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**V. Denise Saunders**  
*Associate General Counsel*

June 1, 2016

***Via Electronic Filing***

Oregon Public Utility Commission  
Attention: Filing Center  
201 High Street, Suite 100  
PO Box 1088  
Salem OR 97308-1088

**Re: UM 1773 - PGE Partial Waiver of Competitive Bidding Guidelines, Approval of RFP Schedule**

Attention Filing Center:

Enclosed for filing in the above-referenced docket is Portland General Electric Company's Reply to Comments of the Industrial Customers of Northwest Utilities.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink that reads "V. Denise Saunders". The signature is written in a cursive, flowing style.

V. Denise Saunders  
Associate General Counsel

VDS:bop

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1773**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Petition for Partial Waiver of Competitive  
Bidding Guidelines and Approval of Request for  
Proposals (RFP) Schedule.

**Portland General Electric  
Company's Reply to Comments of  
Industrial Customers of Northwest  
Utilities**

**I. INTRODUCTION**

Portland General Electric Company (PGE) files this response to comments submitted by the Industrial Customers of Northwest Utilities (ICNU) on May 12, 2016 opposing PGE's May 4, 2016 Petition of Partial Waiver of Competitive Bidding Guidelines and Approval of Request for Proposals (Waiver Petition). As discussed below, ICNU's opposition to the Waiver Petition is based on several faulty premises. PGE's Waiver Petition was procedurally proper and submitted in accordance with the Commission competitive bidding guidelines. The proposed Request for Proposals (RFP) is consistent with State law and provides the opportunity for PGE to capture the full value of the Production Tax Credit (PTC). ICNU offers no compelling reason as to why PGE should not attempt to capture this significant value for customers.

**II. REPLY**

**A. PGE's Waiver Petition is Procedurally Proper**

ICNU raises a concern with the timing of a Commission decision on PGE's request to waive the commenting period. ICNU believes that adherence to PGE's proposed schedule will

constitute a *de facto* approval of its waiver requests.<sup>1</sup> PGE disagrees. The Commission is free to approve or deny PGE's proposed schedule, including the commenting period. PGE notes that the Commission has, in fact, adjusted PGE's proposed schedule by moving the proposed date for consideration of the Petition to June 7, 2016. As PGE explained in its petition, it is not possible for PGE to issue an RFP in time to capture the full value of the PTC unless it runs the RFP on a very compressed time schedule. Our proposed schedule attempts to strike a balance of allowing sufficient time for: (i) stakeholder input, (ii) bidders to prepare and submit bids, (iii) bid evaluation, (iv) bid negotiations, and (v) Commission oversight – including acknowledgment of the shortlist. PGE is working hard to ensure an expeditious and fair RFP process. Recognizing the importance of stakeholder input and comments, PGE issued the draft RFP one week earlier than proposed; conducted a workshop for stakeholders; and met informally with Staff to discuss the RFP. If PGE obtains the necessary Commission approvals to move forward with the RFP, it will continue to work with Staff and stakeholders to address their concerns.

ICNU also complains that PGE's RFP is inconsistent with the Company's most recently acknowledged integrated resource plan (IRP) and with its most recently issued renewable portfolio standard implementation plan (RPIP).<sup>2</sup> As PGE explains in the Waiver Petition, the driver for the RFP is the extension and phase out of the PTC which was approved by Congress in late December of 2015 – too late to be incorporated into PGE's 2011 IRP or its updates or in its December 31, 2015 RPIP. PGE will incorporate its analysis of the PTC in its upcoming IRP and RPIP. However, PGE would lose the opportunity to take advantage of the full value of the PTC on behalf of customers if PGE were to wait until after acknowledgment of its 2016 IRP or review of its next RPIP to issue an RFP. The Commission's competitive bidding guidelines allow

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<sup>1</sup> ICNU Comments at 4.

<sup>2</sup> *Id.* at 1 and 6.

utilities to seek waivers of the guidelines when there is a time-limited opportunity of unique value to customers.<sup>3</sup> This is one of those opportunities.

**B. PGE's RFP is Not Inconsistent with ORS 469A.100 (1)**

ICNU cites to PGE's 2016 RPIP to argue that PGE's RFP may be in violation of Oregon law because PGE is at or near the 4% RPS cost of compliance cap established in ORS 469A.100(1).<sup>4</sup> ICNU criticizes the Company for not analyzing whether the RFP will cause it to breach the cap.<sup>5</sup> The RPIP is a planning tool that evaluates the potential incremental costs of complying with the Oregon Renewable Portfolio Standard (RPS) under a variety of scenarios. The majority of the scenarios presented in PGE's 2016 RPIP were well below the compliance cap and, did not reach the cap in any of the years of the base case.<sup>6</sup> Moreover, even when PGE's RPIP has shown scenarios close to the cap, PGE's RPS Compliance Report has historically shown that the actual costs of compliance have been well below the cap.<sup>7</sup> PGE will file a new compliance report on June 1, 2016 showing that PGE is well below the cost of compliance cap. PGE will also file an updated RPIP on July 15, 2016 which will model a 175 MWa addition in 2018. The Commission will have both reports well in advance of any final resource action that might result from the RFP. ICNU's speculation as to the costs to be found in the renewable marketplace and how they will affect the cost of compliance cap should not prevent PGE from actually going to the market and determining whether there are low-cost low-risk options for serving customers.

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<sup>3</sup> *Investigation Regarding Competitive Bidding*, Docket UM 1182, Order No. 06-446 (Aug 10, 2006) as amended by Order No. 14-149 (April 30, 2014) (Competitive Bidding Guidelines or Guidelines).

<sup>4</sup> *Id.* at 5-6.

<sup>5</sup> *Id.*

<sup>6</sup> Docket No. UM 1755, PGE 2016 Renewable Portfolio Standard Implementation Plan, Attach A at 1. (Dec. 31, 2015). ICNU also neglects to mention that on February 16, 2016, PGE filed an update to the 2016 RPIP to evaluate the effects of the Oregon Clean Energy Plan, and the update showed the cost of compliance to be approximately 5% lower than in the original filing. See, UM 1755, OCEP Scenario, Feb. 16, 2016.

<sup>7</sup> Docket No. UM 1683, PGE 2014 RPIP, Attach A, tab 1 (Dec. 31, 2013).

**C. ICNU’s Speculation about the Future of the PTC is Off the Mark**

ICNU believes that there is nothing “unique” about the expiration of PTCs and that it is questionable to assume that these or other tax incentives will not be in place again in the future.<sup>8</sup> PGE disagrees. In the past, Congress has waited until the tax credits were about to expire or had expired before extending the tax credits only on an annual basis. This is the first time that Congress has authorized a *phase-down* for PTCs. The phase-down is significant – reducing the tax credits available by 20% per year with complete elimination after four years.<sup>9</sup> As demonstrated in the Waiver Petition – the phase-down represents tens of millions of dollars of potential lost value for each year of the phase-down.<sup>10</sup> PGE’s proposed RFP provides PGE with the opportunity to capture that value for its customers.

**D. ICNU’s Concerns about RECs are also Misplaced**

ICNU also questions the value that a near-term renewable resource addition will offer in terms of building and sustaining a renewable energy certificate (REC) bank.<sup>11</sup> In the Waiver Petition, PGE explained that near-term renewable resource additions will allow PGE to sustain and build the Company’s REC bank which provides protection against short-term risks related to weather (i.e., under-production of existing resources), growing long-term RPS compliance targets, and procurement execution (i.e., projects that fail in the development stage).<sup>12</sup> Additionally, PGE explained that the value of a near-term renewable resource addition is not dependent on PGE’s long-term REC bank target. Even if PGE were to forgo the Company’s long-term REC banking target, near-term renewable resource additions which qualify for the PTC would likely result in lower costs when compared to delaying renewable additions until

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<sup>8</sup> ICNU Comments at 7-8.

<sup>9</sup> See, generally, <http://energy.gov/savings/renewable-electricity-production-tax-credit-ptc>.

<sup>10</sup> Waiver Petition at 4-5; Affidavit of James Lindsay.

<sup>11</sup> ICNU Comments at 8.

<sup>12</sup> Waiver Petition at 5.

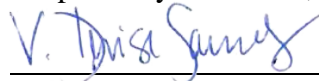
2025. Thus, the RFP presents potential value to PGE's customers even when the potential value of retaining RECs is disregarded.<sup>13</sup>

### III. CONCLUSION

ICNU's opposition is based on a number of faulty assumptions. As explained in the Waiver Petition, PGE's proposed RFP presents significant potential value to customers. It can only be conducted on a schedule that allows for capture of the PTC benefits if PGE obtains a partial waiver of two of the Commissions competitive bidding guidelines and approval of an expedited schedule and the RFP at the June 7, 2016 Commission meeting. For the reasons presented in the Waiver Petition and these Reply Comments, PGE requests that the Commission approve the Waiver Petition, proposed schedule and the RFP.

DATED this 1st day of June, 2016.

Respectfully submitted,



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<sup>13</sup> *Id.*