

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of)	UM 1535
)	
PORTLAND GENERAL ELECTRIC)	NORTHWEST AND
Request for Proposals for Capacity and)	INTERMOUNTAIN POWER
Baseload Resources.)	PRODUCERS COALITION'S
)	COMMENTS
)	

I. INTRODUCTION

Pursuant to the scheduling order in this case issued on January 18, 2012, the Northwest and Intermountain Power Producers Coalition (“NIPPC”) hereby files these comments on Portland General Electric’s (“PGE’s”) Request for Proposals (“RFP”) for Capacity and Baseload Resources filed January 25, 2012, with the Public Utility Commission of Oregon (“Commission” or “OPUC”). NIPPC is a trade association whose members include independent power producers (“IPPs”) active in the Pacific Northwest and Western energy markets. Although these comments do not represent the views of any individual member company, NIPPC believes it is in a unique position to provide the Commission with a valuable perspective from the bidding participants.

The Commission’s order in response to PGE’s initial filing of the Capacity RFP directed PGE to overlap its capacity and baseload energy resource RFPs; exclude imputed debt costs from scoring; delay the timing of scoring impacts due to dynamic transfer rights to final short-list negotiations; and to share with stakeholders the allocation of transmission costs to the self-build capacity proposal. *See Re Portland General Electric: Request for Capacity Resource Proposals*, OPUC Docket No. UM 1535, Order No. 11-371 (Sept. 27, 2011).

NIPPC appreciates the Commission's vigilance in ensuring the integrity of the RFP process. If properly implemented, NIPPC believes these directives would provide for a robust solicitation. NIPPC also appreciates that the independent evaluator ("IE") and PGE have implemented some of these directives in the newly issued draft RFP.¹ Nevertheless, NIPPC remains very concerned that the re-issued RFP, if implemented as written, will significantly advantage the self-built benchmark sites. NIPPC therefore respectfully requests that the Commission condition approval of the RFP upon PGE's agreement to implement the modifications discussed below.

II. Regulatory and Factual Background

A. The Oregon RFP Guidelines

The Commission's RFP Guidelines, and the related orders, require utilities to announce in their bi-annual integrated resource plans ("IRPs") all self-built benchmark resources they would submit into upcoming RFPs. *Re Investigation Regarding Competitive Bidding*, OPUC Docket No. UM 1182, Order No. 06-446 (Aug. 10, 2006). As the RFP approaches, the Guidelines require the utility to retain an independent evaluator ("IE") in developing the RFP, and require the IE to submit its assessment of the draft RFP to the Commission. Guideline 7 calls for public comment and Commission review, as follows:

The Commission will solicit public comment on the utility's final draft RFP, including the proposed minimum bidder requirements and bid scoring and evaluation criteria. Public comment and Commission review should focus on: (1) the alignment of the utility's RFP with its acknowledged IRP; (2) whether the

¹ The updated dispatch profile of the flexible capacity resource incorporating PGE's new wind integration study, and the more detailed performance assurance requirements are both welcome additions to the revised RFP in Appendices Q and R.

RFP satisfies the Commission's competitive bidding guidelines; and (3) the overall fairness of the utility's proposed bidding process. After reviewing the RFP and the public comments, the Commission may approve the RFP with any conditions and modifications deemed necessary.

Id. at 9.

NIPPC again suggests that the standards set forth by the Federal Energy Regulatory Commission ("FERC") in *Allegheny Energy Supply, LLC*, 108 FERC ¶ 61,082 (2004), can provide a useful reference to the Commission in application of Guideline 7's requirement to analyze "the overall fairness of the utility's proposed bidding process." See *Accion Group's Assessment of PGE RFP*, OPUC Docket No. 1535, 2 (June 3, 2011).

B. PGE's Capacity and Baseload Energy Resources Needs

PGE's 2009 Integrated Resource Plan ("IRP") stated it would propose a 200 MW benchmark resource located at the Company's existing Port Westward Generating Project site. *Portland General Electric Company's 2009 Integrated Resource Plan* ("PGE's 2009 IRP"), OPUC Docket No. LC 48, 204 (Nov. 5, 2009). "The proposed benchmark capacity resource is a state-of-the-art, highly efficient and environmentally responsible power plant consisting of multiple natural gas-fired reciprocating engine-generator sets and/or aero derivative combustion turbine generators and associated equipment in simple-cycle operation." *Id.* PGE's IRP also described a need for another gas-fired resource – a 300-500 MW baseload energy facility – for which PGE would propose a benchmark combined cycle combustion plant called Carty Generating station, located near its Boardman plant and in service by year-end 2015. *Id.* at 205-06, 325. PGE's re-issued RFP solicits bids to meet both of these resource needs, as well as

seasonal peaking capacity needs for which PGE will bid no benchmark. *See PGE's Request for Proposals for Capacity Power Supply Resources*, OPUC Docket No. UM 1535 (January 25, 2012) (“*PGE's January 25, 2012 RFP*”).

III. Comments

Although PGE's re-issued RFP is much improved over the first version, the current draft possesses limitations that will weaken the solicitation if not removed, and is in need of further clarity on several issues, as discussed below.

A. PGE's RFP places unreasonable restrictions on bidders who seek to provide a traditional tolling service agreement.

Under a tolling arrangement, the Buyer pays the Seller for the use of Seller's facility to convert fuel into electrical energy. Typically, the Buyer provides the fuel (e.g., natural gas) and pays both a fixed, monthly capacity payment and variable operation and maintenance payments based on the amount of energy generated for the Buyer. The Seller is obligated to convert the fuel into electricity and provide the Buyer the full electrical generating output of its facility, subject to certain operating parameters. If the Seller's generating facility fails to meet certain performance standards or does not respond to a dispatch order from the Buyer, then the Seller's capacity payment may be reduced in accordance with the terms of the tolling agreement. A tolling structure provides clear benefits by giving the utility flexible, ownership-like rights to control the operation of the facility, while shielding the utility and its customers from the financial risks of development, construction, and operation of the facility.

However, PGE's draft RFP discourages tolling agreements by (1) unnecessarily requiring bidders to actually procure the gas delivery rights from a far-removed trading hub prior participating in the RFP, and (2) including double penalty provisions in the template tolling service agreement which, it need be emphasized, the benchmark will not provide.

- 1. The RFP's gas delivery and intra-day scheduling requirements will unnecessarily limit participation of bidders proposing a tolling agreement, and PGE's refusal to make its own gas transport and storage rights available sends the unmistakable signal that PGE wants to build and operate its own plants.**

It is important to properly frame the gas transport issue by again referring to PGE's IRP, which stated:

Gas Transport. To meet the fueling requirements of the new energy and capacity resources in the proposed Action Plan, as well as to maintain portfolio flexibility, additional natural gas transport and/or storage is required. In this Action Plan, we recommend acquisition of 40,000 dekatherms per day of pipeline and/or storage for flexible capacity needs[.]

PGE's 2009 IRP at 325-26.

In other words, PGE sought and received approval to secure gas transport and storage rights for its baseload energy and flexible capacity needs sought in this RFP. A utility possessing such gas rights and hoping to secure the best deal for its customers should offer up those rights as part of the analysis of various tolling service proposals in its RFP.

But PGE has instead insisted on reserving these rate-payer funded gas rights for its benchmarks, and refused to make them known or available for compiling tolling bids. "PGE also contends that it should not be required to make its gas storage available to bidders, and notes that PGE does not have any excess gas storage that it could make available to bidders." *Re*

Portland General Electric: Request for Capacity Resource Proposals, Order No. 11-371 at 4. In response to PGE's initial bidding restrictions, the Commission stated:

We are convinced that a natural gas fueled generating resource can only provide the flexibility needed to integrate intermittent or variable energy resources if it is located near a gas storage facility and has intraday scheduling capacity with a pipeline. We agree with PGE that bidders must demonstrate that they *have a plan to acquire gas storage and intraday scheduling* to be eligible to participate in the RFP for flexible capacity. We do not believe that PGE has any special advantage in acquiring these services. Rather, the ability to obtain them is *largely location-dependant*.

Id. (emphasis added).

NIPPC understood the Commission's intent to be for a requirement that bidders demonstrate that gas transport would not be a problem for their facility's location, but did not read the order as authorizing a requirement that tolling agreement bidders actually procure those gas rights prior to the RFP.

In its re-issued RFP, PGE is still requiring bidders – even for a tolling agreement – to possess rights to gas transportation *from a liquid trading hub* (Sumas or AECO) for the baseload and flexible capacity resource, as well as intra-day scheduling rights from the storage facility for the flexible capacity resource. *See PGE's January 25, 2012 RFP* at 27, 36, 46. For a tolling agreement, the bidder would assign those rights to PGE at the time of executing the agreement.

Id. at 36, 46. The precondition states as follows:

Fuel Supply (where applicable)

Bidders must demonstrate physical and commercial access to fuel supplies and fuel transportation for the term of the contract proposed in its bid. Fuel transport and/or gas storage agreements used to support gas thermal bids submitted for Flexible Capacity must allow for intra-day nomination.

Id. at 27.

At a minimum, this language should be refined to be more in line with the Commission's order quoted above. The RFP should only require a viable "plan." PGE indicated at one point that a Memorandum of Understanding ("MOU") with the gas company will satisfy this requirement, but the language of the RFP itself should also provide for this level of flexibility. *See Accion Group RFP Website Q&A Nos. 80, 92, 112.*²

Additionally, further clarity is still needed regarding precisely what PGE means by "intra-day nomination." NIPPC is unaware of any gas tariff that expressly provides for "intra-day nomination" without having previously nominated the day ahead, and it remains a mystery how the benchmark itself is meeting this requirement, or what PGE considers to be the ideal arrangement. It appears from available tariffs, such as a tariff contract under FERC's Part 284 regulations, that PGE itself does not possess the ability to nominate intra-hour, but rather as a storage customer, possesses the right to run a facility unscheduled and then balance for actual gas use at the close of the day. PGE's RFP document should specifically include a description of the types of arrangements that would satisfy this precondition – such as the ability to balance unscheduled operation of the facility at the close of the day. Further, NIPPC understands that a typical gas delivery agreement is available for approximately five to twelve years, thus complicating the requirement to demonstrate access to "fuel transportation for the term of the contract proposed in the bid," which could be in excess of twenty years. NIPPC suggests that the RFP specify that a right of first refusal to continue whatever options may be described in the

² For the convenience of the Commission, NIPPC has included several of the "Q&A" pages from the IE's website as Attachment 1 to these comments. NIPPC will cite to the Question number in these comments.

Memorandum of Understanding would satisfy this requirement. The gas transport requirement has been an issue of great confusion because it is unheard of in an RFP for a tolling resource. All ambiguity should be removed from the RFP document as to the actual requirement given the uniqueness of this requirement in PGE's RFP.

Aside from the remaining ambiguity, NIPPC is troubled by this RFP design that requires tolling agreement bidders to actually procure and secure gas storage and transport rights. PGE is requiring each bidder to separately obtain an MOU with a gas company regarding the bidder's right to use the gas lines all the way from Sumas or AECO to their tolling plant.³

PGE appears to be operating under two false assumptions: (1) gas transport rights are a major limiting factor in the region, and (2) PGE does not already possess substantial gas storage and transport rights that it could (and should) use to implement any tolling agreement into which it may enter. PGE has made no showing as to the former, and its IRP disproves the latter. If PGE's benchmarks are not selected, it will obviously have extra gas storage it could make available for use in implementing a tolling agreement. PGE should not be allowed to ignore its own (ratepayer funded) gas storage and transport rights in evaluating the viability of bidders' tolling proposals. The least cost solution to PGE's customers will likely be optimization of PGE's existing gas portfolio, through capacity sharing arrangements with existing industrial customers, third-party capacity purchasers, or potential system expansion. To require bidders to demonstrate gas rights all the way from a liquid trading hub when PGE obviously holds (or could

³ It is not even clear that a gas company would agree to provide such an MOU when it knows that the gas supply obligations will be fulfilled by PGE, perhaps even with PGE's own existing gas transport rights. Nor is it readily apparent that the gas company could accommodate the full capacity that would be required to issue such rights to each individual bidder in this RFP.

easily obtain) such rights to the nearest common point of interconnection to a particular bidder's site makes no sense. Not all qualified tolling bidders necessarily have a gas scheduling desk or the expertise to secure the best gas arrangements to their sites, yet the energy conversion services they would bid into the RFP would provide ratepayer value.

The solution is simple. PGE should identify common points of interconnection on gas lines to which delivery is feasible, and require bidders to demonstrate feasibility of gas transport to the project location from one of those points. And PGE should make known its own gas storage and transport rights that those proposing a tolling agreement for the baseload energy or flexible peaking plant would be able to use in compiling their "*plan to acquire gas storage and intraday scheduling*" to fuel their proposed tolling plant.

- 2. PGE should allow for a true tolling agreement, and the IE should properly consider the protections provided by a tolling agreement's liquidated damages provisions in scoring a tolling proposal against the utility-ownership proposals.**

PGE's proposed form of tolling agreement departs from a typical tolling arrangement described above. Under a typical tolling arrangement, if a Seller is subject to a forced outage, the Seller may be penalized by a reduction in its monthly capacity payment. PGE, however, has proposed a second penalty for forced outages based on the cost of replacement energy. *PGE's January 25, 2012 RFP* at Appendix M , Articles 9.5, 12.1(b), (c) and Exhibit G. This second penalty is typical under energy trading agreements, such as the industry-standard Edison Electric Institute and Western Systems Power Pool agreements used by utilities and power marketers, but unusual under a tolling structure. PGE has, in effect, combined a penalty typical under a tolling

arrangement with a penalty typical under an energy trading agreement. *See id.* at Appendix M , Articles 9.5, 12.1(b), (c) and Exhibit G. In addition to PGE’s “double-dip” penalty, PGE’s proposed contract allows PGE to terminate if the facility fails to meet certain operating criteria for as little as 30 days. *Id.* at Appendix M , Article 9.5(c).

In effect, PGE requires IPPs to provide an insurance policy to fully protect PGE’s customers from the financial effects of forced outages. PGE’s self-build option or EPC-bidder projects on PGE’s site do not provide such an “insurance policy.” Neither PGE’s self-build option nor EPC-bidder projects on PGE’s site will be subject to either “replacement energy charges” or “liquidated damages” if the facility fails to generate energy because PGE cannot assess or collect these penalties from itself. Nor will PGE be able to walk away from the facility if it does not meet certain operating criteria for a 30-day consecutive period. Further, it will increase the difficulty of financing new projects and may lead bidders to include a risk premium to account for PGE’s additional penalties—thus raising costs for PGE’s customers.

The Commission should instruct PGE to (i) remove its second replacement energy penalty as excessive and not consistent with a tolling structure, (ii) extend its Guaranteed Availability determination period to a more reasonable time frame and include a right to repair. Additionally, the bid score of the benchmarks and all bids that would result in utility ownership should properly reflect the lack of availability guarantees and ability to be compensated for forced outages under those options.⁴

⁴ As noted below, this is a problem that can likely only be fully rectified by implementing a bid adder to a utility ownership proposal, as is currently under investigation in UM 1182.

B. PGE’s failure to itself meet the its own credit requirements for which it will penalize bidders highlights the structural unfairness of an RFP with a utility-ownership option, and NIPPC suggests that PGE should remove some of the most unnecessarily onerous components of the draft RFP’s credit requirements.

In an improvement of the RFP’s first version, PGE has included a detailed description of PGE’s methodology for calculating the performance assurance required to bid and to enter into a contract. *See PGE’s January 25, 2012 RFP* at 25-26, 82-89 (containing Appendix R). To bid, the bidder must have performance assurance of no less than 25% of the value of the first three years of the contract. *Id.* at 82.⁵ If the bidder is selected in the RFP for an IPP-owned project, new performance assurance requirements apply after achieving commercial online status. *Id.* at 83. The level of performance assurance depends upon the credit rating of the bidder or the entity providing credit support, and the type of contract (e.g., power purchase agreement, tolling agreement, etc.). *Id.* at 82-86. In addition to not allowing bidding by entities that cannot meet these requirements and requiring performance assurance throughout the life of the project, PGE again proposes in the draft RFP to allocate 7.5% of a bidder’s score to the non-price factor of “Credit Evaluation.” *Id.* at 28, 32-33. Thus, a bid score can be decreased if PGE deems credit support to be weak. NIPPC appreciates the newfound transparency on this aspect of the RFP.

However, these requirements reveal a structural impediment to IPPs in this RFP because, here again, PGE is requiring IPPs to provide assurance to PGE and its customers that PGE will not provide with its benchmarks and other utility ownership options. The basic reason for these performance assurance requirements is simple -- “PGE’s customers should not be at risk for

⁵ A bidder without PGE’s approved minimum credit ratings can submit a bid if it provides a commitment letter from its credit support provider. *Id.* at 82, 88-89.

replacing the contract quantity of energy or capacity throughout the term of the contract at an unknown market price.” *Id.* at 82-83. The bidders will surely provide such protections if selected. Yet PGE and the IE have taken the position that the credit requirements do not apply to a PGE-ownership scenario. *See Q&A No. 120* (asserting that counter party risk only exists through construction for a utility-ownership option). NIPPC disagrees with the misguided assumption that customers are only at risk of mismanagement of the operation of a plant when someone other than PGE operates it. Not only is this unfair to PGE’s customers who will presumably provide the performance assurance for a PGE-owned plant, but the one-way impact is entirely unfair in the bidding process. PGE’s benchmark bids will receive a perfect mark for 7.5% of the overall score allocated to Credit Evaluation, while PGE will surely penalize many IPP bidders. PGE’s shareholders should provide the same assurance to PGE customers as IPPs will provide.

Furthermore, the impact on a bid price of providing a large performance assurance is substantial, and the RFP should require PGE’s shareholders to provide similar performance assurance. Under PGE’s credit threshold matrix, PGE’s Moody’s credit rating of Baa2 for an entity with net worth between \$1 billion and \$25 billion would warrant assigning PGE itself only \$2.5 million in credit. *PGE’s January 25, 2012 RFP* at 84. If PGE were to itself participate in the RFP as a bidder by bidding a 100 MW tolling plant, as described in the example in its own RFP, PGE would need to provide performance assurance of \$14,454,000 to protect against default, and would only receive credit for \$2.5 million. *See id.* PGE would need to pay for a letter of credit (or some other form of guarantee) for approximately \$12 million, and pay to

maintain that credit line for the life of the contract. And that would be for a far smaller plant than the 200 MW size of its flexible peaking plant or the 441 MW size of its Carty plant. Posting such a large assurance affects the price of a bidder's proposal, and that PGE avoids that cost for its ownership proposals is not fair. The RFP should require PGE's shareholders to provide an equivalent level of assurance to its customers for its ownership options as bidders must provide, and should allocate that cost to the ownership options.

Additionally, the draft RFP's requirement for financial information should be more narrowly tailored to actually evaluate the risk involved with the guarantees supporting a bid. Appendix O sets forth the required bid information, which includes three years of audited financial statements of not only the bidder and its guarantor but also "from the developer *and the development team.*" *See id.* at 59 (emphasis added). The RFP requires all these audited financial statements even if the bidder provides performance assurance. *See Q&A No. 121.* This is burdensome and will discourage bidding. Compiling audited financial statements for the bidder and the entire development team, which would likely include law firms, engineering firms, and consultants, is entirely unnecessary. Not all entities regularly produce audited financial statements. NIPPC understands that three years of audited financial statements for an entity that has not prepared such materials can cost over \$30,000. Requiring the bidder itself to obtain audited financial statements is unnecessary if the bidder is providing a letter of credit or other performance assurance. That is the purpose of the performance assurance. NIPPC recommends that this requirement be modified to only require audited financial statements from the entity

providing the credit supporting the bid, not necessarily the bidder itself and certainly not its entire development team.

C. The Commission should ensure that the costs of transmission for PGE’s own sites are properly allocated, and not underestimated.

It is no secret that the cost of transmission to PGE’s load will be a critical factor in scoring this RFP. The Commission and the IE should remain vigilant in ensuring that the full costs of transmission for the life of the resource are allocated properly to bids using PGE’s own sites.

1. PGE emphasized the cost and importance of transmission in its 2009 IRP.

In discussing transmission constraints it faced in developing its own benchmark proposals, PGE stated, “new transmission assets will need to be built to enable us to deliver energy from new resources to our customers.” *PGE’s 2009 IRP* at 165. “To accomplish the delivery of this energy we have three options: 1) request transmission service from BPA, 2) request transmission service from a third-party transmission provider for resources outside the northwest, or 3) provide the needed transmission service ourselves.” *Id.* at 168. Because of concerns with relying Bonneville Power Administration’s system, PGE stated it was choosing to pursue “self build transmission” to solve this problem. *Id.* at 168, 173-75, 182-85.

With regard to Port Westward, PGE stated:

Our proposed South of Allston transmission project involves a new 230 kV line from Trojan that connects to the west side of our service territory. This third line from Trojan to PGE not only provides a significant increase in the transfer capacity of the South of Allston cutplane, but also would fully integrate the remaining Beaver capacity as well as fully integrate a potential new capacity resource.

Id. at 169.

PGE stated this solution would significantly decrease PGE's need to purchase BPA point to point transmission. *Id.* at 170, 182-184. In the cost of service study in PGE's 2009 general rate case, PGE allocated the costs of its \$45 million 230 kV Trojan to Horizon line entirely as a capacity resource in its general rate case because PGE expected to use it to integrate a new 200 MW peaking resource.⁶ There was no question the Trojan line was being built for the Port Westward II benchmark.

For the Carty Generating Station, the IRP stated:

Transmission: The existing 500 kV transmission line to the Boardman Plant has adequate capacity for both Boardman and the new Carty Generating Station. The primary transmission path is currently from BPA through the NOS process. In addition, if developed, the Cascade Crossing Project will provide a direct 500 kV link from the Boardman site into PGE's transmission system.

PGE's 2009 IRP at 205.

The Commission stated, "The primary benefit of Cascade Crossing is that PGE can avoid future increases in BPA's transmission rates. Cascade Crossing can achieve these savings by connecting PGE's existing Boardman and Coyote Springs plants, and *any new generation located in eastern Oregon.*" *Re Portland General Electric Company: Integrated Resource Plan*, OPUC Docket No. LC 48, Order No. 10-457, 19 (Nov. 23, 2010) (emphasis added). The Commission required updated cost-benefit analysis of the line with the next IRP. Thus, like the South of Allston line, the Cascade Crossing line is largely tied to the PGE benchmark.

⁶ See Direct Testimony of Doug Kuns and Marc Cody, Portland General Electric Company, OPUC Docket No. UE 215, at 5 (filed February 16, 2010) (UE 215/PGE 1500, Kuns-Cody/5).

2. The Commission should restate the requirement that PGE share its proposed cost allocation for transmission from its own sites.

When PGE filed its initial draft RFP for the flexible capacity resource, PGE was non-committal regarding whether it would allocate the costs of the South of Allston line to its Port Westward II benchmark. The Commission stated:

Although this Commission does not generally single-out specific cost elements for review, we believe this issue warrants further exploration.

We have concluded that PGE should combine its Capacity RFP and its Energy RFP. As PGE develops this combined RFP, we direct PGE and the IE to share, under the terms of an appropriate protective order, the proposed cost allocation. The parties may then address this allocation *when PGE seeks approval of the combined RFP*.

Re Portland General Electric: Request for Capacity Resource Proposals, Order No. 11-371 at 6 (emphasis added).

PGE has provided no such cost allocation with its re-issued RFP. In that regard, PGE is in direct contradiction of the Commission's order. Instead, PGE has since filed its 2011 IRP Update, which announced a delay in construction of its transmission lines in an apparent attempt to ensure their costs are in no way tied to PGE's benchmarks.

For the Trojan to South of Allston line, PGE now states "we do not intend to proceed with construction of the improvements in the near term. Until such improvements are developed, we will continue to deliver energy from our Beaver and Port Westward sites using our existing rights on BPA and PGE's transmission systems." *Portland General Electric Company: 2011 Integrated Resource Plan Update* ("PGE's 2011 IRP Update"), OPUC Docket No. LC 48, 73 (Nov. 23, 2011). PGE fully articulated the need for the line in its 2009 IRP, and PGE has already stated in testimony in its rate case that the Trojan line will be used for its benchmark.

The Commission should not allow PGE to ignore the \$45-million cost in the RFP by delaying completion of construction until a year or two after the RFP.

For Cascade Crossing, PGE's 2011 IRP Update delayed the projected in-service date until 2016 or 2017. *PGE's 2011 IRP Update* at 70. This is after PGE's preferred online date for the baseload energy resource of 2015. *See PGE's January 25, 2012 RFP* at 15. Regardless of timing, it is clear that if the baseload energy resource ultimately selected in this RFP does not utilize Cascade Crossing, the cost-benefit analysis would likely tip in favor of not building the line, which is estimated to cost from \$600 million to \$1 billion. *See Re Portland General Electric Company: Integrated Resource Plan*, Order No. 10-457 at 18; *PGE's 2011 IRP Update* at 72. Because the Carty benchmark would use that line and justify its construction, much of that transmission cost should be allocated to the benchmark or any bid to use the Carty site. Until PGE runs a full network open season process with significant monetary deposits from third-party generators, NIPPC suggests that the IE and the Commission should assume that the Cascade Crossing line will be a single-circuit, 500 kilovolt line with 1500 MW of transmission capacity. *See Re Portland General Electric Company: Integrated Resource Plan*, Order No. 10-457 at 18. PGE's 2011 IRP Update estimates the cost of this configuration to be \$698 million. *PGE's 2011 IRP Update* at 72. Because the Carty facility would account for 441 MW of the 1500 MW of transmission capacity or 29% of the total capacity, NIPPC suggests that roughly \$205 million in transmission expense should be allocated to the Carty benchmark or any bid that will use the Carty site.

PGE's existing transmission system cannot integrate either of its two benchmarks. That PGE has delayed completion of its proposed transmission upgrades that will be used for its benchmarks should not allow PGE to pretend as though those costs are not still connected to its benchmark sites. The Commission singled this issue out once earlier. PGE's failure to provide the cost allocation for stakeholders to comment on at this time is troubling. PGE appears instead to be planning to release the cost allocation of transmission for its sites as part of the confidential "Owner's Costs" for its sites, which the procedural schedule calls for PGE to provide on April 27, 2012. *See Q&A Nos. 122, 123.* To fully evaluate this cost allocation, PGE should provide sufficient granularity in the costs and the evidence supporting the specific transmission allocation, including interconnection and transmission studies applicable to the benchmark resources.

NIPPC suggests that the integrity of this RFP requires continued vigilance and transparency in how PGE allocates its own sites' transmission costs. PGE in its 2009 IRP articulated the need for self-build transmission resources to integrate its benchmarks, and these costs should be included in the benchmarks bid prices.

D. The RFP's Evaluation Criteria should provide a greater level of specificity for the scoring value of individual characteristics of a bid.

The scoring criteria are of the utmost importance in selecting the lowest cost alternative that meets the utility's resource needs. The Commission's RFP Guideline 9 requires that the RFP's non-price scoring factors be tied to the needs identified in the IRP Action Plan. Also, the FERC decision stated "all criteria should be specific and detailed so that all bidders can

effectively respond to the RFP. Clear evaluation criteria will ensure that the RFP does not give an advantage to the affiliate.” *Allegheny Energy Supply, LLC*, 108 FERC ¶ 61,082, at ¶30. All scoring criteria should be shared with all bidders and stakeholders in the RFP.

But PGE’s RFP does not provide enough detail because it only provides scoring percentages for broad categories containing several project attributes. *PGE’s January 25, 2012 RFP* at 28. For example, the non-price bid scoring category for “Project Characteristics” is worth 15% of a overall score and includes interconnection, transmission rights, and gas transport and storage. *Id.* There is no indication if a bid with more favorable transmission rights will be favored over one with more favorable gas transport and storage. The non-price criteria – which make up 40% of the score in this RFP – will always be inherently subjective, and maximum clarity on the value allocated to each individual attribute would make the process more transparent. Without seeing the final scorecard, it is impossible to intelligently comment on the allocations PGE has chosen.

Furthermore, NIPPC is very concerned that PGE has intentionally singled out the weakest scoring factor for the benchmarks – transmission – as a factor that will be reevaluated between the initial and final short list selections. *See Q&A Nos. 108, 117.* PGE “retains the right to adjust the delivery risk of each proposal based upon the progress of BPA’s network open season process and the development of the proposed Cascade Crossing transmission line.” *PGE’s January 25, 2012 RFP* at 31. The RFP requires bidders to hold their bid terms irrevocable for 140 days. *Id.* at 10. Many important factors can materially change in that time, including interest rates, equipment lead times and pricing, etc. To single out transmission alone

as the only factor for which a bid can improve in scoring is unfair, particularly since this appears to be one of the weakest components of the benchmark sites.

E. PGE’s RFP should allow for broader use of technologies and alternatives that might meet its needs.

“An RFP should not be written to exclude products that can appropriately fill the issuing company’s objectives. This is particularly important if such exclusions tend to favor affiliates.” *Allegheny Energy Supply, LLC*, 108 FERC ¶ 61,082, at ¶ 28. NIPPC suggests that a few expansions in the acceptable list of technologies and products are warranted.

The draft RFP requires that the minimum bid for the baseload energy resource is 300 MW in size. *PGE’s January 25, 2012 RFP* at 15. NIPPC understands that some bidders would be interested in bidding in resources smaller than the 300 MW size. In addition to opening up the field for new entrants, this would allow more existing resources to access the bidding, and perhaps provide a cheaper product than a new resource. The draft RFP provides for bidding of the flexible peaking capacity, bi-seasonal capacity, and winter-only capacity in blocks with a minimum size of 25 MW although the target MW to be obtained in each of these categories is much larger. NIPPC sees no reason that the baseload natural gas product cannot be treated in the same way and suggests that a minimum size of 100 MW (or smaller) for the baseload energy resource would be beneficial to the solicitation.

NIPPC also suggests that PGE consider flexible capacity bids backed by grid-scale battery-based energy storage. The draft RFP does not list battery-based energy storage as an approved technology type. *PGE’s January 25, 2012 RFP* at 2. PGE initially stated in its Reply

Comments that it did not believe a battery could meet its flexible peaking needs. *See PGE's Reply Comments*, OPUC Docket No. UM 1535, 2 (July 8, 2011). More recently, however, PGE stated that it would consider a bid backed by battery technology to be non-experimental in response to an inquiry on the IE website. *See Q&A No. 85*. PGE appears to believe that battery technology has not yet been applied to meet the 25MW threshold required in this RFP, but NIPPC understands that battery technology has exceeded that threshold.⁷ NIPPC suggests that PGE should reconsider the viability of batteries for its flexible peaking needs in this RFP.

F. The Commission should state that stakeholders will have the opportunity to respond to any filing or correspondence by PGE regarding imputed debt.

In the order on PGE's initial draft RFP, the Commission instructed PGE to remove imputed debt as a scoring factor. *See Re Portland General Electric: Request for Capacity Resource Proposals*, Order No. 11-371 at 7. In PGE's initial revised draft RFP posted on the IE website on January 4, 2012, PGE stated on page 33:

Consistent with OPUC Order No. 11-371, PGE will not consider imputed debt as a factor in bid evaluation. PGE may, however, inform the Commission prior to making a final resource selection if the cost of debt associated with a resource is likely to have significant negative impacts on the Company or its customers.

PGE has removed the italicized sentence from the final draft RFP before the Commission.

PGE's January 25, 2012 RFP at 34. Nevertheless, NIPPC requests that the Commission remind

PGE that all parties to this docket should have the opportunity to review and comment upon any

⁷ NIPPC is aware that Golden Valley Electric Association commissioned a 27 MW battery in Alaska in 2003 which is capable of producing up to 46MW of power. For a description of this project, *see* <http://www.gvea.com/energy/bess>. Additionally, the Laurel Mountain energy storage project is a 32 MW battery system that came online in 2011 in West Virginia.

submission by PGE to the Commission regarding imputed debt of any resources solicited in this RFP.

G. With regard to use of PGE's sites, the Commission should admonish PGE for requiring EPC companies to choose between PGE's sites and other bidders' sites, and the RFP should allow for bidders to own and operate a plant on PGE's sites.

The ratepayer funded advantages to PGE's Port Westward and Carty sites are obvious. PGE itself described the advantages of its existing sites in its IRP. *PGE's 2009 IRP* at 204-06. NIPPC and other intervenors therefore suggested that, in order to hold the most robust procurement for ratepayer benefit, PGE should allow bidders to bid to use PGE's sites. *See* Order No. 11-371 at 6. In response to PGE's refusal to open up access to its Port Westward site previously in this docket, the Commission stated:

Whether the Commission can require PGE to make its site available to prospective bidders is a legal question that is not decided in this order. Whether to make its site available is a PGE management decision subject to prudence review by the Commission. In making its decision PGE should consider recent build-own-transfers acquired by other utilities, recognizing that proof of prudent decision making is the key to future cost recovery.

Re Portland General Electric: Request for Capacity Resource Proposals, Order No. 11-371 at 6.

In the re-issued RFP, PGE has proposed to open up its sites only to engineering, procurement, and construction ("EPC") bidding. *See PGE's January 25, 2012 RFP* at 13-14, 21-24. NIPPC has two concerns with PGE's structure: (1) as currently structured PGE's proposal seriously impairs the integrity of the RFP by requiring the few qualified EPC companies to choose between PGE and the IPP sites; and (2) EPC bidding alone will not protect against the risks of utility ownership.

1. NIPPC implores the Commission to revise PGE's requirement that the few qualified EPC companies choose between PGE's site and IPP sites because it will deter IPP participation in this RFP.

PGE appears to have modeled its structure allowing for EPC bidding on its own sites around that utilized by PacifiCorp in its recent RFPs, including that in OPUC Docket No. UM 1540. PGE's intent is to allow bidders to design and construct the facility within parameters set by PGE, but PGE will take immediate ownership of the facility. Meanwhile, IPP bidders would have to use their own sites to bid a power purchase or tolling agreement.

Unlike PacifiCorp's structure, however, PGE has imposed unnecessary complexity and an unreasonable prohibition against bidding on both PGE's site and any other site. The problem stems from the three different levels of information regarding the PGE sites – (1) Technical Specifications, (2) Owner's Site Specifications, and (3) Owner's Costs – which PGE proposes to provide only through varying layers of confidentiality agreements. *See PGE's January 25, 2012 RFP* at 23-24. The Technical Specifications will be available for inspection by any bidder, but PGE proposes to only provide Owners' Site Specifications and Owner's Costs to those bidders who execute non-disclosure agreements ("NDAs"). *See id.* at 97-104 (containing Appendix S, Attachments 7 and 8). The NDA required to view Owner's Site Specifications prohibits the bidder from using the specifications on another site. *See id.* at 97-100 (Appendix S, Attachment 7). And the additional, more-restrictive NDA required to view PGE's Owner's Costs expressly prohibits any party who views PGE's Owner's Costs from being involved with a bid on another site for the same resource. *See id.* at 102 (Appendix S, Attachments 8, § 5). This restriction applies even if the bidder decides not to bid for use of PGE's site. As explained by the IE,

“Bidders who also want to receive the site-specific cost data developed by PGE will need to . . . commit that *they will not participate in a bid from a site that is owned by an entity other than PGE.*” *Accion Group, Independent Evaluator Assessment of Portland General Electric’s Draft 2011 RFP for Capacity Power Supply Resources, Re: Revised Draft RFP*, OPUC Docket No. UM 1535, at 2 (February 8, 2012) (“*Accion Group’s February 8, 2012 Assessment of PGE RFP*”) (emphasis added); *see also Q&A No. 111.*

In other words, EPC companies must choose between bidding for use of PGE’s site, or being the EPC company supporting any other IPP bid. There is a limited number of qualified EPC companies to build projects of the size called for in this RFP. The EPC companies that would potentially contract with PGE to build on its sites are the same companies that would also compete to be the EPC company engaged to support a bid on IPP sites. NIPPC is alarmed that PGE’s restriction will chill EPC companies from being available for use by any IPPs. Alternatively, this restriction will deter any EPCs from bidding on PGE’s site for fear of then not being allowed to work with IPPs. This will obviously limit IPPs ability to participate, or limit the availability of PGE’s site for bidding. Neither result is a favorable resolution of the issue.

PGE’s concern appears to be that it must keep its Owner’s Costs for its sites confidential. *See Accion Group’s Assessment of PGE RFP* at 2. NIPPC submits that this concern is unfounded. In PacifiCorp’s ongoing RFP in UM 1540, PacifiCorp made public its site specifications *and detailed owner’s costs* that it believed necessary for bidders to evaluate whether to bid for use of the utility-owned site. PacifiCorp even included almost 2000 pages of such materials in the draft RFP itself at the time the utility filed it with the Commission. *See*

PacifiCorp's Draft All Source Request for Proposals, OPUC Docket No. UM 1540, 15-16, and Attachments 1, 7- 8, 17 (Oct. 5, 2011). PacifiCorp did not require execution of a separate NDA just to evaluate its owner's costs for its site, let alone prohibit participation in the RFP once a bidder viewed those costs.

The problem in PGE's RFP is confounded by the fact that PGE has not yet released the Owner's Costs even under protective order. NIPPC and other stakeholders cannot yet even evaluate whether these items do in fact contain material that would qualify for legal protection, and cannot at this time challenge the designation under the Commission's rules regarding protective orders. However, it seems apparent that PGE could – like PacifiCorp has done in UM 1540 – release all information necessary to bid to use its sites without the need for confidentiality or a prohibition on being involved with other sites. NIPPC implores PGE to do so as soon as possible.⁸ The impact on IPPs finalizing their projects and preparing to assemble their bids is imminent. Should PGE not remedy this issue prior to the time of Commission review in June 2012, NIPPC implores the Commission to correct the problem.

2. NIPPC suggests that allowing IPPs to bid to own and operate the plant on PGE's site under a power purchase or tolling service contract of a minimum term of 15 years would provide far more ratepayer benefits than EPC bidding alone.

Even if a bidder wins the EPC bidding on PGE's site, the resource will be a utility-owned plant. A utility-owned resource is offered into an RFP on a cost-plus basis while third party bidders are required to guarantee their price and performance parameters. An IPP must sign a

⁸ NIPPC sent a letter to PGE expressing the immediacy of this concern on February 16, 2012, shortly after becoming aware of the full extent of the limitations on EPC companies from a review of the IE's Evaluation filed February 8, 2012.

PPA or tolling service agreement holding it to its price and performance parameters, and must provide substantial performance guarantees calculated to compensate the utility and ratepayers with liquidated damages or otherwise in the event of breach of contractual obligations.⁹ A utility enters into no such contractual guarantees with the ratepayers, and does not post a bond that will automatically be forfeited as a ratepayer refund if costs of obtaining the electricity and capacity exceed those estimated in the RFP's evaluation process for the utility-owned project. The Commission is generally required to pass on all cost increases throughout the life of the resource to the ratepayers and cannot hold the utility to a "market rate" that the utility used to score the RFP. *See Re Investigation into Regulatory Policies Affecting Resource Development*, OPUC Docket No. UM 1066, Order No. 11-007 (2011); *see also Re Portland General Electric Company*, OPUC Docket No. LC 33, Order No. 04-376 (2004) (granting PGE's request to include its Port Westward plant in rates at actual costs, not at the bid price in its RFP).

The Commission is currently engaging in an investigation in Phase 2 of UM 1182 to provide better mechanisms under RFP Guideline 10(d) to quantifiably account for the different risk profiles of a utility-ownership option and a third-party power purchase or tolling agreement option. However, Phase 2 of UM 1182 will not likely be completed by the time of analysis of the bids submitted in response to this RFP. Thus, a utility-owned resource presents a problem that is difficult to completely evaluate under current mechanisms. NIPPC urges the Commission

⁹ The Tolling Agreement attached to PGE's RFP demonstrates this well because it requires the IPP to guarantee it will "operate and maintain" the facility in a manner that will achieve a guaranteed heat rate, ramp rate, and start up rate, as well achieve a set capacity availability factor. *PGE's January 25, 2012 RFP* at Appendix M at §§ 3.2, 6.1, 9.5 and Exhibits B, G. A utility-owned project contains no such guarantees.

to recognize that opening up PGE's site to EPC bidding alone does not lessen the utility-ownership risk.

NIPPC suggests that the RFP should allow for a more competitive use of the PGE's sites. PGE's sites possess obvious advantages that ratepayers have expressly and implicitly funded, such as access to fuel, transmission planning, and oversized facilities at the existing plants. Yet PGE does not propose to allow for anyone else to own and operate the plants on those sites. The perception is that the utility intends to select its benchmark or the winning EPC bid on its site because it wants to earn a rate of return on the plant. This will discourage competition. And it will not provide ratepayers with the benefits of a fully competitive solicitation at attractive locations for the new plants. NIPPC suggests that the RFP should allow for bidders to propose to not only construct and commission the projects on PGE's sites, but also to operate the plant for a minimum period of 15 years under a PPA or tolling agreement. An agreement with a specified termination at some point after 15 years would mitigate concerns the utility might have with respect to a longer-term use of its site, and to allow it to recognize the benefits of the so-called "end-effects" of the utility owning the site.

NIPPC recognizes the Commission's reluctance to compel the utility to offer this structure, but submits that the Commission should at least closely scrutinize the "cost-plus" nature of bids utilizing PGE's sites, particularly without an adequate mechanism to evaluate the risks of utility ownership in Guideline 10(d).

IV. Conclusion

NIPPC respectfully requests that the Commission approve PGE's Capacity and Baseload Energy RFP conditioned upon the suggested changes contained in these comments.

RESPECTFULLY SUBMITTED this 22nd day of February, 2012.

RICHARDSON & O'LEARY PLLC

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Power Producers Coalition

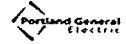
BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

**In the Matter of
PORTLAND GENERAL ELECTRIC
Request for Proposals for Capacity and
Baseload Resources.**

)
) UM 1535
)
) NORTHWEST AND
) INTERMOUNTAIN POWER
) PRODUCERS COALITION'S
) COMMENTS
)

ATTACHMENT 1

**EXCERPTS OF QUESTIONS AND ANSWERS FROM THE
INDEPENDENT EVALUATOR WEBSITE**



Ref #: 80

Category: Other

Asked: 1/27/2012 9:51p

Posted: 1/27/2012 9:51p

Question: Assuming a bidder proposes 200 MW of year-round flexible capacity under a 20 year tolling agreement, please specify what documentation will be required to demonstrate physical and commercial access to fuel supplies and fuel transportation. Also, please clarify how the pre-qualification requirement for the ability to nominate fuel on an intra-day basis will be evaluated under a tolling agreement.

Answered: 1/27/2012 9:51p

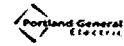
Answer: PGE requires documented arrangement that demonstrates access to firm gas supply for the resource backing the bid. Such arrangement must be legally binding between the bidder and the service provider, and may be in the form of a Memorandum of Understanding, Precedent Agreement or Firm Transportation Agreement. The documentation submitted must reflect a fixed price and be for a duration that matches the term of the tolling agreement being offered. The evaluation of ability to nominate fuel on an intra-day basis as a pre-qualification requirement is currently before the OPUC, and PGE expects to receive guidance from the OPUCs Order in the Capacity RFP.

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Ref #: 85

Category: Technology

Asked: 1/27/2012 10:21p

Posted: 1/27/2012 10:21p

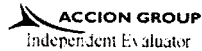
Question: Is it a requirement that the technology for a proposed project be commercially deployed today? Also, would energy storage-based peaking plants which fulfill the dispatch requirements be equally considered alongside gas peakers?

Answered: 1/27/2012 10:21p

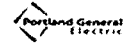
Answer: Yes, PGE requires that a proposed technology backing up the bid be already commercially available and deployed. The technology used in the energy storage based peaking plants, such as electric battery, is widely used e.g. plug in hybrids, but that technology has not yet been applied to meet the minimum 25 MW threshold this current RFP is looking for. PGE would consider a bid that is backed by battery technology to be non-experimental, so long as it meets the dispatch requirements. Ultimately the least cost and least risk bid will win out. Even if the bid is not cost competitive, it will inform PGE as to costs and feasibility of this technology which will inform our next planning cycle.

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Ref #: 86

Category: Transmission

Asked: 1/27/2012 10:23p

Posted: 1/27/2012 10:23p

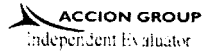
Question: Is Cascade Crossing part of PGEs system? Is it rate-based? At what stage is it?

Answered: 1/27/2012 10:23p

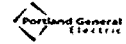
Answer: Cascade Crossing is considered part of PGEs system. Additional information concerning Cascade Crossing can be found on the project web site: <http://www.cascadecrossingproject.com/default.aspx>. Additionally, Bidders must demonstrate the ability to deliver the energy to PGE Load. For scoring purposes, all incremental costs associated with delivering the energy to load will be accounted for on each bid as appropriate. Delivery to PGE System is not the same as delivering to PGE Load.

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Ref #: 92

Category: Fueling

Asked: 1/27/2012 10:30p

Posted: 1/27/2012 10:30p

Question: If a tolling agreement puts the commodity risk on the plant owner, why must bidders solve the gas transport issue? Must bidders have actual gas transport rights, or just a strategy? How does this factor into scoring?

Answered: 1/27/2012 10:30p

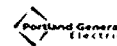
Answer: PGE is making the distinction between gas commodity and gas transport. Tolling Agreements are transactions whereby the buyer bears the commodity risk. PGE is not asking for the seller to secure the gas on PGE's behalf. But, PGE is requiring that the bidder demonstrate that their proposal has a plan to obtain firm fueling rights. Without this requirement, because each gas transport solution is unique to the site and the resource being proposed, the short list would likely be comprised of bids that have firm gas transport rights as well as bids that have no gas transport services and cannot obtain gas transport services. PGE will not be able to solve the gas transport for all bids at negotiations. Therefore, each bid must include its proposed gas transport solution. Similar to the requirements for transmission, PGE is requiring bidders to demonstrate the capability to obtain firm gas transport from a liquidly traded gas hub to the resource being bid. A bid does not have to have an executed agreement in order to qualify, however, PGE reserves the right to disqualify any bid during the scoring process if the bidder has not demonstrated that a viable firm gas transport strategy exists for their proposed resource. In addition, PGE will not sign any definitive agreement unless there is firm gas transport for the plants gas requirement and for the term of the proposed bid, and such gas transport rights must be assignable to PGE.

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Ref #: 97

Category: Other

Asked: 1/27/2012 10:37p

Posted: 1/27/2012 10:37p

Question: Since no one is going to be able to bid without meeting the basic credit requirements, why is there a 7.5 percent scoring factor for credit evaluation? Shouldnt some of that weight be allocated to more important scoring categories?

Answered: 1/27/2012 10:37p

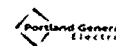
Answer: PGE believes that the 7.5 percent maximum points allocated to Credit category is appropriate. PGE agrees with the concept that the relative score for each category needs to be put in perspective with the threshold to bid. PGE has established a low threshold for the credit requirements to bid. A commitment letter from a bank is sufficient for a non-investment grade company to qualify to bid. Therefore, it is conceivable that a bidder with a non-investment grade debt rating could have the same score as a AAA rated company before credit is taken into account. Without enough credit points to differentiate the degrees of credit worthiness, PGE would be unable to incorporate the credit risk between a below investment grade company and a AAA rated company.

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Ref #: 108

Category: Transmission

Asked: 1/27/2012 10:50p

Posted: 1/27/2012 10:50p

Question: What does the scoring analysis of transmission between initial and final shortlists entail?

Answered: 1/27/2012 10:50p

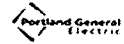
Answer: PGE recognizes that, due to the process for obtaining interconnection and transmission service, a bidders ability to obtain firm transmission delivery can materially change between the time of bid submittal and the selection of the Final Short List. The scoring analysis of transmission between initial and final short list will take into account any new information and how it impacts each bid. This step does not require action from bidders except to provide updated information on their transmission arrangements as they become available.

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Ref #: 111

Category: Other

Asked: 2/6/2012 12:55p

Posted: 2/10/2012 1:01p

Question: Can an EPC bidder bid to build on PGE's site, and also be the EPC supporting another entity's bid elsewhere?

Answered: 2/10/2012 1:01p

Answer: Once the EPC bidder has indicated its commitment to bid on PGE's site by requesting copies of the Owners Costs, it will be precluded from supporting another entity's bid elsewhere. Prior to committing to bid on PGE's site the EPC bidder may review the general technical specifications as well as PGE's site specifications. General technical specifications will include the eligible technologies and design requirements as well as available PGE's site. PGE site specifications will include physical descriptions of PGE's site, description of fueling and transmission arrangements. PGE will also conduct a workshop to answer questions about technical specifications and will provide potential bidders with an opportunity to visit the PGE sites. At this stage, and before the EPC gains access to the Owners Costs, the EPC provider may still opt to bid on a third party site. After reviewing the specifications and participating in the site visit, a bidder committing to bid on PGE's site will then have the opportunity to review the Owners Costs, pursuant to an NDA. In order to ensure a level playing field for all bidders, PGE needs to ensure that any bidder with access to the Owners Costs will not be able to use that information to develop a competing bid on another site. Accordingly, once an EPC bidder has obtained access to the Owners Costs it will not be permitted to support another bid elsewhere.

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Ref #: 112

Category: Fueling

Asked: 2/7/2012 8:56a

Posted: 2/10/2012 1:02p

Question: Answers to Question 92 and Question 80 contradict one another. Can you please clarify?

Answered: 2/10/2012 1:02p

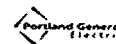
Answer: In the answer to question 80, PGE list the possible documents that would prove that a particular bidder has developed a strategy to firm up their gas transport. In question 92, PGE further clarifies that although a definitive agreement between the bidder and the transport service provider is not a requirement at bid submittal, it will be needed before any definitive agreement is signed between PGE and the winning bidder.

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Ref #: 114

Category: Transmission

Asked: 2/7/2012 8:59a

Posted: 2/10/2012 1:04p

Question: The PGE 2009 Integrated Resource Plan lists an in service date of 2015 for the Cascade Crossing transmission project on page 170, while the 2011 Integrated Resource Plan Update lists an in service date of late 2016 or 2017 on page 70. How will risks for potential in service date delays beyond 2017 impact the scoring of a bidder relying on Cascade Crossing in RFP process?

Answered: 2/10/2012 1:04p

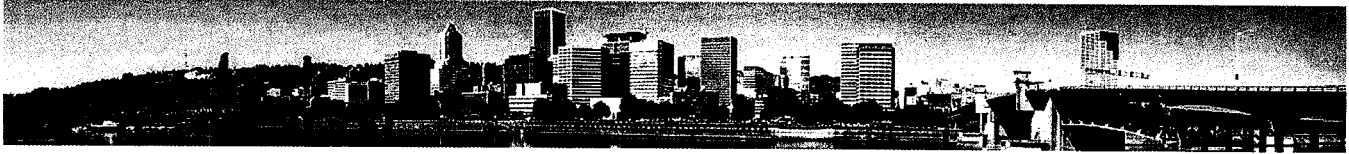
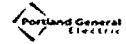
Answer: Any bids relying on future transmission upgrades, whether on BPAs, PGEs, or other transmission systems, will be evaluated similarly. Bids that have existing firm rights from the resources point of interconnection to PGEs load will score best.

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Ref #: 117

Category: Transmission

Asked: 2/7/2012 9:04a

Posted: 2/10/2012 1:08p

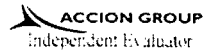
Question: With respect to Question 108, there are many aspects of a bid that can materially change between the time of a bid submittal and the selection of the Final Short List. In addition to interconnection and transmission service, other aspects of a bid that can materially change include interest rates, lead times for equipment, equipment pricing, permitting, etc. Why hold one major bid requirement open and not others? Should all bids not be fixed at submittal and held to the same standard through negotiation of the Final Short List?

Answered: 2/10/2012 1:08p

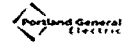
Answer: PGE is treating transmission differently from other inputs because we have received feedback that potential bidders may rely on transmission processes that are currently in flux to establish firm transmission rights for their bids. Because information about the status of transmission processes is publicly available [via a transmission providers OASIS], PGE can evaluate short-listed bids and eliminate those which OASIS shows to no longer have a viable transmission path. PGE intends to inform those bids that they are no longer in contention at that time.

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Ref #: 120

Category: Other

Asked: 2/7/2012 9:34a

Posted: 2/17/2012 9:51a

Question: Performance assurance is a significant cost to independent bidders. PGE's Moody's rating of Baa2 would imply a bidder credit threshold of \$2,500,000 for a company with a Tangible Net Worth between \$1 billion and \$25 billion, while the Performance Assurance Required under a tolling arrangement could be in excess of \$60,000,000. Will PGE self build options be required to account for the Performance Assurance Required in excess of the credit threshold? If not, will bidders providing the full Performance Assurance Required under a tolling arrangement in the form of cash or a letter of credit receive a better credit score than the PGE self build options? Assuming the Moody's rating of Baa2 [or other more current rating], please explain how PGE Credit Risk Management would calculate any adjustments to the PGE credit threshold for the PGE self build options.

Answered: 2/17/2012 9:51a

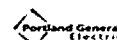
Answer: Credit terms are designed to protect PGE customers from the risk of default. This default risk differs dramatically whether the contract is a PPA or an ownership bid [i.e. a BOT, an Asset Purchase and Sale or an EPC bid]. In any ownership structure requiring a new build, customers exposure to counterparty default risk is bounded by the construction schedule. In order to address this risk, PGE requires bidders to submit a bid bond, and performance assurance throughout the construction period. In contrast, customers exposure to the default risk of a seller under a Tolling agreement extends beyond the commercial operations date of the project or the start of the contract [as in the case of existing assets]. In the event of a seller defaulting during the term of the contract, customers will be exposed to the replacement cost of a similar long term contract. In order to address this on-going risk, PGE's risk management policy, consistent with industry practice, calls for performance assurance throughout the term of the contract. Requirements for thresholds to bid and posted performance assurance during the term of the contract for PPA bids, including tolling agreements, are different from Ownership bids because they protect against different kinds of risks. PGE's benchmark resource bid will be supported by the bid bond required of all construction bids, and if selected as the winning bid, the benchmark resource will be supported by the appropriate posted performance assurance during construction. The required performance assurance on an EPC bid is 25 percent of the total value of the construction contract. There is no credit threshold [line of credit] granted to construction contract bidders, and therefore no adjustment to the credit threshold is necessary for ownership bids. In any event, there are no bonus points for posted performance assurance associated with PPA bids for scoring purposes since the amount of the performance assurance is calculated to protect against a default risk.

Close

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Ref #: 121

Category: Other

Asked: 2/7/2012 9:35a

Posted: 2/10/2012 1:23p

Question: Assuming a bidder provides adequate performance assurance in the form of a letter of credit, should bidders assume that the audited financial statements on page 59 of the RFP document are not necessary?

Answered: 2/10/2012 1:23p

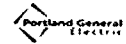
Answer: Audited financial statements will still be a requirement for all bidders regardless of the letter of credit. PGE will use the financial statement to further assess the financial health of the bidder.

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Ref #: 122

Category: Transmission

Asked: 2/7/2012 10:11a

Modified: 2/10/2012 1:27p

Posted: 2/10/2012 1:27p

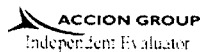
Question: In PUC Order 11-371 the Oregon PUC states, The RFP should provide for a level playing field. The parties have raised specific concerns about how PGE will allocate transmission costs to the self-build option. Although this Commission does not generally single-out specific cost elements for review, we believe this issue warrants further exploration. We have concluded that PGE should combine its Capacity RFP and its Energy RFP. As PGE develops this combined RFP, we direct PGE and the IE to share, under the terms of an appropriate protective order, the proposed cost allocation. The parties may then address this allocation when PGE seeks approval of the combined RFP. In PGE's 2009 Integrated Resource Plan [page 165] PGE states, In either case, new transmission assets will need to be built to enable us to deliver energy from new resources to our customers and goes on to explain that the Carty benchmark resource is one of these new resources that will utilize the Cascade Crossing new transmission asset. In the 2011 Integrated Resource Plan Update PGE estimates the cost of Cascade Crossing will range from \$698 mm to \$1,031 mm [does not include AFUDC] for the single circuit route A and double circuit route B alternatives respectively and have a line rating ranging from 1,500 MW to 2,600 MW respectively. At these estimated line ratings, the 450 MW Carty benchmark resource would account for between 30 percent and 17.3 percent of the cost of Cascade Crossing. This equates to the Carty benchmark resource accounting for between \$209 mm and \$178 mm of the cost of Cascade Crossing depending on the ultimate configuration. Please explain how the appropriate pro rata share of the estimated cost of Cascade Crossing will be allocated to the all-in cost of the Carty benchmark resource in the bid evaluation consistent with PUC Order 11-371?

Answered: 2/10/2012 1:27p

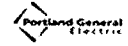
Answer: The transmission costs for PGE's sites will be included in the Owners Costs and provided pursuant to a Non-Disclosure Agreement to any EPC bidder who commits to build on PGE's site. The transmission costs will therefore be applied comparably to all bids on PGE's sites, including any benchmark bids. The IE will review the Owners Costs, including the transmission costs.

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Ref #: 123

Category: Transmission

Asked: 2/7/2012 10:13a

Posted: 2/10/2012 1:28p

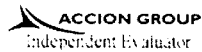
Question: In the 2009 Integrated Resource Plan PGE [pages 192-198] explains that the economic analysis of constructing the Cascade Crossing line was compared against utilizing BPA transmission to accommodate new resources. On page 192 PGE states, In order to analyze the economic benefits of Cascade Crossing, we defined the net benefits of the cost of utilizing BPA transmission service minus the cost of Cascade Crossing. PGE goes on to say on page 193, The assumed cost of using BPA transmission service includes approximately \$65.5 million in transmission substations and radial lines needed to connect resources to BPA in the absence of Cascade Crossing. If PGE plans on assuming the use of BPA transmission to deliver the energy from the Carty benchmark resource to load as opposed to assuming the Cascade Crossing line is constructed please explain how this \$65.5 mm new resource connection costs will be accounted for in the bid evaluation and what PGE will be assuming for the growth rates in BPAs tariff rates?

Answered: 2/10/2012 1:28p

Answer: Please see our response to Question #122. The details of transmission costs for PGEs sites will be included in the Owners Costs and provided pursuant to a Non-Disclosure Agreement to any EPC bidder who commits to build on PGEs site. They will also be reviewed by the IE.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 22nd day of February, 2012, a true and correct copy of the within and foregoing **COMMENTS OF NORTHWEST AND INTERMOUNTAIN POWER PRODUCERS COALITION IN UM 1535** was served as shown to:

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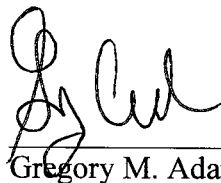
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