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June 7, 2011

Filing Center
Public Utility Commission of Oregon
550 Capitol Street, NE
Suite 215
Salem, Oregon 97308

Re: *In the Matter of Portland General Electric Company's 2011 Request for Proposals for Capacity Resources;*
Docket No. UM 1535

Dear Filing Center:

Pursuant to the procedural schedule in Docket No. UM 1535, the Independent Evaluator submitted its Assessment of Portland General Electric's Draft 2011 RFP for Capacity Power Supply Resources report to the Commission on June 3, 2011. A copy of the report should be included in the record in Docket No. UM 1535. A copy of that report is enclosed with this letter and I ask that the Independent Evaluator's Report be docketed in UM 1535.

Thank you for your attention.

Very truly yours,

Stephanie S. Andrus
Senior Assistant Attorney General
Of Counsel for Staff of the Public Utility
Commission of Oregon



Erik Colville, Senior Utility Analyst
Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, Oregon 97308
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June 3, 2011

Re: Accion Group's Independent Evaluator Assessment of PGE's Draft 2011 RFP

Dear Erik,

Please find attached Accion Group's Independent Evaluator Assessment of PGE's Draft 2011 RFP, which reviews the RFP for PGE's 2011 Capacity Power Supply Resources RFP. Accion Group's report analyzes RFP processes established, as well addresses the evaluation criteria methods and pro forma contracts included with the RFP. Our report also reviews the adequacy, accuracy, and completeness of all solicitation materials to ensure compliance with the OPUC's Competitive Bidding Guidelines and consistency with accepted industry standards and practices.

Accion Group will post our report to the PGE RFP website under the "Documents" page. Please do not hesitate to contact me if you have any questions.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Harold T. Judd", written in a cursive style.

Harold Judd

cc: Darrington Outama, PGE



**INDEPENDENT EVALUATOR ASSESSMENT OF
PORTLAND GENERAL ELECTRIC'S
DRAFT 2011 RFP FOR CAPACITY POWER
SUPPLY RESOURCES**

June 3, 2011

Submitted by:

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REPORT OF THE INDEPENDENT EVALUATOR
PGE 2011 Capacity Power Supply Resources RFP
Re: Final Draft RFP – June 3, 2011

I. EXECUTIVE SUMMARY

Accion Group, Inc. (“Accion Group” or “Accion”) was selected by the Oregon Public Utility Commission (“OPUC” or “Commission”) to serve as the Independent Evaluator (“IE”) for Portland General Electric’s (“PGE” or “Company”) 2011 RFPs. This report of the IE is for the Capacity Power Supply Resources (“2011 RFP”). On May 23, 2011, PGE filed a Final Draft RFP with the Commission. The Commission’s Competitive Bidding Guidelines require the IE to prepare an assessment of the Final Draft RFP. This report is Accion’s assessment of PGE’s Final Draft RFP.

For each energy solicitation where Accion Group serves as IE, our firm endeavors to ensure an unbiased procurement process. To this end, Accion Group is working closely with PGE during the RFP process to establish processes that prevent preferential treatment, as well as the appearance of bias. Accion also met with Commission Staff to review procedures and protocols prior to the meeting with stakeholders.

As specified in the Commission’s Competitive Bidding Guidelines, the assessment of PGE’s draft 2011 RFP must take into account the three criteria for RFP approval:

1. The alignment of the utility’s RFP with its acknowledged IRP
2. Whether the RFP satisfies the Commission’s competitive bidding guidelines
3. The overall fairness of the utility’s proposed bidding guidelines

The assessment of PGE’s draft 2011 RFP also addresses the evaluation criteria, methods, and pro forma contracts included with the RFP, and reviews the adequacy, accuracy, and completeness of all solicitation materials to ensure compliance with the OPUC’s Competitive Bidding Guidelines and consistency with accepted industry standards and practices.

The final draft of PGE’s 2011 RFP was filed with the Commission on May 23, 2011. Accion Group previously provided our preliminary comments on the 2011 draft RFP to Commission Staff, and PGE. Some concerns raised during the RFP drafting by stakeholders and the IE are addressed and discussed in this report; however, this initial assessment identifies areas that continue to be of concern regarding the RFP design, along with recommendations for further improvement of the RFP.

In conducting our review, Accion Group’s report addresses the adequacy of the RFP processes, bidder qualification requirements, compliance with the Commission’s guidelines, evaluation criteria, methods, and computer models, and the documentation the Company has prepared. As part of our review, Accion Group considered the comments received by bidders and stakeholders during the respective workshops, and reviewed the two written comments provided by interested parties via the PGE RFP website. Accion’s review also considered “lessons learned” in previous RFPs, particularly the previous RFP conducted by PGE, for which we served as IE.



As with our prior assessment of PGE's RFP design and materials, we based our review on the competitive bidding guidelines developed by the Commission, its competitive bidding goals, and the criteria for a fair and transparent RFP process adopted by the Federal Energy Regulatory Commission ("FERC"). The FERC standards are not controlling in this instance. However, they present a standard well recognized by the industry¹. In this RFP there are prospective bidders from beyond Oregon, and providing bidders with certainty as to the transparency of the process can only enhance the prospect for participation. Accordingly, Accion Group believes it appropriate to use the FERC standards as guidance as this provides the most comprehensive review, and incorporates the areas known to be of concern to prospective bidders and regulators.

Based on our review, within the Commission's competitive bidding guidelines and FERC's standards for a fair and transparent RFP process, Accion believes that this RFP is being conducted in a fair and unbiased manner. All prospective bidders are provided equal access to the same information at the same time, and we are unaware of any direct contact regarding the RFP between any bidder and PGE, except through the IE-controlled website (<http://portlandgeneralrfp.accionpower.com>) or during the pre-RFP workshops. Accion Group has monitored every aspect of the RFP process to date including, but not limited to, the preparation of the initial draft RFP documents. In summary:

- the RFP complies with the Commission's guidelines;
- the process is designed to be open and fair, permitting all bidders access to the same information at the same time;
- the IE advised bidders of the RFP, and bidders were invited and encouraged to participate in the draft RFP process;
- prospective bidders and other stakeholders were provided with draft RFP documents and the opportunity to request or recommend changes to these documents;
- the IE participated in pre-RFP workshops on May 11, 2011 and May 12, 2011, with bidders and interested parties permitted to participate in person or by telephone;
- the IE was provided open access to PGE personnel and evaluation modeling information upon request;
- the IE was engaged before the RFP documents were completed and released to bidders in final form, and provided sufficient time to review the RFP documents and processes;
- the RFP documents provide clear and complete product definitions;
- the RFP documents provide adequate disclosure of the evaluation process that will be employed;
- the proposed evaluation process, while not yet finalized, has been designed to provide the basis for the Company to appropriately and equitably evaluate all bids;
- the Company's proposed evaluation process adequately assesses the risks associated with various bids; and

¹ Because the instant RFP does not involve affiliate market based rate sales under Section 205 of the Federal Power Act, FERC review is not required. At the same time, the clear standards of conduct are recognized as setting a high standard for solicitations, and known to national marketers. We look to *Allegheny Energy Supply Company, LLC*, 108 FERC ¶ 61,082 (2004) and *Boston Edison Co. Re: Edgar Electric Energy Company*, 55 FERC ¶ 61,382 (1991) for guidance.

- as designed, the RFP process will ensure that all bids will be evaluated using the same standards and evaluation models and methodology.

As requested in PGE's IE RFP, Accion Group is providing a secure website for the 2011 RFP to provide information to bidders about the RFP, and as a platform for bids to be submitted. The RFP website captures and retains all documents, questions and answers, and bid related information. Additionally, all logons to the website, access dates, and emails sent are stored in logs that allow authorized administrators to generate reports tracking all activity on the website. Evaluation information will also be uploaded to the website for retention, should a future review by the Commission be required. PGE's RFP website provides a secure and efficient platform on which to conduct the RFP, while assuring that the 2011 RFP meets all Commission and FERC standards for a fair, transparent, and equitable solicitation process. For example, all registered website users are provided with the opportunity to pose anonymous questions, and bidders receive automatic email notices whenever documents are uploaded to the website, announcements are posted, or the calendar is updated. These notices provide all bidders with the same information at the same time with regard to the 2011 RFP, allowing real-time awareness of the RFP process.

To date, Accion Group believes that PGE has acted in good faith with all bidders, and created protocols and documents that will permit the RFP to be conducted in a fair and transparent manner.

II. BACKGROUND

Portland General Electric is an investor-owned electric utility located in Oregon, seeking to acquire resources new to the utility that will fill a dual function of providing capacity to maintain supply reliability during peak demand periods and other contingencies, while also providing needed flexibility to address variable load requirements and increasing levels of intermittent energy resources.² Due to the nature of the need, only physical energy products will be considered through the RFP for capacity power products. The included resource targets are:

- 200 MW of flexible, year-round capacity resources
- 200 MW of bi-seasonal (summer and winter), limited duration peaking supply
- 150 MW of winter-only peaking supply

As PGE states in its final draft RFP, the Company will not accept proposals where the seller passes on the environmental risks associated with coal-fired generation, consistent with PGE's acknowledged IRP preferred portfolio. PGE states in its final draft RFP that the list of technologies most likely to meet the Company's flexible capacity needs is not intended to limit participation, and the RFP states that bidders are encouraged to contact the IE via the RFP website to discuss other specific technologies that might serve PGE's need. To be considered in this RFP, technologies must have proven commercial viability. An announcement was posted on the RFP website on May 27, 2011, inviting those who are interested in submitting a bid using a technology other than those identified in the RFP to

² Final Draft RFP *Portland General Electric RFP Capacity Power Supply Resources* May 23, 2011

provide information about the technology via the website no later than June 10, 2011. As of the date of this report there have been no responses to this request. The announcement read:

Portland General Electric, know as PGE, believes the resources best able to meet their capacity requirements include: Simple Cycle Combustion Turbines, CCCT Duct Firing, Compressed Air with Simple Cycle Combustion Turbines, Hydro based generation with pond capability, Pumped Hydro Storage, or Reciprocating Engine. However, as part of this RFP PGE will consider bids from technologies other than those listed above. A bidder proposing to bid a technology other than one of the recognized technologies listed here is required to submit information about the technology using the comment page on this website no later than Friday, June 10, 2011. The submission will be received anonymously, unless the bidder chooses to provide identification. The submission must include a full description of the technology, identification of where the technology is presently in utility-scale commercial operation, and any other information that will permit PGE and the IE to determine the commercial viability of the technology. The bidder will be notified by the IE once the Company and IE have determined if the technology may be included in a bid in this RFP.

The RFP is being conducted in consultation with the OPUC and other participants in PGE's RFP public process and, as stated in our Executive Summary, in accordance with OPUC Order 06-446 (UM-1182), "Competitive Bidding Guidelines".

III. CONFIDENTIALITY

PGE established an evaluation team to receive and evaluate all bids. Each team member signed the Commission's Protective Order governing the RFP process and was been instructed to hold all RFP-related information as confidential, and to avoid any discussion of the RFP with persons outside of the Company. Additionally, PGE provided a Non-Disclosure Agreement to be executed by each bidder as part of the RFP documents, and committed to adhere to its terms.

Accion Group believes that PGE has established sufficient standards for the evaluation team so that unauthorized information will not be exchanged with any bidder. PGE should also be able to avoid the release of any bid information through the restrictions placed on access to bids, both in the electronic bid books and at the PGE offices.

Accion has had continuing discussions with PGE regarding the separation of the personnel who will be conducting evaluation of bids, and, thus, have access to all bid information, and the PGE personnel who will prepare and support any self-build proposal presented in this RFP. Accion appreciates that PGE is a small utility and as such will need to have shared services in discrete specific areas. At the same time, bidders should have confidence that information provided with bids will not be provided to the self-build team, and that all bids will be evaluated fairly.

To that end, Accion requested lists of who serves on the PGE evaluation team, and who serves on the self-build team, which PGE did on April 21, 2011. Additionally, the IE recommended posting



those lists on the RFP website so that all participants will know which company personnel are involved with either the evaluation team or the self-build team, so that there will be no inadvertent contact during the RFP process. PGE declined to adopt the recommendation. Accion believes PGE is unnecessarily exposing personnel to the risk of a bidder innocently contacting an employee who is participating in the RFP process.

As discussed below, Accion established protocols for receipt of self-build proposals to isolate that information from the evaluation team prior to being “locked down” by the IE. Accion has used those protocols with success many times and is confident that the procedures can deliver bid evaluation without bias in favor of any self-build proposals.

IV. BID SUBMISSION PROCEDURES

Bids are to be submitted to the website by the bid deadline (September 2, 2011 at 4:00 p.m.). Accion and PGE will establish what documents will also be required in hard copy and advise bidders when the final bid form is released on the website. A bid fee of \$10,000 is required to participate in the RFP. This bid fee allows for one base proposal in addition to two alternatives for the same bid fee. The alternatives may consist of a different bid size, contract term, in-service date, and/or pricing structure for the same resource. In addition, bidders will have the option of submitting up to three additional alternatives for a fee of \$1,000 per alternative. These bid fees are comparable to bid fees typically charged in RFPs of this type, and Accion Group does not believe that the fees will impair the ability of qualified bidders to participate in the RFP. The existence and amount of the bid fee was expressly noted in the printed materials used during the bidders workshop and discussed by both the IE and PGE during the workshop. No concern about the bid fee was raised by any participant, or in written comments on the website.

We believe PGE’s process provides bidders with reasonable flexibility. The ability to submit up to two alternatives with the base proposal for one bid fee should encourage a robust response from merchant suppliers. By accepting bids on the website, PGE provides bidders with the opportunity to edit bids up until the bid submission day and time. By requiring bidders to upload bids to the website, PGE will create an exact record of when each bid is submitted, thereby eliminating any question of compliance with the bid receipt standards.

We believe that PGE’s requirements for bids and procedures are reasonable and appropriate for this RFP.

V. ASSESSMENT OF PROCESS INTEGRITY ISSUES

As described in PGE’s acknowledged IRP, the Company is seeking to acquire new resources that will fill a dual function of providing capacity to maintain supply reliability during peak demand periods and other contingencies, while also providing needed flexibility to address variable load requirements and increasing level of intermittent energy resources. As such, the Company is seeking a target of 200



MW of flexible, year-round capacity resources; 200 MW of bi-seasonal, limited duration; and a target of 150 MW of winter-only peaking supply.

The RFP adequately describes the types of generation resources it seeks, and the types of transactions into which the Company is prepared to enter. With respect to the flexible product, PGE also provided specific information as to the expected operation of the flexible resource including annual hours of dispatch and average level of dispatch. Bidders have requested additional information including expected number of starts and typical intra-hour dispatch profile. While Accion and PGE agree that additional information should be provided, both parties are working to determine how much should be provided. With respect to the seasonal capacity products, Accion believes that additional information including the range of expected dispatch could be provided to bidders. This information is meaningful because PGE anticipates receiving bids with limits on the number of annual strikes available. While bids with unlimited strikes are most valuable, if a bidder provides a bid with limited strikes and substantially better pricing, it may deserve a higher score. PGE has expressed willingness to consider what additional information could be provided when it becomes available.

Additionally, the RFP describes and defines the terms and conditions PGE will entertain in negotiating any contract, and clearly states the size and length of contract terms that must be bid in order to meet the Company's criteria. Minimum bids for all three products sought are 25 MW, and bids must be in 25 MW blocks. The IE believes the minimum size will permit bidders with smaller resources a fair opportunity. Additionally, the IE believes this to be a reasonable standard, and it is consistent with RFP criteria we have seen in other, similar RFPs. Likewise, minimum bid terms of ten years (for year-round capacity) and five years (for bi-seasonal and winter-only peaking supply) are reasonable.

VI. DOCUMENT DEVELOPMENT

On May 23, 2011, PGE submitted its draft 2011 RFP to the Commission for approval. PGE's draft RFP documents describe in detail the capacity power supply resources being sought, the processes for conducting the RFP that the Company intends to use, and the methods that will be used to evaluate the bids received. The final draft RFP also sets out requirements that bidders must meet in order to be qualified to bid, including bidder technical qualifications and minimum creditworthiness standards. Additionally, the final draft RFP contains discussions of the RFP's proposed schedule and protocols for communicating with the Company. Logistical issues are outlined in the RFP, including the process by which bids are to be submitted, bid fees, and evaluation procedures. The RFP documents were developed over a number of months, with the IE participating in the review of the documents for nearly two months. All questions were available to PGE via the online website without the identity of inquirers being revealed. Furthermore, all registered users of the website could submit questions, regardless of whether they were prospective bidders or interested parties.

The original draft RFP was available for review by bidders when the PGE RFP website launched on April 21, 2011, and these draft RFP documents were reviewed by the IE before being posted to the website for bidders' consideration. Draft appendices to the original draft RFP, including the Asset Purchase Agreement, the Physical Capacity Purchase and Sale Agreement, the Capacity Exchange



Agreement, and the Confidentiality and Non-Disclosure Agreement, were posted to the website by May 5, 2011. As discussed in the website section of this report, bidders were able and encouraged to anonymously ask questions about the RFP documents via the website, and PGE provided a response to each question.

Bidders were invited to anonymously suggest changes to the draft RFP documents by providing red-lined changes to documents, with an explanation of the reasoning behind each suggested change. This process was provided to allow interested parties to identify specific provisions they believe should be modified. This comment process is distinct from the one available through the Commission in recognition that bidders may not be parties to the Commission docket, and to solicit suggestions for text changes, as opposed to policy or regulatory concerns.

PGE held two pre-RFP workshops on May 11, 2011 (for interested parties) and May 12, 2011 (for bidders). At both workshops, the terms and requirements of the RFP documents were discussed in detail, and all parties were invited to ask questions during the workshops, and to submit questions and comments through the website following the workshops. Workshop presentations, attendance lists, and a written record of all questions and answers from the workshops were posted to the PGE RFP website.

Accion Group reviewed the final draft RFP materials that PGE submitted to the Commission, and found the final draft RFP to be comprehensive and clear.³ PGE was receptive to suggestions for clarification of areas that could be confusing or misinterpreted by bidders, and accepting of suggestions on ways to make the RFP appealing to bidders. We also compared PGE's final draft RFP to other RFP documents, including PGE's previous RFP for which Accion Group served as Independent Evaluator, and found the 2011 final draft RFP to be consistent with the content in other, similar RFP documents. The RFP documents clearly and completely identify the products sought by PGE, the terms and conditions for participation in the RFP process, and the expected terms for any future contract for delivery of energy. Furthermore, Accion Group found that PGE was more open in its disclosures and in the provision of Company data than is usual in the industry. Appended to the RFP, PGE presented the pro forma contract and other pertinent information that bidders will need in order to prepare responsive bids.

Based on our review of the questions posted on the website and our participation in the RFP workshops, Accion Group believes that bidders are fully aware of the RFP process, and that there does not seem to be any confusion regarding the terms and conditions in the RFP documents. In the following sections, Accion Group discusses the pertinent attachments and appendices to the draft RFP.

VII. PRO FORMA CONTRACTS AND FORMS

Accion Group reviewed each of the pro forma contracts and all of the forms provided as part of the RFP. In summary, we found them to be consistent with industry standards, and to be without apparent bias towards or against any bidder, bid type or structure, while presenting reasonable specifications for the products and technologies that will be accepted for consideration. Moreover, the IE did not identify any bias in the documents that would favor a self-build option. The pro forma

³ PGE and Accion continue to consider additional credit support details that would be provided to all bidders.

documents and forms provide adequate detail of what is expected of bidders, and clearly identify PGE's expectations for a business arrangement to allow bidders to prepare a responsive bid.

PGE's RFP, PPA, and other contract drafts are supported by and incorporate attachments and appendices that disclose information to bidders that will be required to prepare a responsive bid. Taken as a whole, the information presented is adequate, clear, and within the norms of assumptions and requirements Accion has observed in other RFPs.

WHOLESALE POWER PURCHASE AND SALE AGREEMENT

PGE has provided as Appendix G to its final draft RFP a pro forma Capacity Exchange Wholesale Power Purchase and Sale Agreement ("PPA") that will serve as the basis on which certain transactions structures in this RFP will be executed. According to PGE, the PPA is similar to those that the Company has previously executed with power suppliers. While the Company intends to use the pro forma PPA as the contract to be executed with selected bidders, PGE recognizes that the PPA will need to be amended to accommodate corporate, operational, and financial issues unique to the bids it selects. It is worth noting that there have been no suggested changes to the PPA submitted on the web site, and the terms of the pro forma PPA were not questioned during the bidder workshop.

Accion Group has reviewed PGE's PPA and concluded that the PPA is comprehensive, addressing each of the terms and conditions normally covered in contracts of this type. The PPA can be used for each of the technologies that may be bid, and can be amended to meet the contract needs of bids with differing terms and risk profiles. Any redline changes to the PPA must be provided by bidders when the bid is submitted. No additional changes will be entertained after bid submittal and through the evaluation process. The IE will closely monitor the impact of PPA redlines on bid scoring. PGE has indicated that, as a general rule, it will attempt to preserve the terms and conditions set forth in the pro forma PPA, but that it is prepared to accommodate the legitimate needs of its counter-parties if the PPA amendments do not materially alter the value of the PPA. Because the prospect exists for a self-build proposal to be included in the final short list, we believe that it will be critical to the success of this RFP to assure bidders that the evaluation process will be closely monitored, including the Company's acceptance of bidder-requested changes to the PPA. After the final shortlist has been selected, the IE understands PGE's commitment to mean that if bidders change any significant component of their bid during negotiation, other bidders that also made the shortlist but were ranked lower may be reconsidered. Bidders should not expect that the negotiation process is an opportunity to materially change their bid. The IE recognizes that fairness during negotiations is a very important issue since they will not oversee the process after the final shortlist selection. The IE's final report will attempt to highlight particular areas of concern where new risks could be introduced or components that affect the price of the bid could be changed during negotiations.

PGE's PPA includes adequate provisions for the posting of security, consistent with the terms for security we have observed in similar PPAs. Several parties have requested that the magnitude of security requirements be provided to all bidders. Since the process for determining these requirements has been bidder specific for PGE in previous procurements, the information is not available. Accion has

encouraged PGE to consider a standardized mechanism for determining security requirements and making those requirements known to all bidders. PGE is currently considering whether or not to develop a standardized security requirement. The PPA also describes Force Majeure events, and the rights and responsibilities of the parties in the event of a Force Majeure; these are also consistent with industry practice. Typical of contracts of this type, the pro forma PPA delineates the responsibilities of the parties, and contains representations and warranties of the parties.

While noting that any final PPA will be modified to reflect project-specific requirements, Accion Group believes that the pro forma PPA is properly drafted and should be used as the basis for negotiating final contracts for service entered into as a result of this RFP.

ASSET PURCHASE AGREEMENT

PGE provided comprehensive asset purchase and sale agreement (“APSA”) terms, to be incorporated into any contract that will be executed if an asset transfer were to be part of a proposal. Accion Group finds this document to be of sufficient detail to advise prospective bidders of PGE’s proposed terms and conditions. However, the very nature of an APSA dictates that changes will likely be proposed by bidders, as each situation is unique.

Because of the unique nature of the sale of assets, our general review for sufficiency should not be misconstrued as an endorsement of these specific documents. As with the APSA in prior RFPs, we recognize that there are details that are governed by Oregon law, and we offer no opinion on the legal sufficiency of the APSA or other contracts. We believe the APSA provides a clear statement of the terms and conditions PGE would require before completing an acquisition. Additionally, we believe the document is consistent with terms and conditions that we are familiar with in other jurisdictions and with industry expectations.

From the draft RFP documents, a prospective bidder will know PGE’s positions on all expected terms for a purchase and sale before submitting a proposal. We believe that the APSA is reasonable and that bidders will be provided with reasonable opportunities to modify the terms to meet circumstances that will be unique to individual proposals.

TOLLING AGREEMENT

The pro forma Tolling Agreement as Appendix H of PGE’s final draft RFP incorporates terms and conditions necessary to provide the fuel tolling by PGE. It is appropriate to advise bidders of the terms expected by PGE, while recognizing that bidders may propose alterations. Once bids are received the IE will review all proposed fuel supply arrangements to ensure that each is evaluated properly before bids are ranked.

VIII. CREDIT REQUIREMENTS

PGE provided two sections within its final draft RFP where credit and bidder qualifications are specified, and where credit evaluation factors are detailed. Consistent with industry practice, PGE will assess bidders’ pre-qualifications by screening bids according to pre-established qualifying criteria,

including bidder qualifications and quality of credit. As stated in the final draft RFP, all transactions are contingent upon the bidder meeting and maintaining the credit requirements established by PGE's Credit Risk Management Department, as follows:

- Bidder's or bidder's credit support provider's long-term, senior unsecured debt that is not supported by third-party credit enhancement must be rated as described, by one or more of the following agencies: BBB- or higher by Standard and Poor's and Fitch, BBB (low) by DBRS, or Baa3 or higher by Moody's Investor Services, Inc.
 - If the bidder or bidder's credit support provider is reviewed by more than one agency, PGE will consider the lowest rating maintained
- Bidders that are not publicly rated, and bids offering full project ownership, will be subject to review by PGE's Credit Risk Management Department for qualification

As PGE's final draft RFP states, contracts will typically only be awarded to bidders that have, at a minimum, investment-grade credit rating or provide acceptable performance assurance. Alternatively, the bidder must provide performance assurance in the form of a parental guarantee, a letter of credit and/or cash, based on the bidder's and/or guarantor's credit profile and the amount of expected financial exposure related to the bid. Additionally, bids for an outright purchase of a 100% equity interest in a plant will be considered, regardless of the creditworthiness of the bidder.

During the evaluation process, credit evaluation will comprise 7.5% of the scoring. This non-price scoring factor will take into account the following seven credit considerations:

- Debt and equity ratings
- Performance assurance
- Financial ratio analysis
- Default risk
- Credit concentration and liquidity
- Enforceability of contractual credit terms
- Bidder revisions to contract templates that may affect credit requirements

PGE's credit requirements appear to be reasonable and consistent with good industry practice. Some bidders requested that credit support requirements be more expressly provided in the RFP documents. The IE and PGE are continuing to define appropriate credit support parameters, with Accion providing PGE with examples from other jurisdictions. The IE is confident that PGE will provide a clear standard when the bid form is released for use by bidders.

IX. EVALUATION AND SCORING

EVALUATION PROCESS

Since the initial release of the RFP documents, Accion Group has spent substantial time in discussions with PGE in reviewing the evaluation methodology, modeling techniques, and assumptions. Although some of the specific details have not been finalized, overall, the RFP documents sufficiently



describe the evaluation process to provide bidders the information necessary to for them to tailor competitive bids. The flexible capacity product and seasonal peaking products are well defined in the most recent RFP document, providing lists of technologies that are most likely applicable to fit the need but not ruling out any commercially proven technologies. The price and non-price factors that will be used for the evaluation are defined in adequate detail for bidders to understand how their bids will be evaluated, without providing too much detail so as to provide opportunities for gaming the process. It is Accion's full expectation that all details regarding the evaluation methodology will be finalized with PGE and Commission Staff well in advance of the date bids are due.

BENCHMARK RESOURCES

PGE is clear in its documentation about its intentions regarding the benchmark resource (self-build submittal). PGE intends to bid a self-build option to compete for the flexible capacity need but not the seasonal capacity product. As stated in the RFP documents, the benchmark bid will be due prior to other bids to enhance transparency and fairness among all bids. Accion will be responsible for independently scoring PGE's benchmark resource. Accion will also score, in accordance with the OPUC Competitive Guidelines Order No 06-446, "all or a sample of the bids to determine whether the selections for the initial and final short-lists are reasonable." Accion will also review the scoring of all bids performed by PGE for accuracy and fairness.

Concerns were raised during the initial stages of this process by stakeholders, bidders and from the IE to ensure that all costs incurred by the benchmark resource are included in the evaluation even if some of those costs have been previously rate-based or will likely be rate-based through a separate process. Examples of such costs include transmission costs and incremental costs at shared facilities. Accion has worked with PGE to ensure that the evaluation process will capture all applicable costs and that bids will be scored fairly.

MOCK BID PROCESS

The mock bid process will play a significant role in finalizing the details of the evaluation methodology ensuring that models, assumptions, and scoring are performing as designed. Accion will work with PGE and Commission Staff to develop mock bids to be run through the evaluation tools. These mock bids will represent a wide range of technologies and products to attempt to cover the majority of possibilities to ensure proper point allocation for all categories when the actual bids are scored. The process will allow for sensitivities to stress test the evaluation framework. Once all parties are satisfied that the evaluation process is performing as intended, then all models and assumptions will be "locked down" before bids are received. Once the models are "locked down", there will be no changes made to the models unless approved by Accion and Commission Staff. The mock bids will be run with the actual bids to ensure that no changes to the model have been made.

GENERAL PRE-QUALIFICATIONS

The general pre-qualification section clearly defines the thresholds that a bid must provide to be considered in the price and non-price scoring. The pre-qualifications are consistent with Accion's

expectations and experience in other jurisdictions. Without these threshold criteria in place, there would be a high probability that PGE would spend unnecessary company resources to evaluate all bids in detail. These thresholds include:

1. Capacity Amount
2. Bid Term
3. Credit Qualifications
4. Commercial Operation Date
5. Technology Characteristics
6. Site Control
7. Fuel Supply

The technology qualifications necessary for the flexible capacity product are clear with minimum threshold ramp rates provided and the requirement that the resource will need to move through the operating range over multiple hours within the year.

PRICE COMPONENT

The RFP has clearly defined the process for determining the price component, which will make up 60% of the overall score. In accordance with the competitive bidding guidelines, the score will be based on the ratio of the bid's projected total cost per MWh to forecast market prices using real-levelized or annuity methods. The forecast of market prices will be developed using the portfolio model (Aurora XMP) which has been used in the past by PGE for the IRP and for other RFP evaluations. Accion will continue to vet the fuel, load, market, and hydro assumptions used to build the base case market price forecast that will be used in to develop the price score for each bid. In addition, Accion is seeking to understand the implications of using a given market price forecast based on a "most likely" view of the future regarding load, hydro, and fuel price assumptions versus looking at a distribution or range of potential market price forecasts and how that would ultimately impact the scoring. Consistent with the competitive bidding guidelines, any risk analysis will only be used in selection of the final short-list. PGE has been accommodating to Accion's questions during its review of the price component.

Based on the evaluation description in the RFP document and in the bidder workshop documents, it is clear that the flexible capacity product will be dispatched based on economics except in cases when the resource is needed for load following or operating reserves. The schedule assumed for load following and operating reserves will be based on the most recent Wind Integration Study performed by PGE. Accion has reviewed this methodology and will be reviewing the details of the model used to adjust the dispatch for reliability in detail in the coming weeks, but does not expect the overall process to change significantly or have any impact on bidders' ability to bid competitive projects. While Accion is not charged with assessing the adequacy of the Wind Integration Study, we will assess the application of the results of the study to the bids being scored. The incremental system costs for each bid to meet the hourly needs identified by the Wind Integration Study will be appropriately calculated.



For the seasonal peaking product, PGE's current methodology recommends dispatching bids only based on a reliability dispatch, which would result in all peaking bids being dispatched for the same hours. As discussed above in the "General Pre-Qualifications" section, bidders submitting more efficient peaking products would typically be economic in more hours than this reliability dispatch would assume, and the current evaluation methodology would not recognize the additional value of these more efficient products. Accion and PGE are discussing alternatives to address this concern. Also, given that these are limited duration products, there is discussion surrounding the minimum threshold that these resources should be required to be made available to in order to provide 100% capacity credit. In other words, if one bid can only be available 30 hours during the summer while another bid can be available 100 hours out of the summer, how should the capacity value (reliability contribution) of the two units be compared? In a severe weather year, PGE may need this reliability-dispatched resource for 150 hours but may only need it for 40 hours for a normal weather year. Since the IRP assumes this seasonal resource to be available without hourly dispatch qualifications, only resources that are able to meet the needs in all scenarios should receive full credit for this category. It is Accion's expectation that these issues surrounding the peaking product dispatch and availability will be resolved rapidly and appropriate information will be released to bidders before the RFP is issued.

NON-PRICE COMPONENT

The non-price score represents 40% of the overall score and is laid out in Table 2 of the RFP Document at a sufficient level of detail for bidders to understand how their submittal will be evaluated. Based on Accion's experience in other jurisdictions, the components and weightings for the non-price score are reasonable, and are shown below.

- Project Development Criteria (5%)
- Project Characteristics (15%)
- Power Product Characteristics (12.5%)
- Credit Evaluation (PPA or Equity) (7.5%)

Development experience, transmission, fuel supply, unit flexibility, and credit are all valuable components that should be considered when procuring capacity products. In Accion's review with PGE, Accion discussed suggestions regarding weightings on specific components and PGE was open to suggestions with a desire to create the most appropriate final scorecard. The detailed scorecard explaining the details of each individual attributes has been reviewed but will likely be adjusted as the mock bid process is conducted to ensure that balanced weightings are given for each component.

INITIAL AND FINAL SHORT LIST

The initial short list will be developed strictly on the price and non-price scoring for two times the capacity requested in the RFP. The final short list will be developed from the initial short list based on refining several categories including transmission, security for performance requirements, imputed debt, and portfolio fit. Depending on how closely the projects score, it may be necessary to take more than two times the capacity into the next level of evaluation to determine a final short list. Accion, PGE, and Commission Staff will be involved in finalizing each phase of the evaluation process to ensure



appropriateness of the price scoring, non-price scoring, initial short list selection, and final short list selection. Throughout Accion's review of the evaluation methodology, there has been no indication of any bias or reason to believe that the evaluation will not be conducted in a fair manner for all bidders.

X. WEBSITE OPERATION

Accion Group worked with PGE prior to the release of the original draft RFP documents to design a website that manages the solicitation process and provides the general public and interested bidders with access to RFP information. The website will be used for PGE's 2011 Capacity, Renewables, and Energy RFPs.

Initial Website Announcements

The 2011 Capacity Supply Power Resources RFP website was opened to the public on April 21, 2011. PGE issued a press release to publicize the issuance of the RFP, defining the products sought by PGE, providing information concerning bidders and stakeholders pre-RFP workshops, and directing interested parties to the RFP website (<http://portlandgeneralrfp.accionpower.com>).

In addition to the press release, the website sent a "blast" email to 54 prospective bidders and interested parties. The list of recipients of the email was provided by PGE. Bidders and interested parties were invited to register on the website in order to review draft RFP documents and view information about the RFP.

Information Available on the Website

Information explaining how to register for the RFP is detailed on PGE's website homepage, thus alerting prospective bidders of the opportunity to learn more about the RFP. A calendar of dates relevant to the RFP was available on the website at launch, accessible to the general public without registration. Dates on the calendar include when the draft RFP documents were issued, bidder and stakeholder workshop venues and times, final draft RFP submittal date, and all other future dates relevant to the procurement. An "Announcements" page is also accessible to the general public without requiring registration, as is a "Frequently Asked Questions" page and a "Questions and Answers" page. The initial press release was posted on the Announcements page, and answers to common questions about the RFP process were posted on the FAQ page.

The website also provides a "Documents" page, which is accessible to the general public without registration. All RFP draft documents, bidder and stakeholder workshop documents, final RFP documents, Commission orders, and IE documents are posted to this page and available for download. The original draft RFP and appendices G-J were all available to download by May 5, 2011, and the final draft RFP and appendices E-H were available for public download as of May 24, 2011.

There is no charge to register on the RFP website. Once registered, users receive automatic email notifications when announcements are posted, documents are uploaded, and questions and answers are posted. Bidders and non-bidders may register to the website. Registered users were also permitted to upload comments on the draft RFP. Comments were anonymous and did not identify the user who



posted the comment.

Response from Bidders

As of June 2, 2011, 83 users have registered to PGE's RFP website, 54 of whom are registered as bidders. The website was accessed by registered users 449 times, indicating active participation in the RFP and review of documents by a variety of interested individuals and prospective bidders.

Registered Users of the Website as of June 2, 2011

Bidders	54
Non-bidders	29

As of June 2, 2011, 21 questions have been posted on the Q&A page, illustrating bidders' involvement with the RFP. All questions are available for bidders (and the general public) to view, further enhancing the fairness and transparency of the RFP. All questions posted, except for one posted on May 17, 2011, have been answered by PGE. One question required ten days for PGE to answer, and the remaining questions were answered within one to three days.

Question and Answers as of June 2, 2011

Questions answered in less than two weeks	1
Questions answered within three days	8
Questions answered within one day	11
Questions unanswered	1
Total Questions	21

Looking Forward

The website is fully operational and there is active participation by bidders on the website, as evidenced by the number of logons, number of registered users, and the questions that have been posted. Based on the performance of the website, the level of activity, and the content of the questions that have been asked, we believe that bidders are fully aware of the RFP process, and understand the terms of the RFP.

The full on-line bid form will be available once the Commission approves the RFP terms and



conditions. After the bid form is made available, bidders will each receive a 'bid book' folder, accessible only by the bidder, PGE, and the IE, which will manage communication related to individual bids between the bidder and Company.

XI. CONCLUSION

Accion Group found the final draft RFP documents and process designed by PGE to be comprehensive and complete. The documents fully describe the products that will be considered and the processes for submitting a bid. We did not identify any bias in the documents or process towards or against any prospective bidder. Accion Group believes that a fair and transparent RFP can be conducted using the RFP protocols and RFP documents prepared by PGE.

Accion continues to work with PGE to address our remaining issues, the first being disclosure on the website of PGE personnel serving on the evaluation team and those serving on the self-build team so that bidders will not inadvertently contact those persons. Secondly, the IE believes PGE should provide a more robust description of credit support requirements that will be required during the term of each contract, before bids are accepted. We anticipate that these areas will be addressed before the bid form is provided to bidders for completion. Finally, as noted above, the IE believes the evaluation methodology must be set before bids are received, and that has yet to occur. When the methodology is confirmed, an announcement should be posted on the website so that bidders will have confidence that all proposals, including all self-build proposals, will be evaluated using the same modeling.

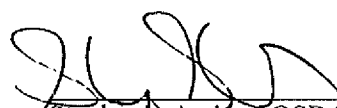


CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of June 2011, I served the foregoing Independent Evaluator's Report upon the persons named on the service list, by mailing a full, true and correct copy thereof and to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

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DATED: JUNE 7, 2011


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