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April 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 Alliance of Western Energy Consumers on the Staff Report issued in the above-referenced docket on April 23, 2018.

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 OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS ON STAFF REPORT

I. INTRODUCTION

Pursuant to the Public Utility Commission of Oregon ("OPUC" or the "Commission") Administrative Law Judge's Prehearing Conference Memorandum issued March 15, 2018, the Alliance of Western Energy Consumers ("AWEC") files these Comments on the Staff Report issued on April 23, 2018.

AWEC appreciates the changes Portland General Electric Company ("PGE" or the "Company") has made to its request for proposals ("RFP") and the clarifications it provided in reply comments. These changes and clarifications address some of AWEC's concerns raised in its initial comments. While AWEC continues to have concerns with how requirements and conditions related to transmission rights and access could impact the ability of bidders to participate and how participating bids will be evaluated, it does not pursue those issues in these comments. AWEC does, however, continue to have two additional concerns with the RFP that have not been addressed satisfactorily and may threaten the openness, transparency, and fairness of the RFP. First, neither PGE's reply comments nor the Staff Report adequately explain the

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rationale for PGE's requested commercial online date ("COD"). Second, PGE has not adequately addressed AWEC's concerns with how resources will be compared.

II. COMMENTS

A. PGE should extend its required COD and eliminate is "preferred" COD.

In AWEC's initial comments, it noted that the RFP requires a COD of no later than 2021, and a "preferred" online date of no later than 2020. AWEC noted that some renewable resources could be eligible for safe harbor provisions that would allow capture of the full investment tax credit ("ITC") in 2023. AWEC further noted that PGE's RFP did not explain how its "preferred" online date would factor into its scoring of the bids. Accordingly, AWEC recommended that the RFP's online date be extended to 2023 and its "preferred" online date be eliminated.[1/]

1. <u>A 2023 commercial online date will still enable capture of the full ITC and expand bidder participation, to the benefit of customers</u>.

In response to AWEC's comments, PGE stated that it "is unwilling to delay its required COD and possibly forgo low cost opportunities prepared to deliver in 2021 or earlier."[2/] Staff sides with PGE, stating that "an extension of this deadline to the last possible COD could enable a winning bid from a 2018 RFP with a COD of 2022, the benefits of which don't appear to Staff to justify the costs."[3/]

To be clear, AWEC is not suggesting that PGE should forego opportunities that would come online in 2020 or 2021. Rather, AWEC is recommending that PGE compare the

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[1/] ICNU Opening Comments at 2-3.
[2/] PGE Reply Comments at 22.
[3/] Staff Report at 15. The IE did not address this issue in its comments.

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costs and benefits of resources that can deliver in 2020 or 2021 with those that can deliver as late as 2023. If resources that can deliver in 2023 provide greater net benefits to customers than those that can deliver in 2020 or 2021(including potential benefits from deferring capital investments), then PGE should be aware of those.

AWEC's recommendation is consistent with the Commission's acknowledgement of the Company's RPS Action Plan and the purpose of the RFP. The Company's revised Action Plan was predicated on the ability to identify low-cost opportunities to meet long-term RPS compliance obligations while also contributing to the Company's energy and capacity needs. As the Company's March 27, 2018 compliance filing in LC 66 shows, however, it no longer has a meaningful energy need, and the resources it seeks will not contribute materially to its remaining capacity need.[4/] Thus, the only remaining justification for this RFP is to identify low-cost RPS compliance resources. The RFP specifically states that "PGE has expedited the RFP to enable capture of federal renewable tax credits including the PTC and ITC …. Preference will be given to RFP resources and bids that offer the ability to *maximize cost savings to customers*."[5/] That is precisely what AWEC is proposing here – the point is to expand eligibility and, therefore, bidder participation to secure the best resources for customers.

There is little doubt that some solar resources that come online by the end of 2023 will be eligible for the full ITC. Section 48 of the Internal Revenue Code ("IRC") provides the 30% ITC for solar resources if construction begins before January 1, 2020 and they are "placed in service before January 1, 2024."[6/] This means that a facility could begin construction in

[4/] LC 66, PGE Compliance Filing at 1-2 (Mar. 27, 2018).
[5/] PGE Final Draft RFP at 13 (emphasis added).
[6/] IRC §§ 48(a)(2)(A)(i)(II), 48(a)(3)(A)(i), 48(a)(6)(A)-(B).

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December 2019 and come online as late as December of 2023 and still be eligible for the full ITC. Thus, AWEC's 2023 online date would expand eligibility to more bidders, while still allowing for capture of the tax credits PGE seeks in this RFP.

Moreover, it should not be problematic for PGE to compare resources with different online dates. Puget Sound Energy ("Puget") has filed a draft RFP with the Washington Utilities and Transportation Commission that seeks renewable resources with a COD at the end of 2022.[7/] Puget identified that deadline because it will have a substantial need for renewable energy credits beginning in 2023.[8/] It also, however, stated that it "is willing to consider earlier start dates to capture the higher value of renewable energy tax incentives associated with earlier commercial online dates. *[Puget] will evaluate the tradeoff between the cost benefit associated with the higher tax incentives versus the carrying cost of acquiring the resource ahead of need*."[9/] In this case, PGE has no equivalent need for RECs (or for the energy and capacity from these resources) in 2022 (or 2020 or 2021 for that matter), so AWEC has proposed a 2023 deadline to recognize the safe harbor option under the ITC. There is no apparent reason why PGE cannot perform a cost-benefit analysis of earlier vs. later online dates similar to what Puget proposes.

2. PGE should eliminate or clearly explain its preference for a 2020 COD.

PGE has provided no explanation, either in its RFP or Reply Comments, of why it has a "preferred" online date of 2020 and what the preference means for bid scoring purposes.

7/ WUTC Docket No. UE-180271, Puget Draft RFP (March 29, 2018).
8/ Id. at 3.
9/ Id. (emphasis added).

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Staff also does not address this issue. AWEC continues to have concerns with this criterion and believes PGE should be required at least to explain what it means and why it is there.

A portion of Table 1 on page 13 of the Draft RFP is excerpted below:

Online/Contract Start Date	
<u>Preferred</u> – No later than	No later than
Dec 31, 2020	Dec 31, 2021
Dec 31, 2020	Dec 31, 2021

As far as AWEC can tell, this is the only place in the entire RFP that identifies PGE's "preferred" online date, and this reference provides no information whatsoever as to what the significance of this preference is with regard to how PGE will evaluate and score the bids, or why it is even there. This undermines the transparency of the RFP up front, and has the potential to compromise the fairness of the bidding process.

As discussed above, there may be least-cost resources that can meet a 2023 online date, so AWEC sees no rationale for enforcing a preferred online date from a customer benefits perspective, nor is it apparent why 2020 would be the preferred date rather than some other date that still allows capture of the sought for tax credits. At a minimum, PGE must explain the rationale for and significance of its preference here.

B. PGE should not use a generic fill for resource bids below 100 aMW.

In its opening comments, AWEC noted that the RFP proposes to apply a "fill resource" to bids that offer less than the target 100 aMW.[10/] AWEC argued that this was unnecessary because this target amount is not an identification of need, but merely an amount the

[10/] ICNU Opening Comments at 5 (citing PGE Draft RFP at 32).

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Commission identified at the time of the IRP as reasonably balancing short-term needs with long-term compliance obligations. Thus, the Commission was careful to state that its acknowledgement of the Company's revised RPS Action Plan "is not an open-ended support of a RFP of a certain size resource."[11/] AWEC also noted that using a generic fill resource could unfairly distort a bid's score because that score would be based at least in part on the characteristics of the generic fill rather than the characteristics of the bid itself.

PGE did not respond to this issue in its Reply Comments, although it did agree to provide a sensitivity analysis with regard to its planning horizon to account for resources with differing terms (as opposed to differing sizes), which also makes use of a generic fill resource.[12/] The Staff Report accepts PGE's proposed sensitivity analysis, but also does not address AWEC's concern related to resources of differing sizes.[13/] Staff does, however, state that it is "very concerned with the practice of generic fill, and believes at a minimum it should be much more transparently explained in the future."[14/]

AWEC continues to believe that adding generic fill to bids of less than 100 aMW has the potential to materially and unfairly impact a bid's score, and to no apparent benefit. For instance, evaluation of a bid for 50 aMW would include another 50 aMW with the characteristics of the generic fill resource, meaning that half of the bid's score would not be representative of the bid itself. Particularly in an instance when the point of the RFP is to take advantage of an economic opportunity rather than to meet a need, bids should be evaluated exclusively on their

11/ Docket No. LC 66, Order 18-044 at 6 (Feb. 2, 2018)
12/ PGE Reply Comments at 21.
13/ Staff Report at 13-14.
14/ Id. at 14.

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own characteristics to ensure the most economical options are selected for customers. If this means PGE selects a bit more or less than 100 aMW, that is less important than ensuring it selected the best bids. At a minimum, PGE should be required to perform a sensitivity analysis similar to its planning horizon sensitivity that eliminates the generic fill from bids for less than 100 aMW.

III. CONCLUSION

For the foregoing reasons, AWEC requests that, at a minimum, the Commission require PGE to implement the following changes in addition to those it has already agreed to: (1) extend the required COD to 2023 and either eliminate or adequately explain the rational for and significance of a 2020 "preferred" COD; and (2) require PGE to evaluate bids of less than 100 aMW without using a "generic fill" resource.

Dated this 30th day of April, 2018.

Respectfully submitted,

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