



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

November 1, 2013

*VIA ELECTRONIC FILING AND U.S. MAIL*

Oregon Public Utility Commission  
Attention: Filing Center  
3930 Fairview Industrial Dr. SE  
PO Box 1088  
Salem, OR 97308-1088

**Re: UM 1182 – INVESTIGATION INTO COMPETITIVE BIDDING**

Attention Filing Center:

Enclosed for filing in the captioned document are an original and five copies of:

- **REPLY COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY.**

This is being filed by electronic mail with the Filing Center. The UM 1182 Service list is also being served via electronic mail.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick G. Hager", is written over the typed name.

Patrick G. Hager  
Manager, Regulatory Affairs

PGH:qal  
Enclosures  
cc: UM 1182 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1182**

**(Phase II)**

In the Matter of

PUBLIC UTILITY COMMISSION OF OREGON,

Investigation Regarding Competitive Bidding.

**Reply Comments of  
Portland General Electric  
Company**

**I. Introduction**

The parties who submitted comments (Commission Staff, PGE, PacifiCorp, and Idaho Power) largely agree on the major issues related to the eight risk factors that are the subject of this final phase of this docket. Each of the parties agrees that bids should be analyzed based upon the individual bid characteristics and not generic adders. In general, the parties agree that the competitive bidding guidelines and the instructions to the Independent Evaluator (“IE”) require no significant revisions to address these eight risk factors.

The Northwest and Intermountain Power Producer's Coalition (“NIPPC”) declines to file comments on the eight risk factors. Instead, NIPPC interjects two new issues that are outside the scope of this docket: acknowledgment of the short list and set aside for non-utility ownership bids. NIPPC's attempt to introduce new issues in this phase of the docket should not be permitted.

The Commission carefully defined the issues in this docket. The docket was divided into two parts. UM 1276, Order No. 11-001, Jan. 3, 2011. The first part was to address Guidelines 1 and 11, and this second phase to address Guideline 10(d), which provides the IE with guidance in comparing utility-ownership bids against Independent Power Producers (“IPPs”) bids.

Order No. 12-207 at 3, (Jan. 10, 2012). Within this second phase the parties agreed upon 12

issues for consideration. ALJ Ruling at 2-3 (May 30, 2012). The ALJ and Commission directed the parties to address those 12 issues in two separate stages: this final stage addresses eight risk factors related to comparing utility-ownership and IPP bids. Order No. 13-204 at 11 (June 10, 2013); Order No. 12-324 at 3-4 (Aug. 23, 2012).

NIPPC's two new issues fall well outside the scope of this docket as defined through multiple Commission and ALJ rulings. That scope was reaffirmed throughout this docket as the Commission acknowledged the issues and the process for addressing them. The Commission should not permit NIPPC to expand the scope of this docket, particularly as these final eight risk factors have been confirmed by the Commission and a procedural schedule has been adopted for the parties to address these factors.

Because NIPPC's issues are outside the scope of this docket, we will not address the substance of these new issues. Nevertheless, we note that the process, scope, and timing of any acknowledgment of the short list would require careful consideration. Competitive bids are limited in duration. Any further Commission process for acknowledgment of the short-list should take this into consideration. Our customers should not lose the lowest risk, least cost bids due to a protracted acknowledgment process.

If the Commission determines that it would like the parties to address either of the two new issues NIPPC identifies, PGE asks that either (1) a prehearing conference be held to establish the scope of any such additional proceeding and a schedule set for the parties to properly address any new issues; or (2) the Commission requests an expedited comment schedule to allow all parties to fully comment on these two issues.

## **II. Comments**

The utilities and OPUC Staff (“Staff”) are in general agreement regarding recommendations to the Commission. Below, PGE provides a summary of the utilities’ and Staff’s recommendations and provides their final comments and recommendations on the eight remaining risk factors.

### **A. Changes in Forced Outage Rates (FORs)**

All three utilities agree that the current bid evaluation process with respect to FOR risk is appropriate and no changes in the evaluation process are necessary. PacifiCorp has found that:

The best FOR data available comes from a mix of industry experience taking into account Original Equipment Manufacturer (OEM) data for specific types of rotating equipment. The most effective way to ensure that FORs are appropriately established as part of the competitive bidding process is for the IE to review and verify that FOR values are consistent with industry experience and OEM values.

PAC Opening Comments at 11. Staff recommended that the IE conduct an assessment of Power Purchase Agreements (“PPAs”) to determine whether contracts include clauses intended to address plant availability during the length of the PPA. Staff Opening Comments at 3. PGE has no objections to Staff’s recommendation.

### **B. End Effects**

In general, the utilities agree that the IE should consider terminal value in the bid evaluation process. Staff did not recommend that terminal value be recognized in the bid evaluation process; however, they “agree with the IOUs in principle that the terminal value of a benchmark resource should be taken into consideration by the IE in the bid evaluation.” Staff Opening Comments at 5. Staff recommended, on a case-by-case basis, to invite PPA bidders to offer an option to renew the PPA at the end of the initial term. PGE has no objection to inviting PPA bidders to offer an option to renew the PPA at the end of the initial term and recommends

the IE be directed to consider, in the bid evaluation process, the economic value associated with the option to repower a site after expiration of the ‘useful’ life of the asset. At this time, PGE has not considered and does not have a specific methodology to recommend in calculating the terminal value of a benchmark or IPP bid.

### **C. Environmental Regulatory Risk**

All three utilities and Staff are in general agreement that the IE should review and evaluate any “change in law” clause associated with the IPP resource. PacifiCorp’s position is representative: “typically, the IE reviews and comments on the appropriateness of the relevant agreements, which include change in law provisions.” PAC Opening Comments at 8. Therefore, no additional instruction to the IE’s current evaluation of environmental regulatory risk is necessary.

### **D. Increases in Fixed O&M**

The three utilities and Staff agree that the IE should continue to verify the reasonableness of fixed O&M estimates. Staff suggests that the IE should compare the fixed O&M costs included in the PPAs and the utility benchmark resources to the escalation factor for O&M costs used in the utilities’ most recent IRP and general rate case. Staff Opening Comments at 7-8. In PGE’s most recent RFP (UM 1535), the IE compared the fixed O&M costs included in the IPP and benchmark bids to the escalation factor for O&M costs used in PGE’s most recent IRP (LC 48). PGE recommends no changes be made to the IE’s current comparative analysis of fixed O&M expenses.

### **E. Capital Additions**

Staff proposed that the Commission’s direction to the IE regarding the cost over-run risk factor in Order No. 13-204 also applies to the capital additions risk factor. Staff Opening

Comments at 8. The Commission stated:

To address the risk of utility construction cost over-runs, we direct the IE to provide a more comprehensive accounting of the risks and benefits to ratepayers for construction cost over-runs and under-runs.

OPUC Order No. 13-204 at 9. Staff also recommended that no bid adder be incorporated in evaluations to reflect the cost of capital additions either for a benchmark or a PPA resource.

Staff Opening Comments at 8. PGE agrees with Staff on both counts.

PacifiCorp recommended that the Commission instruct the IE to review the utilities' long-term maintenance programs and assess whether or not the utilities have included reasonably anticipated future capital additions. PGE has no objection to PacifiCorp's recommendation and finds it reasonable.

#### **F. Changes in ROE**

The opening comments of the utilities and Staff reflect general agreement that the IE's ROE evaluation criteria require no modification for this risk factor.

#### **G. Verify Output (Power) and Heat Rate**

All three utilities are in agreement that current methods of verifying initial performance expectations are reasonable and that no changes in the current evaluation process are necessary.

“Standard power plant construction best practices include the completion of a performance test at the end of commissioning to verify the contractual guarantees for output (power) and heat rate.”

PGE Opening Comments at 9.

With respect to long-term performance, PacifiCorp recommends the IE review the long-term performance assumptions in all bids and confirm that the assumptions are reasonable and consistent across bids. Staff recommends that the IE verify that the RFP applies the same performance measures to IPP and utility benchmark resources (total annual output, average

annual output, minimum and maximum net output, etc.). Staff also recommends that PPAs should provide more specific clauses that address total output to be supplied, average annual generation, and a performance band. PGE has no objections to PacifiCorp's or Staff's recommendations.

#### **H. Construction Delays**

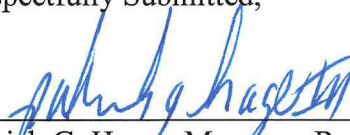
The opening comments by the utilities and Staff suggest no modifications to account for the risk of construction delays. PGE, PacifiCorp, and Staff state no further action is necessary with respect to this risk factor. Additionally, Idaho Power believes it is better to resolve contract delay issues as part of contract negotiations with an IPP as opposed to making it a key part of the RFP analysis. Idaho Opening Comments at 5. Idaho Power, PacifiCorp, and Staff positions are reasonable. PGE recommends no changes to the IE's analysis for the "construction delay" risk factor.

#### **III. Conclusion**

PGE respectfully requests that the Commission address the risk factors in this phase of the docket in a manner consistent with PGE's opening and reply comments.

Dated this 15<sup>th</sup> day of November, 2013.

Respectfully Submitted,



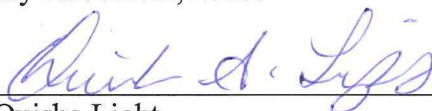
---

Patrick G. Hager, Manager, Regulatory Affairs  
On Behalf of Portland General Electric Company  
121 SW Salmon Street, 1 WTC-0702  
Portland, Oregon 97204  
Phone: (503) 464-7580  
E-mail: [Patrick.Hager@pgn.com](mailto:Patrick.Hager@pgn.com)  
Facsimile: (503) 464-7651

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **REPLY COMMENTS OF PORTLAND GENERAL ELECTRIC COMPANY** to be served by electronic mail to those parties whose email addresses appear on the attached service list and by first class U.S. Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UM 1182.

DATED at Portland, Oregon this 1st day November, 2013.



---

Quisha Light  
Regulatory Paralegal  
Portland General Electric Company  
121 SW Salmon Street, 1WTC1301  
Portland, OR 97204  
(503) 464-8866 (telephone)  
(503) 464-2200 (telecopier)  
[Quisha.light@pgn.com](mailto:Quisha.light@pgn.com)



NW ENERGY COALITION 219 FIRST ST STE 100 SEATTLE WA 98104 steve@nwenergy.org	RICHARD T WINTERS AVISTA UTILITIES PO BOX 3727 SPOKANE WA 99220-3727 dick.winters@avistacorp.com
SUSAN K ACKERMAN NIPPC PO BOX 10207 PORTLAND OR 97296-0207 susan.k.ackerman@comcast.net	STEPHANIE S ANDRUS DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us
KATHERINE BARNARD CASCADE NATURAL GAS PO BOX 24464 SEATTLE WA 98124 kbarnard@cngc.com	LAURA BEANE PACIFICORP 825 MULTNOMAH STE 800 PORTLAND OR 97232-2153 laura.beane@pacificorp.com
PHIL CARVER OREGON DEPARTMENT OF ENERGY 625 MARION ST NE STE 1 SALEM OR 97301-3742 philip.h.carver@state.or.us	CAREL DE WINKEL OREGON DEPARTMENT OF ENERGY 625 MARION STREET NE SALEM OR 97301 carel.dewinkel@state.or.us
MICHAEL EARLY INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES 333 SW TAYLOR STE 400 PORTLAND OR 97204 mearly@icnu.org	JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
ANN L FISHER AF LEGAL & CONSULTING SERVICES 2005 SW 71ST AVE PORTLAND OR 97225-3705 energylaw@aol.com	TROY GAGLIANO RENEWABLE NORTHWEST PROJECT 917 SW OAK, SUITE 303 PORTLAND OR 97205 troy@mp.org
ANN ENGLISH GRAVATT RENEWABLE NORTHWEST PROJECT 917 SW OAK - STE 303 PORTLAND OR 97205 ann@mp.org	DAVID E HAMILTON NORRIS & STEVENS 621 SW MORRISON ST STE 800 PORTLAND OR 97205-3825 davidh@norrstev.com
ROBERT D KAHN NIPPC 7900 SE 28TH ST STE 200 MERCER ISLAND WA 98040 rkahn@nippc.org	BARTON L KLINE IDAHO POWER COMPANY PO BOX 70 BOISE ID 83707-0070 bkline@idahopower.com
KATHERINE A MCDOWELL STOEL RIVES LLP 900 SW FIFTH AVE STE 1600 PORTLAND OR 97204-1268 kamcdowell@stoel.com	DAVID J MEYER AVISTA CORPORATION PO BOX 3727 SPOKANE WA 99220-3727 david.meyer@avistacorp.com
ALEX MILLER NORTHWEST NATURAL GAS COMPANY 220 NW SECOND AVE PORTLAND OR 97209-3991 alex.miller@nwnatural.com	MONICA B MOEN IDAHO POWER COMPANY PO BOX 70 BOISE ID 83707-0070 mmoen@idahopower.com
JOE ROSS NORTHWEST NATURAL 220 NW 2ND AVE	STEVEN WEISS NORTHWEST ENERGY COALITION 4422 OREGON TRAIL CT NE

<p>PORTLAND OR 97209 joe.ross@nwnatural.com</p>	<p>SALEM OR 97305 weiss.steve@comcast.net</p>
<p>JOHN W STEPHENS ESLER STEPHENS &amp; BUCKLEY 888 SW FIFTH AVE STE 700 PORTLAND OR 97204-2021 stephens@eslerstephens.com</p>	<p>JON T STOLTZ CASCADE NATURAL GAS PO BOX 24464 SEATTLE WA 98124 jstoltz@cngc.com</p>
<p>BONNIE TATOM PUBLIC UTILITY COMMISSION PO BOX 2148 SALEM OR 97308-2148 bonnie.tatom@state.or.us</p>	<p>S BRADLEY VAN CLEVE DAVISON VAN CLEVE PC 333 SW TAYLOR, STE 400 PORTLAND OR 97204 mail@dvclaw.com</p>
<p>SARAH WALLACE ATER WYNNE LLP 222 SW COLUMBIA STE 1800 PORTLAND OR 97201-6618 sek@aterwynne.com</p>	