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February 14, 2013

Attention: Filing Center
Public Utility Commission of Oregon
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Re: *In the Matter of PORTLAND GENERAL ELECTRIC Request for Proposals for Capacity and Baseload Energy Resources*
PUC Docket No.: UM 1535
DOJ File No.: 860115-GB0390-12

Enclosed are an original and one copy of Addendum to the Final Report of the Independent Evaluator Filed on January 31, 2013. In the Addendum, the Independent Evaluator (IE) responds to three questions Staff asked prior to the issuance of the Final Report. Staff received the Addendum on February 13, 2013. Staff is filing the Addendum in accordance with its obligation to file the IE Reports. This filing is not intended to be Staff's response to the comments filed by Northwest Independent Power Producers on February 13, 2013.

Sincerely,

Stephanie S. Andrus
Senior Assistant Attorney General
Business Activities Section

Enclosures
SSA:jrs/#4004458
c: UM 1535 Service List (electronic copy only)

Portland General Electric Company's 2012 Capacity and Energy Power Supply Resources RFP

ADDENDUM TO THE FINAL REPORT OF THE INDEPENDENT EVALUATOR FILED JANUARY 31, 2013

On January 31, 2013, Accion Group, Inc., acting as the Independent Evaluator ("IE") for the referenced Request of Proposals ("RFP") filed a final report with the Oregon Public Utilities Commission ("Commission"). The Commission Staff posed three questions to the IE.

1. Is there a need for the resource(s)?
2. What is the need for the resource(s), e.g., type, size, and timing?
3. Does the final shortlist identify the resource(s) with the best combination of cost and risk?

The IE is pleased to further assist the Commission and provides the following response.

The IE was selected and retained after the system need was established pursuant to Portland General Electric Company's ("PGE") 2009 Integrated Resource Plan acknowledged by the Commission on November 23, 2010 ("IRP"), and updated, with no material changes, in 2011 and 2012. The IE was provided with copies of both the acknowledged 2009 IRP and the 2011 Update, as evidence of the prior review of system needs.¹

The IE accepted the acknowledged IRP as the basis for the products included in the RFP. As part of the review of the draft RFP documents and the evaluation modeling, the IE reviewed certain IRP inputs in order to determine whether the RFP was designed to meet the identified system needs. In particular, the IE conducted a cursory review of the fuel price forecast and the load forecast included in the IRP to determine that those inputs appeared to be reasonable and were an acceptable basis for defining system needs to be met from bids in the instant RFP.

The role and the activities of the IE are addressed in the IE's Final report and will not be presented in detail here. As noted below, the IE found that the portfolio selected as the final short list represent the best options presented to PGE by the market place.

¹ The IE did not participate in the development of the IRP or the update and instead relied on findings of the acknowledged IRP for certain elements, including the unit dispatch analysis.

While the primary role of the IE was to validate that the RFP would result in a set of resources that aligned with PGE's needs as identified in the IRP, we also considered whether the products sought in the RFP would still be able to meet PGE's needs as they have changed since the issuance of the IRP. With reference to the flexible capacity need, early in the RFP process, the IE reviewed the results of PGE's wind integration study to determine whether the size and timing of the previously identified flexible capacity need was still reasonable. The IE concluded that the identified need was still present. The IE also worked during the design of the RFP to encourage an inclusive set of eligible technologies to meet the flexible capacity need, including review of non-conventional technologies, such as battery bids and potentially some modified frame combustion turbines.

The IE recognizes that the unique requirements of the flexible capacity resource may have resulted in a limited number of eligible bids. However, the IE believes this does not constitute a flaw in the design of the RFP. Rather, the IE considers this to be a function of the actual needs of PGE. The IE believes that the RFP was fairly structured to meet these needs, and that the RFP did not include requirements that would arbitrarily eliminate competitive offers. Since a number of bids were received, representing a variety of products, the IE believes the flexible capacity RFP was properly conducted to maximize competitiveness given the constraints.

The IE looked to the IRP for the determination of baseload need for the PGE system. As noted above, the IE reviewed the load forecast determinations included in the IRP and found them to be reasonable. Based on the load forecast, the baseload capacity sought in the RFP was designed to meet the system need. Similarly, the IE applied the load forecast determinations when assessing the seasonal capacity need that was included in the RFP and, again, found the product definition to be consistent with the load forecast requirements.

The extent to which the baseload energy, seasonal capacity, and flexible capacity resource options from the RFP met the updated needs of PGE was further considered in the portfolio analysis. The IE worked with PGE to insure that the portfolio analysis incorporated the most up-to-date load and resource plans of the company. As part of the review of PGE's

portfolio analysis, the IE worked with PGE to develop enough combinations of bids to satisfy the IE that the original product types specified in the RFP were adequate to construct a portfolio of resources that economically met PGE's needs, including consideration of the changes to resources and loads that have occurred since the 2009 IRP and the 2011 Update. The IE considered several combinations that were not anticipated in the IRP process, including long energy combinations and unique combinations of battery and other capacity types. The total capacity selected, and the timing of selected bids, was also a consideration in the portfolio analysis. As noted in the IE's Final Report, the IE found the seasonal Bids to be uneconomic once the portfolio analysis was performed. See: IE Report at 37. While the final short list included seasonal bids, the IE Report recognizes that there should be some flexibility in the selection of seasonal bids partly because of decreased need in the short-term.

In conclusion, the IE responds to the Staff inquires as follows:

1. Q. Is there a need for the resource(s)?

A. The IE understands that the system need was determined as part of the IRP process. The IE believes that the RFP process and the evaluation methodology thoroughly considered the solutions presented by the market in meeting the need identified in the IRP. As noted above, the IE reviewed the fuel price and load forecasts included in the IRP when considering whether the instant RFP sought products that would meet the identified system needs. Prior to the receipt of bids, the IE agreed that if bids were received for all three types of product resources – baseload, seasonal and flexible capacity – PGE would have an array of options from which a portfolio could be fashioned to meet the identified system needs. After bids were received and evaluated the IE found that the portfolio represented by the final short list provided the optimal supply options available to PGE.

2. Q. What is the need for the resource(s), e.g., type, size, and timing?

A. The IE believes that PGE adequately considered changes to loads and resources in constructing the final short list, and fully considered system needs, including changes since the IRP, when applying the portfolio analysis to identify the optimal resource mix

from the options presented in the bids. The IE considered the accepted load forecast for the PGE system and the bids actually received and found that the final short list includes the best options available to PGE. While it would be possible to fashion a hypothetical, optimal supply portfolio that would never have excess capacity or rely on market power for shortages, the reality of system planning differs from the perfect world. Rather, the IE was limited to the actual supply options presented in the competitive solicitation process.² Before bids were received, the IE found that seeking 200 MW of flexible, year-round capacity, 200 MW of summer-only peaking capacity, 150 MW of winter-only peaking supply, and 300-500 MW of baseload, natural gas-fired capacity to be consistent with the acknowledge IRP needs and those needs did not change enough to justify redesigning the RFP categories. The IE found that the final short list selections provided a reasonable mix of products to meet the identified system need.

3. Q. Does the final shortlist identify the resource(s) with the best combination of cost and risk?

A. The IE believes that the types of resources selected and their timing represent an optimal plan forward in terms of cost and risk given the options provided in the Commission-approved RFP, and the responses provided by the market. The IE reviewed the final short list to confirm the identified bids conformed to the RFP requirements, and offered supply options that were most advantageous for PGE customers. This review incorporated both individual project assessments and a review of each short-listed bid in a portfolio analysis to understand its impact on total system costs.

² As noted in the IE's Final Report, the IE is unaware of any claim by a bidder that the RFP process was incomplete or biased.

CERTIFICATE OF SERVICE/SERVICE LIST

I hereby certify that on February 14, 2013, I served the foregoing Addendum to the Final Report of the Independent Evaluator Filed on January 31, 2013 upon the persons named on the service list, by electronic mail only as all parties have waived paper service.

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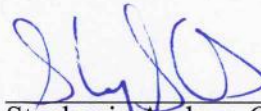
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