BATES WHITE
ECONOMIC CONSULTING

THE INDEPENDENT EVALUATOR'S ASSESSMENT OF PORTLAND GENERAL ELECTRIC'S FINAL DRAFT 2021 ALL SOURCE RFP

Presented to:
OREGON PUBLIC UTILITY COMMISSION

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I. INTRODUCTION AND SUMMARY

A. Introduction

Bates White, LLC (Bates White) is pleased to present this report, which reviews the filed Draft 2021 All Source RFP (RFP or Draft RFP) from Portland General Electric (PGE). Bates White serves the Oregon Public Utility Commission (Commission) as the Independent Evaluator (IE) for this RFP.

By way of background, Bates White personnel have served as IEs for State Commissions across the country, overseeing procurements for conventional, renewable, storage, grid services and other resources. We have worked for Commissions in Washington, Oklahoma, Hawaii, Illinois, Ohio, Pennsylvania, New Jersey, Maryland, Delaware, and elsewhere. In Oregon we served as the IE for PGE's most recent renewables RFP and we have served as the IE for multiple transactions from PacifiCorp.

The purpose of this report is to provide our review of the Draft RFP. This is report is in direct response to OAR 860-089-0450.(3). which states that

> *"The IE must consult with the electric company on preparation of the draft RFP and submit its assessment of the final draft RFP to the Commission when the company files the final draft for approval."*

For ease of review, we structure our review around the Oregon Competitive Bidding Guidelines. In our review we looked at and beyond these Guidelines to make sure that we believed the RFP was open, fair, and transparent and would likely result in a successful procurement.

B. Summary

The Draft RFP is generally consistent with the Oregon Competitive Bidding Guidelines. However, there are a few areas that can be clarified or where additional detail should be offered. We also present a few suggestions which we believe may make the procurement more successful.

We suggest that PGE should;

- Provide more detail regarding the traditional scoring metrics used in the final shortlist selection and provide an example of how it plans to convert these metrics into a price score.
- Consider, for informational purposes, examining portfolios via some of the non-traditional metrics from the 2019 IRP.
- Add additional language to ensure that it can make selections to the initial shortlist in order to provide diversity with respect to items such as fuel type, transaction type, technology and location.
- Provide clarification regarding credit requirements.
- For the Term Sheets; (a) adjust the liquidated damages for commercial delay for the storage resource to match other agreements, (b) add limits on liability for the Power Purchase Agreement (PPA) transactions, and (c) provide a space in the Engineering Procurement & Construction (EPC)/Asset Purchase Agreement (APA) sheets for the bidder to explain what specific warranties and LTSA provisions they are offering.
- Allow consideration for bidders who may not meet the permitting timelines proscribed in the RFP.
- Adjust the non-price scoring for EPC/APA bids such that the points for "Forecasting and Scheduling" be allocated to the "Credit and Security" and "Utility Owned Asset Output Guarantee" categories.
- Consider allowing bidders to stay in the evaluation if they can (a) prove that any interconnection and transmission delays are solely due to the delay on the transmission provider's end or (b) show that necessary upgrades needed for service will be on line prior to 2028.
- Account for the fact that some offers may be limited by transmission reservations as opposed to the interconnection limit.

The rest of this report covers our work from engagement to the filing of the Draft RFP and presents our detailed review of the filing.

II. WORK PRIOR TO RFP FILING

Per OAR 860-089-0250.(2).(a) "Unless the electric company intends to use an RFP whose design, scoring methodology, and associated modeling process were included as part of the Commission-acknowledged IRP, the electric company must, prior to preparing a draft RFP, develop and file for approval in the electric company's IE selection docket, a proposal for scoring and any associated modeling." PGE chose the latter option and filed their proposed scoring and associated modeling process in Docket UM-2166.[1]

Within that filing was a request to approve Bates White as the IE for this RFP. We were approved as IE in Commission Order 21-235 in mid-July and began work shortly thereafter. Our first task was to review PGE's proposed scoring and modeling methodologies. We reviewed the filing in the docket and participated in a workshop on August 9th in which PGE reviewed its proposal. We also reviewed stakeholder comments filed in late August and PGE Reply comments. Separately, we held conversations with PGE and Staff to both better understand the proposal and to voice any concerns we had.

We found the proposal to be generally reasonable, but we did have some concerns. These included; (a) the restriction of the RFP to new resources only, (b) overly strict permitting requirements, (c) the lack of consideration of Oregon House Bill 2021, (d) the price and non-price split, and (e) an unclear process for final portfolio scoring. Many of these issues were subsequently reflected in comments by Staff and other interveners. PGE did subsequently make additional changes in response to these and other concerns including modifying the price and non-price split and adding a sensitivity case to examine higher purchase targets in light of HB 2021.

The Commission approved the scoring and modeling methodology, with additional changes suggested by Staff, at its public meeting on October 5th and memorialized the decision in Order 21-320.

PGE subsequently conducted an additional RFP workshop on October 11th in which they reviewed the Draft RFP and answered questions from stakeholders. Bates White was included in this workshop. PGE provided us with an initial draft of the RFP after the workshop and filed the Draft RFP in Docket UM-2166 on October 15th.

One question we had during this process from a policy prospective is what exactly would be covered under the definition of "scoring and associated modeling." Read from a very strict standard this might only include the actual method for assigning a price and non-price score to bids and would not include other items in PGE's proposal such as minimum bid requirements, procurement targets, and more. For now we presume that all items in PGE's proposal, even those beyond a strict reading of the rule, are deemed acceptable by the Commission. In some cases we still suggest additional modification to clarify or enhance certain items.

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[1] Re: UM 2166 – In the Matter of Portland General Electric Company, Application for Approval of an Independent Evaluator for 2021 All Source Request for Proposals. PGE, June 15, 2021. (PGE Scoring and Modeling Methodology)

III. DETAILED DISCUSSION OF THE RFP

In this section we present our review of the Draft RFP. For ease of review we organize our comments in response to relevant sections of the Oregon Guidelines. We specifically address minimum RFP requirements, bid scoring and evaluation process, benchmark and affiliate proposals and conclude with some additional suggestions which we feel could make the procurement more successful.

A. Minimum Bid Requirements

In this section we review the RFP against the relevant bid requirements as described in OAR 860-089-0250. The purpose is to make sure the RFP follows the basic requirements of the Oregon Guidelines.

> *"OAR 860-089-0250.(1) For each resource acquisition, the electric company must prepare a draft request for proposals for review and approval with the Commission, and provide copies of the draft to all parties to the IE selection docket. Prior to filing the draft RFP with the Commission, the electric company must consult with the IE in preparing the RFP and must conduct bidder and stakeholder workshops."*

PGE filed the Draft RFP in Docket UM-2166 on October 15, 2021. We were provided with a copy of the Draft RFP on October 11th to give us more time to review the full document. As noted above, PGE also answered questions and took suggestions from us regarding the scoring and modelling methodologies that are included in the Draft RFP and was available at all times to answer our questions. PGE also conducted stakeholder workshops where they presented their proposal and took questions from participants. Specifically, PGE held a workshop on the scoring and modelling methodologies on August 9th and a workshop on the Draft RFP on October 11th.

> *"OAR 860-089-0250.(2) The draft RFP must reflect any RFP elements, scoring methodology, and associated modeling described in the Commission-acknowledged IRP. The electric company's draft RFP must reference and adhere to the specific section of the IRP in which RFP design and scoring is described."*

The Draft RFP does make use of PGE models from the 2019 IRP and 2019 IRP update. Specifically, PGE will use the Aurora model to simulate market prices and calculate energy values, the Sequoia model to assess the capacity value of bids and the ROM model to value the flexibility of bids. For the final shortlist PGE will use the ROSE-E model to select portfolios and assess the cost and risk of each portfolio against a number of futures.

The Draft RFP also examines the value of offers using IRP methods. The value of each proposal is divided into three sections, energy value, capacity value and flexibility value. The total bid value is the compared against the cost of the bid. Renewable resources are required to pass a "cost containment screen" such that the bid value exceeds the bid cost.

While these methods are largely approved already, one area that could use additional clarification has to do with the selection of the final shortlist. Specifically, the Draft RFP Appendix N states that during the portfolio evaluation process PGE will "calculate the traditional scoring metrics used in the 2019 IRP and IRP Update"[2] and "Once PGE determines the portfolio values for various combinations of bid that are examined in ROSE-E, PGE will convert the traditional metrics into a price score"[3] For better clarity we would suggest that PGE cite its IRP and explain what the traditional scoring metrics are and provide an example of how it plans to convert these metrics into a price score. This should help bidders better understand how PGE intends to make the final portfolio selection.

We also suggest that PGE consider examining portfolios via some of the non-traditional metrics considered in the 2019 IRP such as Near-Term Cost and New Resource Criteria Pollutants.[4] While the main decision should still be based on traditional metrics these details may help provide additional clarity in the case of deciding between proposals of similar value. In addition, the examination of Near-Term Cost addresses a concern noted by the Commission in the 2019 IRP Approval Order.[5] We would be happy to work with PGE to plan and implement this assessment.

> *"OAR 860-089-0250.(2).(b) In preparing its proposal, the electric company must consider resource diversity (e.g. with respect to technology, fuel type, resource size, and resource duration)."*

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[2] Draft RFP, Appendix N, p 17.

[3] Ibid.

[4] See PGE 2019 Integrated Resource Plan, p 187.

[5] "Within RFP design, we will ask the IE to specifically examine performance risk, to advise whether the RFP analysis tilts towards favoring a company-build, and to analyze potential higher near-term rate impacts due to a company-owned resource." Order 20-152, Docket LC-73, May, 6, 2020. p 26.

The Draft RFP is reasonably open to qualifying resources given the preferences and restrictions embodied in Oregon law. The RFP seeks renewable and non-emitting resources over 10 MW (or 3 MW in the case of solar facilities) for a duration of between 15 and 30 years.[6] Most non-emitting technologies are accepted, as is pumped storage hydro. For pumped storage, PGE accommodates the long lead time of this resource by allowing such resources to be on line by no later than the end of 2027. PGE also will consider other long led time technologies that satisfy eligibility requirements, are commercially proven, and can be shown to require additional construction time.[7]

PGE's original proposal for this RFP was limited to new resources but that restriction has been removed per Commission Order. This will also allow for any offers for repowering existing sites.

The Draft RFP does also allow for a variety of transaction types as it invites bidders to offer Power Purchase Agreements (PPAs) as well as ownership positions for renewable assets. We note that PGE also specifically mentions development rights as a potential acquisition.[8] Given the other requirements of the RFP we would expect minimal, if any participation from such resources but we will point out that such transactions are not often included in these RFPs due to the difficulty of comparing such offers with more complete offers from PPAs and build-own-transfer transactions. If PGE did not intend to allow for such offers it should state so in the final RFP.

We do suggest one addition in order to promote more diversity. Currently, the RFP states that renewable and non-emitting resources will be scored separately.[9] This is as positive step for resource diversity as it ensures that a minimum amount of offers from each category are included in the initial shortlist. Having said that, PGE should add additional language to ensure that it can make selections to the initial shortlist which also provide diversity with respect to items such as fuel type, transaction type, technology and location. Without such language PGE would simply take the top scoring resources in each of the two categories. This could lead to a situation where, for example, all storage resources are only 4 hours in duration, or all renewable resources are wind-powered or all bids are EPC bids. This might miss out on some of the benefits of portfolio diversity and risk protection that can be examined in the more detailed modeling for the final shortlist.

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[6] Draft RFP p 12.

[7] Draft RFP p 11.

[8] Draft RFP p 12.

[9] Draft RFP, p 20.

To be clear, we are not suggesting that these additional categories must be filled for the initial shortlist, only that PGE have the option, when reviewing the offers, of elevating some resources to the initial shortlist in order to examine a more diverse portfolio for the final selection.

> *OAR 860-089-0250.(3) At a minimum, the draft RFP must include: (a) Any minimum bidder requirements for credit and capability;*

The Draft RFP does include requirements for credit and capability. The outline of these requirements were initially included in the scoring and modeling methodology but PGE does provide some additional details here.

Bidders must provide a reasonable plan to obtain project financing. Bidders must either support the fact that they are able to balance sheet finance the project or provide evidence of a good faith commitment by a lender prior to placement on the final shortlist.[10]

Going in to more detail, the Draft RFP states that "for investment grade Bidders, their long-term, senior unsecured debt must be rated BBB- of higher by Standard and Poor's, and Fitch, BBB (low) or higher by DBRS of Baa3 or higher by Moody's Investor Services, Inc. For non-investment grade Bidders, they must demonstrate, prior to the final short list, that a qualified institution will secure the Bidder's performance obligations through a letter of credit and guaranty in a form acceptable to PGE."[11]

While this statement is generally in line with PGE's initial proposal in their scoring and modelling methodology filings there are a couple areas of confusion. First, PGE's initial proposal stated that non-investment grade bidders should seek security via a letter or credit or guaranty,[12] not both instruments. Second, it is unclear what the obligations are for a non-investment grade (or unrated) bidder who is intending to balance sheet finance the project. Per this more detailed statement they should seek a guaranty, but per the initial options cited above they need not do so.

We presume that PGE's intent was that (a) any non-investment grade bidder must provide support from a qualified institution no matter their transaction structure and (b) that the

[10] Draft RFP p 13.

[11] Draft RFP p 14.

[12] PGE Scoring and Modeling Methodology, p 15.

support may be either a letter of credit or guarantee. We would suggest that PGE clarify these issues in the final RFP.[13]

The credit requirements for the standard form contracts are similar to PGE's most recent renewables RFP. This includes performance assurance requirements of $200/kw-pre COD and $100/kW thereafter for PPAs. An Asset Purchase or EPC Agreement requires $100/kW and a performance bond.[14] While the pre-COD amount for the PPA is on the high end of market we do note that these numbers are subject to some negotiation as bidders are allowed to propose changes to the standard form contracts (albeit with a potential reduction in non-price score).

One point to be clarified is what happens if a bidder is (a) only rated by one or two of the rating agencies listed and/or (b) the bidder has ratings that are investment grade for some agencies but not others. In these cases we would suggest that (a) bidders need not be rated by all agencies and (b) in the case of discrepancies the bidder is assigned either the majority opinion or the lower of the two ratings (in the case where there is no majority).

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(b) Standard form contracts to be used in acquisition of resources;"*

PGE does include standard form contracts. Specifically they include a form Renewable PPA, storage capacity and hybrid (renewable and storage capacity) PPA agreements as well as Asset Purchase Agreement and EPC form agreements. PGE also includes term sheets for these agreements where they lay out key items regarding credit, scheduling, deliverability, product type and more. PGE requests that all bidders provide redlines to these term sheets with their bid. PGE also provides for context the full agreements but in the RFP does make clear that they only want redlines on the term sheets. While PGE does make note of the distinction it will have to be emphasized with bidders to ensure that all bidders follow directions. As we address later, PGE proposes a very strong penalty for not providing term sheet redlines.

We discuss the scoring process later, and for the most part these term sheets reflect reasonable terms and conditions, though as we point out elsewhere the pre-COD credit requirement for a PPA is somewhat high. Bidders do have the ability to propose a lower rate.

One item that does look out of line is the liquidated damages for commercial operating delay for the storage resource PPA. PGE proposes damages that range from $150 to $350 a

[13] In the same vein, Appendix K states that all bidders must secure their obligations via a letter of credit from a qualified institution (see p 1). We presume that this refers to the performance assurance requested with the standard form contracts but PGE should clarify if this is not the case.

[14] Draft RFP, Appendix K, p 2-3.

MW.[15] For all other agreements these damages range from $100 to $300 per MW.[16] PGE provides no reason these numbers should differ. We would suggest making them match the other agreements.

As another suggestion - we note that the APA and EPC form has some limits on liability, generally about 100% of the purchase price with some exceptions.[17] This is likely something that bidders offering a PPA would also be interested in as this is usually a component of the transaction. We would suggest that the PPAs contain some limits on liability for the transaction as part of the term sheets for PPAs.

Finally, we suggest that the EPC/APA term sheets provide a space for the bidder to explain what specific warranties and Long-Term Service Agreement (LTSA) provisions they are offering. As it stands the scoring for EPC and APA bids puts emphasis on robust warranties and LTSA and bidders should therefore be encouraged to detail what they will provide.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(c) Bid evaluation and scoring criteria that are consistent with section (2) of this rule and with OAR 860-089-0400 (Bid Scoring and Evaluation by Electric Company)"*

As we discuss above. PGE does include evaluation and scoring criteria consistent with its most recently approved IRP and IRP Update. Because the bid scoring and evaluation criteria referenced in this section include a number of more detailed requirements we consider them individually later in this report.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(d) Language to allow bidders to negotiate mutually agreeable final contract terms that are different from the standard form contracts."*

PGE does allow bidders to negotiate terms that are different from the standard form contracts. Specifically PGE invites bidders to provide redline comments to term sheets as well as the technical specifications.[18] In addition, the RFP states that PGE will proceed to

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[15] Draft RFP, Appendix B, p 3-4.

[16] See, for example, Draft RFP, Appendix D, p 6.

[17] Draft RFP, Appendix D, p 7.

[18] Draft RFP, p 18-19.

negotiations with the top performing bids.[19] We do note that redlines may result in lower non-price scores.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(e) Description of how the electric company will share information about bid scores, including what information about the bid scores and bid ranking may be provided to bidders and when and how it will be provided;"*

PGE does include this information. Per the Draft RFP at page 21 PGE will offer feedback to unsuccessful bidders on the competitiveness of their proposals. PGE commits to providing this after negotiations are complete with successful Bidders or the RFP is terminated. PGE will provide no confidential information but will disclose in which quartile the bid sat in price, non-price and total score rankings as well as identifying any minimum thresholds not met.

Regarding the last item, as part of the RFP process we will work to ensure that any bidder that is facing disqualification will understand exactly why they are being disqualified and also have a chance to cure their shortfall. This is a standard procedure in most RFPs.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(f) Bid evaluation and scoring criteria for selection of the initial shortlist of bidders and for selection of the final shortlist of bidders consistent with the requirements of OAR 860-089-0400 (Bid Scoring and Evaluation by Electric Company)."*

The Draft RFP does include bid evaluation and scoring criteria for selection of both the initial and final shortlist. We address compliance with OAR 860-089-0400 in a separate section.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(g) The alignment of the electric company's resource need addressed by the RFP with an identified need in an acknowledged IRP or subsequently identified need or change in circumstances with good cause shown;"*

The RFP does align with the need expressed in the Company's 2019 IRP adjusted for changes since that time. The IRP was acknowledged in OPUC Docket LC-73 per Order 20-152

[19] Draft RFP, p 21.

on May 6, 2020. The 2019 IRP Update was acknowledged in Order number 21-129 on May 3, 2021.

The RFP seeks a total of 375 MW of capacity and up to 150 MWa of renewable resources. While the renewable target of 150 MWa comes straight from the IRP the capacity need has dropped from 511 MW in the IRP Update to 372 MW in the Draft RFP.[20] Per Staff request, PGE provides an additional appendix to show how these numbers have evolved since the 2019 IRP. Major changes since the IRP Update include the extension of the Pelton and Round Butte Project and the second resource from Phase 1 of the Green Energy Affinity Rider (GEAR) which led to a lower overall capacity requirement.

One other major market development since the acknowledgement of the IRP Update is the signing of Oregon House Bill 2021. HB 2021 set aggressive standards for carbon reduction which would be expected to increase the need for non-emitting generation. During the consideration of their scoring and modelling methodology PGE provided more information regarding the need for increased procurement of non-emitting generation as well as the timetable to conduct procurements over the next decade. As consideration for HB 2021 PGE did commit to examining a procurement of an additional 65 MWa of renewables, an amount that, when combined with the 150 MWa target and the 100 MW in support of the GEAR program, would give PGE roughly 1/3rd of the renewable needs to hit its 2030 goals under the new law.

This additional sensitivity was included in response to Staff comments and we believe it to be an important analysis. We may also suggest more sensitivities at different levels of procurement. Such sensitivities will likely depend on the bid received, notably the supply of offers within what evaluators determine to be a competitive price offer range.

> *"OAR 860-089-0250.(3) At a minimum, the draft RFP must include…(h) The impact of any applicable multi-state regulation on RFP development, including the requirements imposed by other states for the RFP process;"*

Since PGE serves Oregon customers only this regulation is less relevant. We note that PGE is a member of the Northwest Power Pool and if developments out of the NWPP or similar entities affect the procurement we will work with PGE to adjust the process as necessary.

[20] Draft RFP Appendix Q p 3. Note that the table with capacity needs refers to the 2019 IRP but the numbers reflect the 2019 IRP Update. We would suggest PGE correct this error.

> *"OAR 860-089-0250.(4) An electric company may set a minimum resource size in the draft RFP, but it must allow qualifying facilities that exceed the eligibility cap for standard avoided cost pricing to participate as bidders."*

The minimum resource size for the RFP is 3 MW for solar resources and 10 MW for other resources. This is the eligibility cap for PGE's Section 202 qualifying facilities. Per the above guideline there are no specific restrictions on qualifying facilities who exceed this size in bidding in this RFP.

B. Bid Scoring Requirements

In this section we focus on the bid scoring and evaluation requirements in the OAR Competitive Bidding Guidelines. We address relevant section by number below.

> *"OAR 860-089-0400.(1) To help ensure that the electric company engages in a transparent bid-scoring process using objective scoring criteria and metrics, the electric company must provide all proposed and final scoring criteria and metrics in the draft and final RFPs filed with the Commission."*

As discussed earlier PGE has provided these criteria and the methods were approved with modifications by the Commission in Order 21-320. The methods proposed in the Draft RFP are essentially copied from PGE's proposal with modifications per stakeholder comments and Commission Order.

> *"OAR 860-089-0400.(1).(2) The electric company must base the scoring of bids and selection of an initial shortlist on price and, as appropriate, non-price factors. Non-price factors must be converted to price factors where practicable. Unless otherwise directed by the Commission, the electric company must use the following approach to develop price and non-price scores:*
>
> > *(a) Price scores must be based on the prices submitted by bidders and calculated using units that are appropriate for the product sought and technologies anticipated to be employed in responsive bids using real-levelized or annuity*

methods. The IE may authorize adjustments to price scores on review of information submitted by bidders.

(b) Non-price scores must, when practicable, primarily relate to resource characteristics identified in the electric company's most recent acknowledged IRP Action Plan or IRP Update and may be based on conformance to standard form contracts. Non-price scoring criteria must be objective and reasonably subject to self-scoring analysis by bidders.

(c) Non-price score criteria that seek to identify minimum thresholds for a successful bid and that may readily be converted into minimum bidder requirements must be converted into minimum bidder requirements.

(d) Scoring criteria may not be based on renewal or ownership options, except insofar as these options affect costs, revenues, benefits or prices. Any criteria based on renewal or ownership options must be explained in sufficient detail in the draft RFP to allow for public comment and Commission review of the justification for the proposed criteria.

The Draft RFP satisfies these criteria and reflects what was approved by the Commission in Order 21-320. PGE will use a 70/30 price and non-price scoring split per Staff recommendation and OPUC Order. PGE made a slight adjustment from the nominal point values presented in Staff's proposal to preserve a maximum score of 1000, but we find the concept follows the proposal Staff made. PGE also adjusted COD values as requested by Staff and approved by the Commission. PGE will also look at 60/40 and 80/20 sensitivities.

Price scores are based on the prices offered by bidders, which are converted into real levelized costs for comparison. Many non-price criteria that, in the past, might have been part of the non-price scoring have been converted into minimum threshold requirements per the Guidelines above. This includes items such as land acquisition and permitting.

Regarding the latter item. One concern we had in reviewing the scoring and modelling methods was the overly prescriptive nature of the permitting matrix. Our concern was that many offers that would otherwise have a reasonable chance of being constructed would be eliminated over missing a single permit. Many stakeholders had similar concerns and suggested changes based on their experience which PGE did incorporate into the Draft RFP. In addition PGE adds some flexibility to this list by stating that "in the event that a specific permit is not required for the resources (sic) that is bid into this RFP, the Bidder may provide a narrative explanation on the bid form regarding why it is not applicable."[21]

[21] Draft RFP, Appendix N, p 5.

We would suggest expanding this option to include situations where a permit will required, but not be acquired at the timeline suggested in the RFP. This could be because of the location, technology, or other specific characteristic of the project. This will allow bidders more flexibility to account for and justify the actual permitting pace of their particular project rather than meeting a theoretical schedule put out by PGE. To be clear, this would not excuse a bidder from adhering to the timeline as the evaluators would still have to judge whether the explanation provided has merit.

On the non-price side per the Guidelines above there is no scoring based on ownership options except as these options affect costs and benefits. The non-price score is primarily based on adherence to standard form contracts as is allowed under the Guidelines. PGE has provided in Appendix N a scoring matrix that parses out points to different risk categories. Exhibit C of this Appendix provides more detail on the specific scoring methods. This does provide some additional detail for bidders to self-score their proposal.

PGE breaks down the non-price scoring into several categories. They do attempt to acknowledge the different risk profiles of the PPA and EPC/APA transactions. However, one change we suggest is that for EPC/APA bids the points for "Forecasting and Scheduling" be split among the "Credit and Security" and "Utility Owned Asset Output Guarantee" categories. This is because EPC/APA bids really have no terms regarding forecasting, scheduling, or similar conditions.

We note that the penalty for not providing any redlines – or for deferring discussion on certain terms – is very severe, a zero score. This is acceptable, but should be emphasized to all bidders as it is not uncommon for bidders to want to defer discussions until an offer is closer at hand.

> *"OAR 860-089-0400.(5) Unless an alternative method is approved by the Commission under OAR 860-089-0250 (Design of Requests for Proposals)(2)(a), selection of the final shortlist of bids must be based on bid scores and the results of modeling the effect of candidate resources on overall system costs and risks using modeling methods that are consistent with those used in the Commission-acknowledged IRP"*

As discussed above, PGE will use IRP modeling tools and methods consistent with the 2019 IRP and the 2019 IRP Update. As we discussed we would suggest that PGE provide more detail regarding the scoring and selection of a final portfolio of resources in order to help bidders better understand how their offers might be evaluated.

While the scoring methods are already approved we do note here that per HB 2021 utilities will develop clean energy plans and have community benefits and impacts advisory groups. These groups will consider items such as energy burden, minority contracting, environmental justice actions customer experience and more. While these processes have yet to be defined and fleshed out it might be useful for PGE to collect material related to these issues from bidders to see how various portfolios might affect these metrics.

> *"OAR 860-089-0400.(5).(a) The electric company must use a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist before modeling the effects of such resources.(b) In addition, the electric company must conduct, and consider the results in selecting a final short list, a sensitivity analysis of its bid rankings that demonstrates the degree to which the rankings are sensitive to:(A) Changes in non-price scores; and(B) Changes in assumptions used to compare bids or portfolios of bids, such as assumptions used to extend shorter bids for comparison with longer bids, or assumptions used to compare smaller bids or portfolios with larger ones."*

The Draft RFP does make it clear (on page 6) that a third-party expert will provide a capacity factor verification report to be reviewed by the IE. Also, as noted above, and in response to Commission Order and Staff request, PGE will look at sensitivities of 60/40 and 80/20 for a price and non-price split. PGE will also "work with Staff to determine the most informative approach to examine a low wholesale market price sensitivity as well as a PTC extension sensitivity and will share all sensitivity analyses with the independent evaluator for their review."[22]

As IE we will also receive the modeling results and we presume that PGE will also conduct any feasible sensitivity studies that we request. The goal of any such sensitivities will be to test the bid ranking and selection against key factors such as future price assumptions that will help illuminate the key risks and choices made in each resource selection. Should there be any issues with this approach we note that in our reports to the Commission.

C. Benchmark Requirements

Per PGE the Company will offer four self-build or benchmark resources into the RFP and there will also be an affiliate offer. In this section we examine the RFP Design against the Guidelines regarding affiliate and self-build offers.

[22] Draft RFP, Appendix N, p 17.

> *"860-089-0300.(1).b. Any individual who participates in the development of the RFP or the evaluation or scoring of bids on behalf of the electric company may not participate in the preparation of an electric company or affiliate bid and must be screened from that process."*

PGE does provide some guidance regarding separation of the benchmark team from the RFP team. Specifically on page 7 of the Draft PGE states that it will "[Designate] individuals with the appropriate levels of expertise and technical knowledge to RFP and bid development teams that do not interact on RFP related matters." This is a standard practice and we presume that PGE will provide a list of names to us specifying who is on which side of this divide.

On the same page PGE also states that individuals participating in the development of the RFP or the evaluation of bids were not involved with the preparation of a benchmark or affiliate bid and were screened from the process.

> *"860-089-0300.(2). An electric company may propose a benchmark bid in response to its RFP to provide a potential cost-based alternative for customers. The electric company may make elements of the benchmark resource owned or secured by the electric company (e.g., site, transmission rights, or fuel arrangements) available for use in third-party bids."*

PGE is making available the land it is using for a battery storage resource and the land used for an affiliate bid solar resources. Per the Guidelines PGE states that these are available at "market value."[23] PGE states that the storage land is adjacent to PGE property and cannot be made available for a PPA transaction due to security reasons, a restriction that we do not object to at this time.

In early discussions with Staff we expressed concern that PGE might withhold transmission rights owned by the utility for use by the benchmark. PGE does not provide any other land for use nor do they provide an explanation for withholding so we presume that no other aspects of these offers are paid for with ratepayer money. PGE specifically states that utility controlled transmission rights will not be used for the benchmark offers.

[23] PGE Draft RFP, Appendix P, p 2.

“860-089-0350.(1) Prior to the opening of bidding on an approved RFP, the electric company must file with the Commission and submit to the IE, for review and comment, a detailed score for any benchmark resource with supporting cost information, any transmission arrangements, and all other information necessary to score the benchmark resource. The electric company must apply the same assumptions and bid scoring and evaluation criteria to the benchmark bid that are used to score other bids.“

PGE’s RFP contemplates the benchmark offers being submitted roughly two weeks prior to third party bids. Once those offers are submitted we will work with PGE evaluators to review and score the offers prior to the receipt of third party offers. This will include a review the unique risks posed by the benchmarks.

D. Other Issues

Beyond the suggestions above we have a few proposed edits that we believe would contribute to making the RFP a more successful procurement. We have two specific suggestions.

First, we suggest that PGE consider allowing bidders to stay in the evaluation if they can (a) prove that any transmission schedule delays are solely due to the delay on the transmission provider’s end or (b) show that necessary upgrades needed for service will be on line prior to 2028. As we saw in PGE’s last procurement and as we are seeing in other procurements securing interconnection and transmission service is a vital step in creating a viable bid. While bidders do have control over making timely submissions the fact is that transmission providers can experience delays in conducting the appropriate studies and implementing needed upgrades. This leads to bid rejection if the bidder does not have the appropriate study in time or if the study shows upgrades being completed beyond the allowed COD.

In the case of this RFP PGE has already made an allowance for late delivery due to the long lead times of pumped storage projects. While simply allowing a comparable timeframe for other resources is not feasible as it would allow too many conceptual projects to offer in the RFP we do think that otherwise qualified projects who are delayed solely due to transmission provider action can be considered.

To be clear we are not suggesting that such bidder will automatically be allowed to continue in the process, merely that they can offer their case to the evaluators and we will make a decision. Again, bidders would need to show that they submitted materials in a timely fashion and that the delays are caused solely by the transmission provider. Bid scores would also have to be adjusted to reflect the later delivery date.

Second PGE outlines a plan for transmission whereby renewable bidders must have a plan to secure 80% of the interconnection limit of the facility under long-term arrangements. While this approach is approved and acceptable we note that some offers are actually limited by the transmission they can provide (as opposed to the nameplate of their facility). Therefore, it might be clearer to say that a bidder should provide 80% of their maximum capacity offered to PGE under long-term agreements.