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**V. Denise Saunders**  
*Associate General Counsel*

May 31, 2016

***Via Electronic Filing***

Oregon Public Utility Commission  
Attention: Filing Center  
201 High Street, Suite 100  
PO Box 1088  
Salem OR 97308-1088

**Re: UM 1773-** PGE Partial Waiver of Competitive Bidding Guidelines, Approval of RFP Schedule

Attention Filing Center:

Enclosed for filing is the Independent Evaluator (IE) Report regarding Portland General Electric Company's 2016 Renewable Resources Request for Proposals ("RFP").

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink that reads "V. Denise Saunders". The signature is written in a cursive, flowing style.

V. Denise Saunders  
Associate General Counsel

VDS:bop

Attachment



## REPORT OF THE INDEPENDENT EVALUATOR



### Portland General Electric Company's 2016 Renewable Resources RFP

**May 25, 2016**

Submitted by:

**ACCION GROUP, LLC**  
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**REPORT OF THE INDEPENDENT EVALUATOR**  
**Portland General Electric**  
**2016 Renewable Resources RFP**

**I. EXECUTIVE SUMMARY**

Accion Group, LLC (“Accion Group” or “Accion”) was requested by Portland General Electric Company’s (“PGE” or “Company”) to serve as the Independent Evaluator (“IE”) for the Oregon Public Utility Commission (“OPUC” or “Commission”) for the PGE 2016 Renewable Resources Request for Proposal (“RFP”). This report of the IE addresses the RFP procedures and draft documents presented to the OPUC by PGE on May 23, 2016, and posted on the RFP website with notice to all registered users of the site, (portlandgeneralrpf.accionpower.com) on May 24, 2016.

Accion Group previously served as IE on PGE renewable and conventional RFPs and is familiar with the Company’s operating system, transmission needs, and the evaluation techniques used when evaluating renewable resource additions. In addition, Accion Group provides the website for the management of PGE’s more complex RFPs. Use of the website provides the Commission with a permanent record of all exchanges between PGE and bidders, and a complete record of all materials provided to bidders with time and date stamps for each item. In light of the aggressive schedule proposed by PGE, Accion’s prior knowledge of the Company and its system should be particularly helpful to the Commission. <sup>1</sup>

PGE submitted to the Commission its initial draft RFP for Renewable Energy Proposals on May 9, 2016, and the final draft RFP on May 23, 2016. This RFP seeks proposals for renewable energy supply with an expedited process schedule in order for developers to take full advantage of the value afforded by the recently extended Production Tax Credits (“PTCs”) for qualifying wind projects. The RFP has a limited number of requirements. Chief among the requirements are:

- All bids must be accompanied with associated Renewable Energy Credits (“RECs”);
- Any renewable technology that meets the qualifications for the Oregon Renewable Portfolio Standards (“RPS”) may be bid, provided the RECs requirement is met;
- A minimum term of 10 years is required for a Purchase Power Agreement (“PPA”); and,
- The bidder must identify provide a realistic plan for a transmission path to an identified Points of Interconnection (“POI”) on the PGE system.

There will be no “self-build” proposals from PGE and no affiliate bids.

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<sup>1</sup> Accion was first contacted by PGE regarding this RFP on the afternoon of Friday, April 29, 2016, and first requested to provide services on Tuesday, May 3, 2016.



The Company set forth a very aggressive schedule for receipt and evaluation of bids. As explained by PGE, having final shortlist identified by July 15, 2016, and all final terms established by October 10, 2016, is intended to assist developers of wind resources in capturing the full value of the Production Tax Credits by initiating projects this calendar year. <sup>2</sup>

PGE seeks to acquire approximately 175 MWa of mid-to-long-term renewable energy supply, bundled with their associated RECs, with construction beginning no later than December 31, 2018. This RFP has a minimum term of ten years for power purchase agreements. The Company will evaluate PPA bids with terms that would result in the creation of a Variable Interest Entity (“VIE”), though bidders will be advised on the bid form that a VIE is not a preferred result. The RFP provides bidders with a wide range of standard ownership structures in addition to a PPA for a term of years. To avoid limiting options, bidders are permitted to devise proposed ownership structures that are most attractive to the bidder. In all instances the minimum bid size is 10 MW.

Accion Group believes the PGE RFP documents are clear, concise and completely describe the technologies that are expected to participate in the process. In addition, PGE will again accept bids for “other” technologies, or combinations of technologies that a bidder would like to offer. The IE believes the RFP documents clearly set forth the terms and conditions of the RFP and the products being sought. Also, it is the view of the IE that PGE made a good faith effort to comply with the Competitive bidding Guidelines, as established in Order No. 14-149 (“Guidelines”), while seeking exceptions from the Commission for certain aspects. The exceptions requested by PGE do not concern the disclosures required in the RFP documents or the process of evaluation to be employed, and it is the view of the IE that bidders can expect the standards established by the Commission to be met.

The IE believes the RFP can be conducted in a fair and unbiased manner using the documents and protocols presented by PGE. As noted below, the schedule is very tight and PGE will need to dedicate significant resources once bids are received in order to meet the proposed schedule.

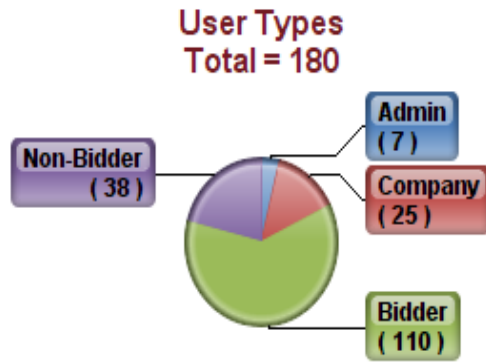
## **II. BIDDER AWARENESS OF THE RFP**

The Renewables RFP will be conducted online using the IE-operated website (<http://portlandgeneralrfp.accionpower.com>). The website provides public information regarding the RFP scope and terms. Interested parties may register as bidders or non-bidders, and their registration selection determines the type of access they gain to the website. Individuals who register as bidders receive a secure, confidential Bid Book that collects and organizes bid data. As of May 25, 2016, there were 110 individuals registered as bidders and 38 as non-bidders.

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<sup>2</sup> 26 USC §45.





When the Renewables RFP was first released, an email notice was sent to over 2,300 individuals. That distribution list included persons who previously participated in PGE solicitations, and persons who were registered with Accion for renewable solicitations in other states. These persons received a copy of the PGE press release about the RFP and were invited to register on the website. Registration ensures automatic notification when an announcement is posted, a

schedule change is made, and when a question is answered by PGE, regardless of who posted the question.

### III. BIDDER AND STAKEHOLDER WORKSHOPS

PGE conducted a Stakeholders meeting and a bidders meeting on Wednesday, May 18, 2016. 23 persons attended the bidders meeting in person and 60 participated via webinar. 2 persons attended the Stakeholders meeting in person, while 14 participated in the webinar. Copies of the presentations to each meeting, a recording of the meeting, and the questions posed at each session along with answers from PGE, were posted on the RFP website.

The IE believes the interest in the RFP as demonstrated by participation in the meetings and registrations on the RFP website confirms that PGE succeeded in reaching a significant number of renewable developers, and that interest is strong.<sup>3</sup> By posting the meeting materials and a recording of each meeting on the website, persons who were not present were provided an opportunity to receive the same information as those who participated, thus providing the ability for all bidders to have access to all information about the RFP and the RFP process. Also, the website provides the ability for interested persons to anonymously pose questions to PGE, with the questions and answers available to all registered persons registered on the website.

### IV. BIDDER OPTIONS FOR CLARIFICATIONS ABOUT RFP

The IE website provides secure means of communication for registered users and the Company. All communication and activity is date and time stamped, creating a permanent record. A Question and Answer (Q&A) feature on the website also provides registered users the opportunity to ask RFP-related

<sup>3</sup> The IE notes that at this point in the process for the 2012 renewables RFP there were 44 registered bidders.



questions to the IE and to the Company. As of May 24, 2016, there were thirteen questions asked. The IE anticipates the Q&A feature will be utilized often by bidders as the RFP process moves forward.

Bidders are also provided with a confidential “message board” for project-specific exchanges. These messages are not seen by other bidders or interested persons. After the bid period closes the message board will be used by PGE to communicate with individual bidders, such as seeking clarifying information and memorializing any discussions. PGE will not have access to the message board until after the bid process closes, so the IE monitors the board for bidder messages. During the bid period the IE transfers questions that are generic to the Q&A page for PGE to answer. When there is a project-specific message, the IE will seek a response from PGE and provide it to the bidder.

Interested persons were requested to assist in drafting the RFP documents, including the pro forma PPA, by submitting confidential “comments” about the drafts. At the bidders meeting the IE expressly invited bidders to participate in the preparation of the RFP documents by providing proposed revisions to the RFP documents, with an explanation of the result the edit would produce. This is a process used by the IE for years and typically produces worthy suggestions for eliminating confusing text and identifying provisions that make a RFP more attractive to bidders. Unfortunately, to date no bidders or Stakeholders provided any comments.

In addition to the Q&A feature and the message board on the website, each page of the website provides a direct link to the IE. Bidders can, and have, used that link to raise issues with the IE. This will remain available to bidders throughout the RFP process.

## **V. ALTERNATIVE TECHNOLOGIES**

There is a process in place to determine which manufacturer equipment and models are acceptable technologies for PGE. This protocol is established to avoid the situation of receiving a non-conforming bid and is intended to avoid bids relying on equipment presently unproven for commercial application, and the RFP requirements, such as, qualifying for RECs. Bidders who have questions regarding acceptable technology types are directed to contact the IE team members who, along with PGE personnel, then conduct the appropriate research regarding the alternative technology’s reliability. In conjunction with the IE, PGE will make the determination of whether the technology will conform to its standards for reliability. <sup>4</sup>

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<sup>4</sup> This process was employed in 2012 and resulted in PGE contracting for a storage product, which was not originally identified as a desired resource.



## VI. RFP DOCUMENTS REVIEW

The IE team reviewed the draft RFP documents and notes that to a great extent the process, protocols and evaluation process are very similar to those employed in the 2012 renewables RFP. Accion provided suggestions for clarifications to the original draft documents and many were incorporated by PGE in the latest version provided to the Commission. The IE would have appreciated receiving suggestions from bidders as a way to identify locational issues that may be unknown to the IE, but absent those the IE will again plumb for identification of any ambiguities during the second bidders meeting.<sup>5</sup>

PGE provided a term sheet, which identifies major components of the pro forma PPA. At the time of bidding bidders are required to identify changes to those provisions that would need to be amended in order for the bidder to execute a contract. Providing the “red-lined” term sheet is a requirement before the bid can be submitted. Bidders are also invited to provide red-lined edits to the appropriate pro forma contract. Further, bidders are advised that only provisions identified in this manner will be subject to review during the post-short list period. This process is successfully used elsewhere to prevent a bidder from providing a very attractive price in order to get short listed, and then attempting to renegotiate value by altering other contract terms. The IE believes all bidders should have confidence in knowing that no other bidder will get to “game the process”, and that the best and final price should be submitted because all bidders to a PPA will be held to the same standard.

The IE will review all suggested changes to the pro forma contracts as the short list is developed and make available to the Commission with our final report those provisions identified by the finalists. Because our final report will precede the presentation of final contracts to the Commission, the OPUC Staff will be able to use the information to determine whether any material changes were made to the PPA for any successful bidder.

PGE will entertain bids for a project to be acquired by the Company, either through an Asset Purchase Agreement (“APA”) (for a project completed at the time of acquisition, including a so-called “turnkey” project) or an Engineering, Procurement and Construction Agreement (“EPC”) (for a Greenfield or partially completed project). PGE requires a bidder proposing one of these arrangements to use the term sheet process discussed above, and to present the edited term sheet at the time of bidding.

The IE reviewed the draft APA and EPC and found them to be very similar to the ones used in 2012, and notes that each acquisition has unique characteristics, and each bidder has unique needs, so a review of the term sheet as revised by bidders will be a critical part of the evaluation process.

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<sup>5</sup> The IE recognizes that the RFP documents will not be amended after the Commission establishes the final version. However, the opportunity for correcting misunderstandings and clarifying in the minds of bidders the significance to terminology will continue through the Q&A page.



## VII. EVALUATION METHODOLOGY

The draft RFP documents set forth the evaluation methodology to be employed and a “Detailed Scoring Criteria”. See: Appendix M. The criteria provided sufficient detail so bidders know, before bidding, how each bid will be scored. The IE is developing “mock bids” to be run using PGE’s evaluation modeling before bids are received. After being satisfied that the software produces an expected range of results, the output of the mock bids will be captured and preserved by Commission review. The mock bids will be run with actual bids and thereby confirm, by comparing the output before and after the addition of real bids, that the same evaluation model will be used for each bid. All results will be retained for review by the Commission.

Since the range of eligible technologies that can be proposed is wide, including wind, solar, and biomass projects, the evaluation will need to consider the unique operating and financial characteristics of each technology as well as the portfolio effects of selecting resources from multiple categories. Wind resources are intermittent in nature and have unique challenges with respect to integration. Solar resources have more dependable shapes, but have output profiles that are highly correlated to other solar resources that can affect their value. Firm fuel supply for biomass resources for the term of a bid can be difficult to procure and confirm. Permitting and environmental considerations also vary widely between project types. As important, the generation mix and system impact resulting from the addition of each bid, both near and long term, should be reviewed in order to understand the true cost and impact of adding any of the proposed technologies or resources.

The IE believes that the structure of the proposed evaluation methodology in the RFP thoroughly considers the ramifications of the characteristics of each presently accepted project type. The price scoring approach adequately addresses the differences in value between resources which produce substantial power off-peak versus projects that produce substantial power on-peak. These differences will be captured in the energy value assigned to each bid in the price scoring. PGE has recognized that the capacity value for wind, biomass, and solar resources will need to be differentiated and assigned appropriately to each bid. The actual energy profile for each bid will be dispatched against forecasted hourly market prices to appropriately calculate the energy value of each bid. Adders for integration costs and other ancillary service needs have been calculated for various resource types and the results of those calculations have been thoroughly vetted.

The non-price scoring includes consideration for project development, project characteristics, product characteristics, and credit factors.

PGE recommended carrying 150% of the renewable energy requested in the RFP to a final short list. Upon reaching the final short list, each bid will be subject to further evaluation including enhance transmission assessment, capacity factor verification, credit scoring, integration cost assessment, and impact to portfolio assessment.<sup>6</sup> Carrying more than the requested energy to the final short list ensures

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<sup>6</sup> The IE looks to Order No. 14-149, 10.f for the scope of evaluation.





that the results of negotiations and further evaluation are still competitive as well as providing flexibility in case one or more projects fail to pass more stringent screens. This approach also provides an adequate pool of bids so that as some bids fail in the post-short list period, other bids are available to complete a portfolio.

## VIII. SCHEDULE

As noted, in order to provide an opportunity for developers to capture the full PTC value, PGE established a very aggressive schedule. Assuming Commission approves the RFP documents on June 7, 2016, as requested by PGE, bids will be due on June 24, 2016. For the following reasons the IE believes the 2 ½ week period is sufficient for bidders to prepare bids:

- Bids are submitted on line and can be edited up until the time for submission. In days of yore when bids were submitted in hard copy, bidders needed to complete bids days in advance in order to have them printed and delivered, in effect removing 2 days from the preparation period.
- The RFP scope and criteria have been known to prospective bidders since May 6, 2016, when the Notice of Intent was filed. Each bidder must weigh the prospect for the Commission rejecting or delaying the RFP, but a serious developer would have nearly 2 months to develop a proposal, depending on Commission action.
- PGE requires an identified POI and a “evidence of steps taken” to arrange a firm transmission path to the identified POI (RFP at 13), but does not require a firm, contractual, transmission path to the PGE system at the time of bidding.
- PGE requires the bidder identify a source for ancillary services, but does not require a firm commitment from that source at the time of bidding.
- For a PPA bidder, the pro forma contract is usual to the industry, and PGE will entertain changes identified by the bidder at the time of bidding.
- From comments at the bidders meeting it is apparent that developers were previously aware of another utility seeking bids for similar products, and that they had already begun preparing materials

Proposals for EPC or APA transactions require more evaluation time by PGE between the time the final short list is identified and contracting is completed, but that would be after PGE submits the shortlist for acknowledgement so the schedule should not be adversely impacted. Of course, until bids are received and at least preliminary evaluation conducted the time that



will be needed for full evaluation is an unknown, but as designed the schedule is, in the view of the IE, aggressive but reasonable. At the same time, bidders have complete control over structuring their bids and thereby controlling the time required to complete due diligence and discussion of terms. For example, a PPA bid with an option for negotiation of an acquisition after some number of years could be more easily evaluated than an APA. Another obvious example is that an APA, for an existing project, is far easier to value than an EPC for a Greenfield project: one has known characteristics, while the other has potential.

Before bids are received it is unknown whether the post-bid proposed schedule can be met. The resources dedicated by PGE, the types of bids received, and the level of cooperation received from bidders will control the duration between bid receipt and final determinations. As noted, PGE's holistic approach of accepting bids with few constraints as to terms, increases the prospect for a very complicated evaluation process. If the RFP were for a specific technology with an identified site, designated size and preordained contract terms, the IE is confident the schedule would be met. PGE's approach of inviting the market to propose any combination of terms and technology provides many opportunities for developers, but it also has the prospect of being an ulcer carrier as we undertake evaluation of what, at present, is an undefined array of options.

## **IX. CONCLUSION**

The RFP documents are complete, thorough and clearly presented. They provide prospective bidders with all necessary information and a very wide range of options when crafting proposals.

The proposed schedule is ambitious, but as noted achievable depending on the bids received and the resources dedicated by PGE. A longer schedule could cause some wind developers to lose the option of capturing the full value of the PTCs, so the IE believes the benefit of providing that option outweighs the challenge of completing the target schedule.

Based on the description provided in the RFP, the evaluation methodology appears to be very similar to what was used in 2012<sup>7</sup>, which was found to be fair to all bidders. The IE will test the evaluation modeling prior to bid receipt and is confident that the evaluation will use the same standards for all bidders and bids, with appropriate variations for technology.

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<sup>7</sup> The IE has yet to review the actual evaluation model PGE intends to use for this solicitation as that process is undertaken as we provide the mock bids.

