

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE _____ Upon Commission Approval

DATE: May 14, 2018

TO: Public Utility Commission

FROM: Caroline Moore ^{CM}

THROUGH: Jason Eisdorfer and JP Batmale ^{JE} ^{JPB}

SUBJECT: PACIFIC POWER: (Docket No. UM 1020) Requests for Proposals for Blue Sky Renewable Energy Program Services.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve two PacifiCorp (d.b.a. Pacific Power or Company) Requests for Proposals (RFPs) for the following services:

1. Retail marketing and renewable energy certificate (RECs) supply services for the Blue Sky Usage and Blue Sky Habitat products; and,
2. Environmental Mitigation Fund administrator services for the Blue Sky Habitat product.

DISCUSSION:

Issue

Whether to approve Pacific Power's two RFPs for Blue Sky Renewable Energy Program services.

Applicable Law

OAR 860-038-0220 sets forth the requirements for the provision of a portfolio of product and pricing options (Portfolio Options) for electric companies' residential and small non-residential customers. OAR 860-038-0220(6) specifies, in relevant part, that "Each electric company must acquire the renewable supply resources necessary to provide the renewable energy resources product through a Commission-approved bidding process or other Commission-approved means."

Order No. 01-470 adopted a Portfolio Bid Process, which addresses the RFP content, evaluation criteria for bid proposals, and a reporting requirements for the renewable resource RFP process. Order No. 01-700 revised the RFP process to add a retail marketing component. In Order No. 01-745, the Commission adopted additional revisions to the content requirements for bid proposals. Finally, Order No. 03-208 authorized a three-year term for contracts awarded through the RFP process.

The Orders' combined RFP requirements are summarized by category below.

1. General Requirements for RFP Content and Responses from Bidders:

- Submission of a marketing plan detailing specific marketing channels and partnering abilities.
- Description of demonstrated success in marketing energy services.
- Description of market research that supports the bidder's customer satisfaction and perceived value claims.
- Proposals may be submitted for either the blended renewable product or the environmental product or for both.
- Demonstration of market experience in RECs and energy from renewable resources, including actual penetration rates over specified periods, and client lists indicating the supply duration and amount where this information is not deemed proprietary or confidential by contracts.
- Demonstration of knowledge of the western wholesale and retail energy market with specific emphasis on renewable portfolio options in Oregon.
- Information regarding creditworthiness, including the name of the legal entity making the proposal, two years of audited financial statements (if available), and three credit references.
- Proposals must state the source of the RECs, whether from contracts, market purchases, or owned or shared generation resources. The resource must be specifically identified.
- The bidder must deliver the renewable energy or RECs within two years of purchase of the renewable portfolio option by consumers or, at the company's discretion, the bidders must make the described delivery within one year.
- Proposals must describe the contract chain used to assist in documenting reporting rights for RECs.
- Proposals must meet the renewable resource standards for the blended and environmental mitigation options adopted by the Commission.
- Proposals must contain documented reporting rights for authenticity purposes by a third party mutually agreed to by the bidder and the utility.

2. RFP Evaluation Criteria (consideration given in the following order):

- Cost;
- Ability to meet renewable resource standards for the options adopted by the Commission;
- Ability to provide adequate reporting to verify REC authenticity or certification;
- Supplier experience in renewable energy and ability to deliver the proposed product;
- Appeal to consumers (sources of RECs may impact marketability of product);
- Risks associated with the proposal, including exposure to market prices; and
- Implementation costs.

3. RFP Bidder Selection Reporting Requirements

Within 45 days of bidder selection, the utilities must provide the Commission with documentation of the evaluation process, scoring procedures utilized, and identification of any issues that could be valuable in improving the bid process in the future. Further, pursuant to Order No. 05-878, both PGE and PacifiCorp are required to file with the Commission all contracts and contract extensions between the companies and their respective renewable resource tag/marketing suppliers for portfolio options.

Analysis

Background

Pacific Power presented its two draft RFPs to the Portfolio Options Committee (POC) on February 7, 2018. POC members did not recommend modifications to the RFPs, and the POC voted to recommend approval of both RFPs at a subsequent March 13, 2018 meeting.

Retail Marketing and REC Services

The first RFP seeks proposals to provide retail marketing and REC services for two of the Company's Portfolio Options offered to residential and small non-residential customers in the Company's Oregon service area:

1. Schedule 211 Portfolio Renewable Usage Supply Service (Blue Sky Usage): Matches 100 percent of the participants' monthly usage with renewable energy certificates from a blend of resources located the Pacific Northwest.
2. Schedule 213 Portfolio Habitat Supply Service (Blue Sky Habitat): Provides the Blue Sky Usage option, plus a \$2.50 monthly pass-through donation to fund native fish habitat restoration projects located primarily in the Company's Oregon service area (Environmental Mitigation Funds).

Pacific Power seeks these services for the period of January 1, 2019 through December 31, 2021. The current contract for these services terminates on December 31, 2018.

Proposals must include a detailed marketing plan and several REC supply options that align with the Company's tariffs and other regulatory requirements. Evaluation will focus on the following factors:

- **Overall price of services - 65%**
- **RECs - 20%**
 - Familiarity with the national wholesale and Pacific Power service territory retail energy market with emphasis in the voluntary market and use of Renewable Energy Certificates Tracking Systems
 - RECs appeal to customers (origin, sources, age, and location of RECs)
 - Acquisition and delivery plan
 - Risks associated with the Proposal, including exposure to market prices, availability of RECs
- **Retail marketing services - 15%**
 - Knowledge/years of experience in the voluntary renewable energy market
 - Customer education, marketing, and customer retention plan
 - Knowledge/understanding of service area, market area experience
 - Experience creating and delivering appropriate messaging
 - Experience developing partnerships
 - Customer care

Environmental Mitigation Funds Administrator Services

The second RFP seeks proposals from nonprofit organizations to disperse Environmental Mitigation Funds through a competitive process for the period of January 1, 2019 through December 31, 2021. The current contract for these services terminates on December 31, 2018.

Proposals will be evaluated based on the following factors:

- Planning process and schedule: 15%
- Project selection process: 20%
- Quality of known potential projects: 5%
- Ability to leverage funds: 20%
- Accounting and control procedures: 10%
- Marketing and Communications: 5%
- Experience: 15%
- Partnerships: 5%
- Project permitting and monitoring process: 5%

Timeline

Pacific Power proposes the same timeline for both RFPs. The timeline allows for contracting and any required tariff filings to be completed prior to the expiration of existing contracts. Staff notes that the Company's plan requires approval to release both RFPs before June 4, 2018.

Milestone	Date
RFP Release	June 4, 2018
Proposals Due	July 13, 2018
Final Supplier Selection	July 31, 2018
Revised tariffs filed with Commission (if required – marketing and supply services only)	September 7, 2018
Contract agreement executed	October 30, 2018
Contract becomes effective	January 2, 2019

Staff Review

Staff finds that both of Pacific Power's proposed RFPs meet the requirements and evaluation criteria set forth in Order Nos. 01-470, 01-700, and 01-745. For this reason, Staff recommends approval of Pacific Power's two RFPs for Blue Sky Renewable Energy Program services.

Staff notes that markets and program design have evolved significantly since the bidding guidelines were adopted. For example, the availability of renewable supply was highly uncertain and the Blue Sky Usage option was only required to provide renewable resources for 50 percent of a participating customer's usage. Despite the industry's evolution, the form and utility of the bidding requirement remains relevant to providing strong portfolio options to date.

Conclusion

In compliance with OAR 860-083-0220(6), Pacific Power proposes to release two RFPs to support retail marketing, REC supply, and Environmental Mitigation Fund administrator services for two of its Blue Sky renewable energy program options. The RFPs are for the period of January 1, 2019 through December 31, 2021. The current contracts for these services terminate on December 31, 2018. PacifiCorp plans to release the RFPs on June 4, 2018, and enter into contracts for services effective January 2, 2019.

The POC voted to approve both RFPs on March 13, 2018 and Staff finds that both RFPs meet the requirements outlined in the relevant Commission Orders. Therefore, Staff recommends the Commission approve both RFPs.

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PROPOSED COMMISSION MOTION:

Approve Pacific Power's two RFPs for Blue Sky Renewable Energy Program services.

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