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March 30, 2018

Via Electronic Filing

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 Industrial Customers of Northwest Utilities on Portland General Electric Company's Final Draft 2018 Request for Proposals for Renewable Resources.

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

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1934

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2018 Request for Proposals for Renewable Resources.	))))))))	COMMENTS ON DRAFT REQUEST FOR PROPOSALS OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

I. INTRODUCTION

Pursuant to Public Utility Commission of Oregon ("OPUC" or the "Commission") Administrative Law Judge's Prehearing Conference Memorandum issued March 15, 2018, the Industrial Customers of Northwest Utilities ("ICNU") submits the following comments regarding Portland General Electric Company's ("PGE" or "Company") final draft 2018 request for proposals for renewable resources ("RFP"). ICNU recommends that the Commission condition approval upon material changes to the RFP so it better aligns with the Company's most recent integrated resource plan ("IRP") and is conducted in a manner most economical for ratepayers.

ICNU proposes changes to the RFP that will open it to broader bidder participation in order to better ensure the purpose of this RFP – to acquire the most economical RPS resources available – is fulfilled. Without modifications, ICNU is concerned that the RFP will be biased in favor of PGE's benchmark resources and will not deliver the least-cost resources the Company has promised.

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II. COMMENTS

As drafted, the RFP contains a number of unnecessary conditions that will reduce the competitiveness of the RFP by unjustifiably limiting the pool of eligible bidders. This is incompatible with the RFP's purpose to acquire RPS-eligible resources earlier than necessary under the assumption that near-term acquisition will provide a more economical long-term RPS compliance path. PGE should impose as few restrictions as possible on bidders, so as to encourage maximum competition during the process and, consequently, least-cost resource acquisition.

1. PGE's delivery deadline should be extended to December 31, 2023 and its transmission interconnection requirements should be relaxed.

PGE's draft RFP requires that resources be delivered to PGE by December 31, 2021. Although the Company does not specifically identify the reason for this deadline, it appears to be tied to the expected end-date of the ITC, which phases out at the end of 2021, and the year in which PGE will have a remaining energy and capacity deficit. The Company also identifies a "preferred" deadline of no later than December 31, 2020.[1/] ICNU recommends that the RFP's 2021 deadline be extended to 2023 and its "preferred" deadline be eliminated.

First, while the ITC begins to phase out after 2021, safe harbors exist to allow capture of the full 30% credit. To qualify for the ITC, a solar developer must have "begun construction" by December 31, 2019, with an in-service date of no later than December 31, 2023 to qualify for a 30% tax credit.[2/] Consequently, PGE's required in-service date may eliminate bids that could still capture the full ITC and, therefore, potentially be the most economical

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1/ Draft RFP 6.1.2. ICNU is also unsure how PGE intends to account for this "preferred" delivery date during scoring.

2/ 26 USC § 48(a)(6)(A-B).

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resources for customers. PacifiCorp's recent RFP for solar resources demonstrates that these resources can compete, and potentially out-compete, wind resources that capture the full PTC. Thus, a 2021 deadline is unnecessarily restrictive and not in the best interests of customers.

Second, the resources PGE seeks in this RFP are now unnecessary to meet an energy need in 2021 and will contribute only modestly to its open capacity position. According to PGE, procuring the full 100 MWa would reduce the Company's current 112 MW capacity need by 39 MW, and leave it 96 MWa long in energy.[3/] The products the Company seeks in this RFP, therefore, are not necessary to meet the Company's reliability obligations in 2021. Ensuring the most economical outcome for customers should be a higher priority than filling a residual capacity and energy need in this RFP.

Third, PGE does not identify what it means by a "preferred" online date of December 31, 2020. Will bids with this online date receive higher scores, and if so, how much higher and on what basis? ICNU is concerned that this will inject uncertainty for bidders into the RFP process and inhibit a transparent scoring process that will result in controversy over the outcome.

By pushing back PGE's delivery deadline, other changes to the RFP may also be appropriate to align with this new timeline which will further broaden the pool of eligible bidders. For instance, as drafted, the RFP requires that bidders have executed system impact studies agreements prior to bid submittal, and a completed interconnection study agreement prior to placement on the final shortlist.[4/] These requirements might make sense if procurement is

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3/ See PGE's 2018 RFP Renewable Resources Informational Filing at 2, Table 1 (March 28, 2018). In contrast, PGE's recently announced deal with the Bonneville Power Administration will deliver up to 200 MW of capacity. https://www.portlandgeneral.com/our-company/news-room/news-releases/2018/03-07-2018-new-agreements-will-deliver-clean-bpa-power.

4/ Draft RFP 6.2.7.

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necessary immediately, but they may be unnecessary if bidders have several years to arrange for transmission.

2. PGE Should Allow Assignment of its Transmission Rights.

PGE's draft RFP does not allow bids that propose assignment of PGE's transmission rights.[5/] The Company offers no rationale for this restriction, which will limit the number of competitive bids PGE receives, particularly since the Company has prohibited any bid that requires interconnection to the PacifiCorp West control area. It is essential that PGE allow assignment of its transmission. Without this modification, the draft RFP will fail to create conditions for fair competitive bidding, and ratepayers may not realize the benefits that PGE has promised them.

It is an "accepted principle[]" of ratemaking that "he who bears the financial burden of particular utility activity should also reap the benefit resulting therefrom."[6/] PGE customers pay for the Company's transmission rights and, consequently, these rights should be used to their benefit, not solely to favor the Company's benchmark resource. Prohibiting bidders from accessing this idle transmission ensures that the RFP will be less competitive. If PGE allows assignment of rights, more bidders will participate, bids might be more economical, and customers are more likely to benefit from transmission rights they are already paying for.

5/ Draft RFP 6.1.6.

6/ Democratic Central Comm. of Dist. of Columbia v. Wash. Metropolitan Area Trans. Comm'n, 485 F.2d 786, 806 (D.C. Cir. 1978). See also, In the Matter of Idaho Power Company Application Requesting Approval of the Locust Grove Substation Property Sale to Ada County Highway District, Docket UP 272, Order No. 11-135 (April 26, 2011); Re Pac. Power & Light Co., Docket UF 2782, Order No. 70-664, 86 P.U.R.3d 417 (Oct. 5, 1970).

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3. PGE's RFP should be modified to more accurately assess project costs and benefits.

ICNU sees several related flaws in PGE's RFP, all linked to assumptions the Company makes about characteristics of bids and resources. These assumptions will reduce the accuracy of the Company's assessment and may advantage utility-owned projects.

a. PGE's non-price evaluation of extension options is unclear and potentially prejudicial.

First, PGE's proposal includes a non-price factor allowing the Company to consider "extension options" for projects. This factor is insufficiently clear and may bias the RFP in favor of utility-owned resources. An objective assessment of terminal value is entirely possible. For example, PacifiCorp's most recent RFP assigned all projects an assumed "terminal value," which at least transparently identified this scoring criterion.[7/] This should not be taken as ICNU's support for assigning ownership options a terminal value, but if this factor is not eliminated, it should at least be converted to a price factor that gives objective scores to continued ownership and an option to renew a PPA.

b. PGE's proposed addition of a "fill resource" to final short list bids may result in inaccurate evaluation of a bid's economics.

During assessment of the final shortlist, PGE proposes to apply a "fill resource" to bids that offer less than its target 100 MWa. PGE states that this is necessary to "ensure[] the portfolio incorporates the total cost necessary to meet the long-term renewable target."[8/] But PGE does not have a need for 100 MWa of RPS resources, nor did the Commission acknowledge such a rigid need. Rather, it stated that "our acknowledgement here is not an open-ended support of a RFP of a certain size resource" and that "much depends on the ultimate scoring and price of

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7/ <u>See</u> Docket UM 1845, Independent Evaluator's Report at 32.

8/ Draft RFP at 32.

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proposals bid into the RFP."[9] ICNU understands that PGE "fills" a resource by incorporating its generic assumptions in the IRP. To the extent these are inaccurate, they will in turn reduce the accuracy of portfolio assessment, and could potentially inflate (or deflate) the cost of bids. If PGE procures new renewable resources through this RFP, the Company will not need to "fill" any gaps once they come online. Rather, if PGE acquires anything it should be the most cost-effective resources, regardless of their size, as the Commission required.

c. PGE should assess NPVRR over a 20-year period.

PGE plans to assess the net present value of revenue requirement ("NPVRR") for a 32-year period, 2018-2050. This will unnecessarily advantage utility-owned resources by levelizing their costs over a longer period and will identify far more speculative benefits since they will rely on forecasts over the very long term. PGE should assess the NPVRR of these bids on a 20-year basis, equal to the minimum bid term contained in the RFP or, at a minimum, present a sensitivity analysis that evaluates resources over 20 years.

4. PGE should allow QF developers to bid current projects into this RFP.

For no clear reason, PGE proposes to prohibit developers who have executed, or are negotiating, a contract for a qualifying facility ("QF") for bidding that facility into this RFP. A bidder may withdraw from the Schedule 202 process in order to participate in the RFP, but if that bidder is unsuccessful, then presumably it must begin the Schedule 202 negotiation process anew. This is likely a significant deterrent to any bidder that is in the process of negotiating a Schedule 202 contract.

Again, PGE offers no rationale for this restriction. It could be advantageous for ratepayers if PGE interconnects a facility through the RFP, instead of through Schedule 202, and

9/ LC 66, Order 18-044 at 6.

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there is no apparent harm to the Company against which this limitation protects. As with other RFP provisions, this limitation only restricts the field of potential bidders, which lessens the likelihood that ratepayers will benefit from the least-cost resources available.

III. CONCLUSION

PGE's RFP needs to be modified to ensure that it is fair to all bidders and delivers the best possible resources for ratepayers. This is primarily an economic procurement, so the sole focus if the RFP's requirements should be fomenting competition, ensuring a level playing field, and allowing for accurate scoring.

Dated this 30th day of March, 2018.

Respectfully submitted,

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