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October 22, 2012

***Via Electronic Mail and U.S. Mail***

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

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

Dear Commissioners:

The Industrial Customers of Northwest Utilities (“ICNU”) is submitting this letter regarding the issues raised by Troutdale Energy Center (“TEC”) in Portland General Electric Company’s (“PGE”) request for proposal (“RFP”). ICNU urges the Oregon Public Utility Commission (“OPUC” or the “Commission”) to fully and carefully review the concerns raised by TEC, and to provide TEC a full and fair opportunity to address the factual issues that it has raised. In addition, ICNU recommends that the Commission either remove the prequalification requirement for gas storage or require PGE to allow third-party bidders to use its gas storage contract with Northwest Natural (“NW Natural”). ICNU does not take a final position on all disputed factual issues, as ICNU has not reviewed all the confidential documents, and the Commission Staff and the Independent Evaluator (“IE”) have not yet commented on TEC’s concerns.

On October 5, 2012, TEC sent a letter raising concerns regarding concerns about the fairness and transparency of PGE’s current RFP process. First, TEC raised concerns about how transmission service will be factored into the scoring criteria. TEC does not need to purchase transmission as it is in PGE’s service territory, while PGE’s self-build and other projects will need to acquire transmission. ICNU understands that TEC is concerned about both whether a facility within PGE’s service territory will be properly credited in the price-scoring methodology and non-price transmission component. PGE has responded to TEC’s concerns, claiming that facilities like TEC will be fully credited in the price criteria and that the scoring

methodologies have been released. Notably, however, PGE did not explain how the non-price transmission will be accounted for or whether a facility that does not need to purchase BPA transmission will be considered less risky and be provided a higher score.

ICNU believes that all costs should be fully accounted for in the price criteria, and that the inherent uncertainties associated with relying upon not yet built BPA or PGE transmission should be reflected in the non-price transmission criteria. At this point, it is unclear how these factors are accounted for in the RFP, and ICNU urges the Commission to formally investigate these issues.

TEC raised a second concern that PGE may have an unfair advantage regarding gas storage that biases the RFP in favor its self-build resource. This issue was previously raised with the Commission, and the Commission concluded that bidders must show a plan to acquire gas and intraday storage, because the Commission did not “believe that PGE has any special advantage in acquiring these services.” Re PGE, Docket No. UM 1535, Order No. 12-215 at 2 (June 7, 2012). TEC, however, has raised new information that the Commission and the stakeholders were unaware of and that may establish a special PGE advantage. Specifically, TEC has claimed that PGE’s separate storage contract with NW Natural maybe for more storage than is necessary for a 200 MW peaking facility. PGE disputes TEC’s factual claims regarding the amount of storage needed, and also argues that TEC could have, but elected not to, negotiated a similar gas storage contract with NW Natural. In addition, PGE may not have provided the parties with a full opportunity to review and comment on this issue prior to the Commission approving the RFP. Confidential NIPPC letter to the Commission at 1-2 (Oct. 19, 2012).

ICNU continues to believe that PGE has imposed an unduly burdensome requirement for gas storage that PGE (and potentially PGE alone) is uniquely situated to satisfy. PGE’s statement that TEC should have negotiated a gas storage agreement with NW Natural for more storage than it may need is not a satisfactory response, because TEC does not have other ratepayer funded assets to serve with this extra gas. While ICNU does not take a position at this time regarding the appropriate amount of gas needs for a 200 MW peaking facility, ICNU remains concerned that PGE is taking advantage of ratepayer funded assets to obtain advantages unavailable to third-party bidders. Therefore, ICNU recommends that the gas storage requirement either be removed as a preliminary requirement in the RFP or that the Commission direct PGE to allow third-party bidders to use its already negotiated contract with NW Natural. Removing the gas storage requirement at this stage of the RFP is particularly appropriate, since PGE will likely enter into a gas tolling agreement if it does not select its self-build resource.

In its response, PGE asserts that TEC is attempting to gain unfair special advantage to itself outside of the formal RFP process, TEC is not concerned with the reliability of power for customers, and that it would be unfair to other bidders and customers to investigate TEC’s concerns. ICNU in contrast believes that the integrity of the RFP process will be significantly harmed if the Commission does not take TEC’s concerns seriously and provide TEC with a full opportunity to formally address these issues. Third-party bidders have privately complained for years that the RFP process was unfairly biased in favor of self-build resources,

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but they have been reluctant to raise those issues with the Commission, for fear of how it would impact their bids. Regardless of the ultimate resolution of TEC's concerns, all bidders will carefully watch how the Commission resolves these issues, and the manner in which they are resolved could have long-term impacts on the willingness of bidders to raise issues to the Commission.

ICNU appreciates the Commission's willingness to consider these issues and recommends that the Commission remove the gas storage requirement, to direct Staff and the IE to expeditiously and thoroughly investigate all of TEC's concerns, and to provide TEC with a formal opportunity to raise its issues before the Commission in an open meeting.

Sincerely yours,

/s/ Irion A. Sanger

Irion A. Sanger