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**Loretta I. Mabinton**  
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November 29, 2018

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street, Ste. 100  
P.O. Box 1088  
Salem, OR 97301-1088

**Re: UM 1934 – Reply Comments to Staff Report on Request for Acknowledgment of the Final Shortlist of Bidders in Portland General Electric Company’s 2018 Request for Proposals for Renewable Resources**

Attention Filing Center:

Portland General Electric Company (PGE) submits the enclosed comments in response to the Public Utility Commission of Oregon Staff’s Report on PGE’s Request for Acknowledgment of Final Shortlist of Bidders in 2018 Request for Proposals for Renewable Resources.

Please direct any questions regarding this filing to Jimmy Lindsay at: [jimmy.lindsay@pgn.com](mailto:jimmy.lindsay@pgn.com) or at (503) 464-8311.

Sincerely,

A handwritten signature in black ink that reads "Loretta I. Mabinton". The signature is written in a cursive style and is positioned above a horizontal line.

Loretta I. Mabinton  
Associate General Counsel

LM: sj

Enclosures

**UM 1934 – PGE’s Reply Comments to Staff Report**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1934**

In the Matter of

**PORTLAND GENERAL ELECTRIC  
COMPANY**

2018 Request for Proposals for Renewable  
Resources.

**REPLY COMMENTS OF  
PORTLAND GENERAL  
ELECTRIC COMPANY TO  
PUBLIC UTILITY  
COMMISSION OF OREGON  
STAFF'S REPORT**

**I. INTRODUCTION**

Portland General Electric Company (“PGE”) submits these comments in response to the November 21, 2018 Public Utility Commission of Oregon (“Commission”) Staff’s Report (“Report”), and in support of PGE’s Request for Acknowledgment of the Final Short List of Bidders (“Request”) in the 2018 Request for Proposals for Renewable Energy Resources (“RFP”). A majority of parties in this proceeding, including Commission Staff (“Staff”), Oregon Citizens’ Utility Board (“CUB”), Renewable Northwest (“RNW”), Northwest and Intermountain Power Producers Coalition (“NIPPC”), and NW Energy Coalition (“NWEC”), recommend acknowledgment of PGE’s final shortlist.<sup>1</sup> PGE appreciates that the vast majority of the parties in this Docket recommend acknowledgment of the final shortlist. These recommendations, in part, recognize that PGE has conducted a fair, transparent and Commission’s Competitive

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<sup>1</sup> See Report at page 1, October 25, 2018 Comments of the Oregon Citizens Utility Board at page 1, NIPPC Initial Comments at page 1, Renewable Northwest Comments on Final Short List at page 1, and NW Energy Coalition Comments at page 1.

Bidding Guidelines (“Guidelines”) compliant procurement solicitation resulting in a final shortlist of least cost, least risk, clean, affordable and reliable renewable resources for customers.

PGE’s solicitation was fair, transparent, competitive, and complied with the Guidelines.<sup>2</sup> The RFP scoring methodology, minimum requirements, and process were reviewed by parties in this proceeding during the RFP design phase. PGE incorporated modifications and guidance by the Commission, Staff, and other parties into the Final RFP design<sup>3</sup> which was approved by the Commission in Order No. 18-171.<sup>4</sup> The solicitation and bid evaluation were conducted in conformance with the approved RFP design and the Commission’s Guidelines. The solicitation and bid evaluation were conducted in conformance with the approved RFP design and the Guidelines.

PGE appreciates the hard work of Staff, the Independent Evaluator (“IE”) and stakeholders in this proceeding, and the cooperation extended by all as we strived to meet a tight timeline in our efforts to acquire least cost, least risk resources for customers taking full advantage of expiring federal tax credits.<sup>5</sup> Securing cost-effective renewable resources, like those on the final shortlist, are essential to meeting PGE’s and the State’s goals to decarbonize the economy in an affordable manner for customers. PGE’s final shortlist results include affordable renewable energy supply options for PGE’s customers.

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<sup>2</sup> See Bates White Final Closing Report (“IE Report”). Other parties agree that PGE conducted this RFP as designed and in accordance with the Guidelines. For example, Staff states that its recommendation for Commission acknowledgement of the final shortlist relies in part on “1. The IE believes this RFP has been both fair and transparent; 2. PGE followed the procedures approved by the Commission in Order No. 18-171.” The Report at page 5. Also, NIPCC states that “PGE, with the Commission’s oversight and approval, designed and managed the RFP. The IE concludes that the RFP was fairly run, based on these parameters.” NIPCC Initial Comments at page 9.

<sup>3</sup> See Portland General Electric Company Request for Proposals – Final Draft, May 17, 2018.

<sup>4</sup> Order No. 18-171 entered on May 21, 2018 – Request for Proposals Approved with Modifications and Guidance, page 4.

<sup>5</sup> Production Tax Credits (“PTCs”) and Investment Tax Credits (“ITCs”).

## II. REPLY

In these reply comments, PGE addresses the handful of issues raised in the Report.

### 1. The Final Shortlist Offers Competitively Priced Offers for PGE's Customers

PGE's final shortlist offers competitive, low-cost renewable resources for the benefit of PGE's customers. As Staff recognized in the Report, the bids on the final shortlist provide competitive market prices.<sup>6</sup> PGE agrees with Staff's conclusion. The prices received in the solicitation are significantly lower than was forecasted in the 2016 IRP and 2016 IRP Update, offering additional savings for customers than was estimated in those studies. Indeed, the IE Report found that all offers on the final shortlist are forecasted to deliver net benefits to customers and originated from a reasonably competitive process.<sup>7</sup>

Staff agrees that offers on the final shortlist are competitively priced, however, Staff suggests that the receipt of more RFP compliant bids would have provided Staff with increased confidence "that ratepayers are receiving competitive market prices".<sup>8</sup> Notwithstanding that internal inconsistency in Staff's position, PGE agrees that as a general matter, the greater the number of offers received in any solicitation, the more competitive that solicitation is likely to be. This solicitation received a significant number of bids.

PGE's solicitation was designed, in part, to capture the benefits of expiring federal tax credits. The Internal Revenue Service's (IRS) PTC safe harbor standards

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<sup>6</sup> Report at page 5.

<sup>7</sup> IE Report at pages 2, 32.

<sup>8</sup> Report at page 5.

require that for any wind project to qualify for the 100% PTC, the project owner must have made a significant investment in its project or taken material actions in physical project development by the end of calendar year 2016. Given this safe harbor requirement, prospective bidders who had not made a safe harbor investment in 2016 may have chosen to not participate in PGE's solicitation. Given this requirement, prospective bidders who had not made a safe harbor investment in 2016 or taken material actions in the project physical development may have chosen to not participate in PGE's solicitation.

As recognized by Staff, regional transmission constraints outside of PGE's control, play a significant role in the wholesale energy market in the region. As is widely recognized, Bonneville Power Administration's regional transmission system is constrained, and available transmission capacity inventory limits the ability of market participants to quickly procure transmission capacity. To secure incremental transmission rights, a market participant is required to make a financial commitment in order to participate in a completed transmission study process, execute a deferred transmission contract, or purchase transmission rights from a third-party. Alternatively, market participants could participate in a new BPA transmission study process, however the timeliness of BPA's transmission study process and the deadlines associated with the PTC were not in alignment for this RFP.

Even with the expiring PTC and constrained transmission discussed above, PGE received twenty-six (26) bids in response to this solicitation and has a final shortlist representing highly competitive, RFP compliant offers that are forecasted to deliver significant net costs reductions for customers.

Staff expressed a concern that the value of the competitive process was limited because non-compliant bids and bids with inferior price and non-price performance were eliminated from the shortlist.<sup>9</sup> PGE evaluated all bids consistent with the approved RFP requirements and methodology. Excluding inferior bids and non-compliant bids from the final short-list was a necessary feature of the RFP and the only way to provide the Commission with a final shortlist that contained the lowest-cost, lowest-risk offers.<sup>10</sup>

Given this solicitation’s target of capturing expiring federal tax credits, PGE is pleased with the number of bids received and the identification of several competitively priced, RFP compliant offers.

**2. Import of Commission Acknowledgment**

PGE agrees with Staff that the Commission’s acknowledgment of the final shortlist is an “important step toward rate recovery.”<sup>12</sup> Commission acknowledgment is a determination of the reasonableness of the final shortlist. PGE understands that Commission acknowledgment is not a determination of the prudence of the procurement volume decision.

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<sup>9</sup> Report at page 5.

<sup>10</sup> Additionally, Staff indicates that **[Begin Confidential]**

[REDACTED]

**[End Confidential]**

<sup>12</sup> Report at page 9.

**3. PGE’s RFP Process Was Consistent with the Approved RFP Design**

Staff states that “PGE followed the procedures approved by the Commission in Order No. 18-171.”<sup>13</sup> However, Staff applies hindsight when stating that PGE fell short of including at least 150 percent of the target procurement level from non-benchmark resources on the initial shortlist due to subsequent RFP non-compliance findings. The initial shortlist was determined in accordance with the Commission’s guidance in Order No -18171. The initial shortlist contained approximately 320 MWa, well above the minimum of 150 MWa as required in the approved RFP. The IE Report was in agreement that “[the initial shortlist] provided for six projects, more than enough to meet the supply targets, a diversity of technology and transaction types, and the top bids were selected based on the established RFP scoring system.”<sup>14</sup>

The initial shortlist included bids meeting initial threshold requirements and passing the cost-containment screen. As designed, these bids were still subject to additional threshold requirements analysis to properly evaluate project cost and risk, which led to not all bids making the final shortlist.

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<sup>13</sup> Staff Report at page 5.

<sup>14</sup> IE Report at page 17.

4. **Remaining Points of Disagreement Appear Resolved**

A. **Scope of Final Shortlist Analysis**

PGE relied on seven criteria to deliver a final shortlist providing least cost and least risk resources for customers. PGE and Staff had some initial misunderstanding regarding these criteria required to move a bid from the initial shortlist to the final shortlist. However, the Report appears to reconcile any remaining issues. For clarity, PGE restates PGE reasserts that the eleven (11) bids on the initial shortlist were subject to an additional seven criteria, as defined in the Commission approved 2018 RFP design, in order to determine the final shortlist. PGE uniformly applied all seven criteria to the eleven bids. The Report notes that the “final shortlist prequalification assessment” eliminated five (5) bids but fails to note that the six (6) remaining bids passed the scrutiny of all remaining criteria.

B. **Future Methodology Recommendations to be Considered in 2019 IRP**

Staff includes suggestions regarding preferred methodologies to be used in subsequent solicitations. Specifically, Staff recommends that load forecast sensitivities be included in future assessments and that those sensitivities account for effects on portfolio capacity value. Staff recommends that PGE revisit its risk metrics for applications in future RFPs and IRPs. PGE welcomes and appreciates this feedback. PGE looks forward to continuing to identify best methodological practices in the 2019 IRP.



**5. Mischaracterizations in the Report and Appendices**

The Commission approved RFP followed the Guidelines when measuring a project's competitiveness. PGE agrees with the statement in the Report that “the final short list represents competitive market prices.” Consistent with Guideline 9, Bid Numbers #2 and #15 were [Begin Confidential] [REDACTED] [End Confidential], respectively, from a total cost/benefit analysis on the initial shortlist, which reaffirms the conclusion that the final shortlist presented competitive resources. However, the Report misleadingly refers to Bid Numbers #2 and #15 rankings [Begin Confidential] [REDACTED] [REDACTED] [End Confidential] by only referencing project costs. To be in alignment with the Guidelines and provide a clearer understanding of how the two bids performed, the project costs must be evaluated against project benefits.

PGE identified some inaccuracies in Table 1 and Table 2 of the Report. PGE discussed the corrections in Appendix A with Staff and they agreed with the corrections. See attached Appendix A for the corrected tables. In addition, Staff notes in the Report that there is an inconsistency regarding PGE’s ranking of portfolios F-14 and F-3. However, both Tables 3 & 4 in PGE's Request for Acknowledgment of the Final Short List (and the Errata filings on October 12 and October 15 respectively) present the rankings of portfolio F-14 ahead of F-3.

**IV. COMPLIANCE WITH GUIDELINES**

Under the Guidelines each RFP must demonstrate that it can satisfy the Guidelines before receiving approval and, to receive Commission acknowledgment of the final shortlist,

demonstrate that the solicitation complied with the Guidelines.<sup>15</sup> As shown in PGE’s Request for Acknowledgment of the Final Shortlist<sup>16</sup>, this solicitation complied with the Guidelines.

Guideline 13 requires utilities to request acknowledgment of an RFP final shortlist, and to explain how the final shortlist is consistent with the utilities most recently acknowledged IRP Action Plan. Commission acknowledgment is a determination that a final shortlist “seems reasonable, based on the information provided to the Commission at that time.”<sup>17</sup>

As required by Guideline 13, PGE seeks acknowledgment of the 2018 RFP final shortlist. The resources on the final shortlist are consistent with PGE’s 2016 Integrated Resource Plan (IRP) Revised Renewable Action Plan, acknowledged by Commission Order No. 18-044, and will qualify for federal wind PTCs and achieve commercial operation by December 31, 2020.

## V. CONCLUSION

The Commission’s acknowledgment of PGE’s final shortlist delivers long term value for customers, furthers PGE’s compliance with SB 1547 and continues PGE’s progress toward meeting its goal to reduce greenhouse gas emissions by more than 80% by 2050. The 2018 RFP had significant participation,<sup>18</sup> and provided PGE a competitive selection of resources for customers. The resources on the final shortlist are forecasted to provide net customer benefits.<sup>19</sup> The final shortlist represents the least-cost, least risk resources to implement the 2016 IRP Revised Renewable Action Plan.

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<sup>15</sup> *Id.*, Appendix A at 2 (requiring Commission approval of an RFP); *see also id.* At 5 (requiring the utility to request that the Commission acknowledge a shortlist after completion of an RFP).

<sup>16</sup> See Request at pages 34 to 40.

<sup>17</sup> Order No. 14-358, Appendix A at 17. Acknowledgment does provide a guarantee of favorable ratemaking treatment, and the Commission “does not become directly involved in bid evaluation and selection.” *Supra*

<sup>18</sup> The IE describes the RFP as “reasonably competitive”. See IE Report at page 1.

<sup>19</sup> IE Report at page 2.

PGE respectfully requests Commission acknowledgment of the 2018 RFP final shortlist by December 4, 2018 to enable PGE to timely finalize negotiations with final shortlist bidders and ensure capture of expiring federal tax credits for the benefit of PGE's customers.

DATED this 29th day of November, 2018.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Loretta I. Mabinton". The signature is written in a cursive style with a horizontal line underneath it.

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Appendix A

1) **Staff's Table 1 and Table 2**

Corrected information is emphasized.

[Begin Confidential]

**Confidential – Contains Protected Information Subject to General Protective Order No. 18-063**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

[Redacted]

[End Confidential]

[Begin Highly Confidential]

[Redacted]

**Highly Confidential – Contains Highly Protected Information Subject to Modified  
Protective Order No. 18-366**

[Redacted]

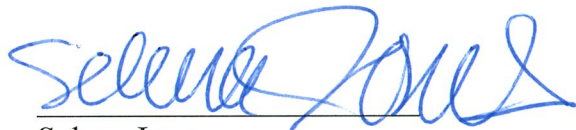
[End Highly Confidential]

**UM 1934 – PGE’s Reply Comments to Staff Report**

## CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of **REPLY COMMENTS TO STAFF REPORT REQUEST FOR ACKNOWLEDGEMENT OF THE FINAL SHORT LIST OF BIDDERS IN PORTLAND GENERAL ELECTRIC COMPANY'S (PGE) 2018 REQUEST FOR PROPOSALS FOR RENEWALBLE RESOURCES** was served on the following named persons on the date indicated below via electronic mail and/or US mail delivery to said persons whose email addresses appear on the attached OPUC service list for Docket Nos. LC 66, UE 335 and UM 1613 in compliance with OAR 860-001-0180.

Dated this 29<sup>th</sup> day of November, 2018



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