CONCLUSION

For the foregoing reasons, AWEC respectfully recommends that the Commission decline to acknowledge PGE's final shortlist or, at most, acknowledge acquisition only of [REDACTED]

[REDACTED].

Dated this 29th day of November, 2018.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Tyler C. Pepple

Tyler C. Pepple

1750 SW Harbor Way, Suite 450

Portland, Oregon 97201

(503) 241-7242 (phone)

(503) 241-8160 (facsimile)

tcp@dvclaw.com

Of Attorneys for the Alliance of Western Energy
Consumers