

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: July 13, 2021**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: July 8, 2021

TO: Public Utility Commission

FROM: Zachariah Baker

THROUGH: Bryan Conway, JP Batmale, and Kim Herb **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2166)
Selection of an Independent Evaluator for PGE's 2021 All-Source RFP and initial consideration of the RFP timeline and scoring and methodology.

STAFF RECOMMENDATION:

Select Bates White to serve as an Independent Evaluator (IE) as Portland General Electric Company (PGE or Company) pursues its 2021 All-Source Request for Proposals (RFP) for resources identified in its 2019 Integrated Resource Plan (IRP); and direct Staff to engage stakeholders on the development of a schedule that includes an adequate opportunity for stakeholder comments on the RFP details and scoring and modeling methodology.

DISCUSSION:

Issues

1. Whether the Commission should select Staff's recommended bidder to serve as IE for PGE's 2021 All-Source RFP for resources identified in its 2019 IRP.
2. Whether the Commission should direct Staff to engage stakeholders on the development of a schedule that includes an adequate opportunity for stakeholder comments on the RFP details and scoring and modeling methodology.

Applicable Rule or Law

The Commission's competitive bidding requirements in OAR Chapter 860, Division 89 apply when an electric utility may acquire a resource or a contract for more than an

aggregate of 80 megawatts and five years in length, as specified in OAR 860-089-0100(1).

Under OAR 860-089-0200(1), when an electric utility is subject to competitive bidding requirements, it must engage the services of an independent evaluator to oversee the RFP process. To engage an IE, the utility must:¹

1. Notify all parties to its last general rate case, RFP, and IRP dockets that it needs an IE;
2. Solicit input from those parties and from interested persons regarding potential IE candidates;
3. File a request for Commission approval to engage an IE;
4. Upon approval by the Commission, engage the IE with a contract that “must require that the IE fulfills its duties under these [competitive bidding] rules and that the IE confers as necessary with the Commission and Commission Staff on the IE’s duties.

The duties of an IE are set forth in OAR 860-089-0450. In fulfilling its duties, the IE must be provided with full access to the utility’s production cost and risk models and sensitivity analyses.²

When a utility files for Commission approval to engage an IE, Commission Staff reviews the request, and solicits input from interested persons. Per OAR 860-089-0200(2), Commission Staff then makes its recommendation on IE selection based on:

1. Input received from the electric company and interested, non-bidding parties;
2. Review of the degree to which the IE is independent of the electric company and potential bidders;
3. The degree to which the cost of the services to be provided is reasonable;
4. The experience and competence of the IE; and
5. The public interest.

Per OAR 860-089-0250(1), (2), a draft RFP must reference and adhere to the RFP elements, scoring methodology, and associated modeling described in the Commission-acknowledged IRP associated with the RFP.

OAR 860-089-0250(2)(a) requires that if the utility does not have a Commission-acknowledged IRP in which the RFP design, scoring, and associated modeling was

¹ OAR 860-089-0200(1), (2), (3), (4).

² OAR 860-089-0400(6).

included, the utility must develop and file for approval, in the IE selection docket, a proposal for scoring and associated modeling prior to preparing a draft RFP.

Analysis

Background on IE Selection

PGE filed its 2019 IRP on July 19, 2019, in Docket No. LC 73. Action Items in the 2019 IRP action plan included an RFP for renewable resources as well as non-emitting capacity resources.³ As memorialized in Order No. 20-152 filed on May 6, 2020, the IRP was acknowledged with conditions and additional directives on March 16, 2020, at a Special Public Meeting. One of the key items for PGE to clarify in its future RFP filing was whether or not PGE would pursue a two-vehicle procurement approach as it had proposed.⁴ PGE filed an IRP Update that was acknowledged in Order No. 21-129 on May 3, 2021. The IRP Update contained no changes to its action plan, but indicated the Company intends to conduct a single solicitation, rather than the two-vehicle approach described in the 2019 IRP.

PGE applied to open an IE selection docket on April 28, 2021. PGE shared a draft IE RFP with interested intervenors for feedback. On May 5, 2021, PGE issued a final IE RFP to invited IE candidates to submit bids. Bids were due on May 17, 2021. PGE received 12 bids. All of these bids met the minimum qualifications and were scored. The 12 firms that were evaluated were:

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Two members of PGE staff independently reviewed and scored each proposal. The Company then developed an overall score for each RFP bid. Broadly, PGE's IE RFP scoring was broken down into four categories and weighted as follows in Table 1 below:

³ PGE 2019 Integrated Resource Plan. Pages 33-34.

⁴ See LC 73, Order No. 21-152. Page 26.

Table 1: IE Scoring Criteria and Weighting

Category	Description	Total Weight	Points
Proposal Completeness & Understanding of Scope of Work	Complete and very detailed description of project in deliverables Clear knowledge and understanding of functions to be performed Provides a clear project management plan with dedicated resources	10%	10
Bidder Experience	Specific experience reviewing RFPs for renewable resources and energy storage resources Relevant energy industry consulting work on topics pertaining to challenges in the West and Pacific Northwest Consulting experience that illustrates exposure to and familiarity with techniques and tools that are used in resource solicitations Specific experience working with utilities in the PNW	40%	40
Adherence to PGE's Terms and Conditions	Willingness to adhere to PGE's Terms and Conditions	10%	10
Competitive Pricing	Points based on the quoted cost of the project in relation to other proposal	40%	40
Total points			100

PGE's IE bid evaluation process resulted in the identification of the top three IE candidates to perform the duties associated with oversight of the 2021 All-Source RFP.

On June 2, 2021, PGE hosted a workshop open to non-bidding parties to the Company's most recent general rate case, RFP and IRP dockets and other non-bidding interested persons to review and discuss IE candidates. Staff commends PGE's staff in balancing the need for openness with confidentiality on this conference call and responsiveness to stakeholder questions.

PGE filed an application for Commission approval to engage an IE on June 15, 2021. The filing also included PGE's proposed 2021 All-Source RFP scoring and modeling

methodology and an associated timeline. PGE proposes the selection of Bates White as IE – one of the top three candidates under the RFP scoring employed by the Company.

Staff IE Selection Recommendation

As stated previously, PGE proposes that Bates White serve as the IE for PGE's 2021 All-Source RFP. Staff evaluated PGE's IE selection process insofar as it was consistent with the criteria in OAR 860-089-0200(2)(a-e), conducted its own independent review of the bids, and also recommends the Commission approve Bates White to serve as IE.

A discussion of Staff's consideration of each of the criteria in this IE selection process follows:

Input received from the electric company and interested, non-bidding parties: The Northwest & Intermountain Power Producers Coalition (NIPPC) as an interested non-bidding party, along with PUC Staff, provided feedback on the IE solicitation. PGE solicited and was responsive to Staff and NIPCC's feedback. Specifically, the Company was responsive to Staff and NIPPC's recommended language changes in the development of the IE RFP, which included ensuring:

- familiarity with challenges faced by utilities in the Pacific Northwest,
- an extensive knowledge of renewables and energy storage resources,
- demonstrated understanding of Oregon's competitive bidding rules, and
- the ability to assess the fairness of scoring and the unique risks and advantages of a variety of ownership structures.

Further, PGE held a confidential workshop to review and discuss the IE candidates. PGE ultimately proposes a candidate for which there is no opposition from Staff or other interested persons.⁵

Review of the degree to which the IE is independent of the electric company and potential bidders: IE RFP bidders were required to disclose any potential or actual conflicts of interest, including any business conducted with PGE or its affiliates, past or present as well as any conflict or potential conflict of interest that might arise during the course of the RFP, including with any potential bidders or stakeholders. The Company

⁵ As noted in LC 73, Order No. 20-152, page 5, Northwest & Intermountain Power Producers Coalition (NIPPC) raised a concern about having the opportunity to engage in PGE's selection of an Independent Evaluator (IE). PGE responded that it would solicit input for an IE and the Commission agreed with PGE that the competitive bidding rules require PGE to work with parties and stakeholders regarding IE candidates. Furthermore, the Commission directed Staff to ensure the RFP for an IE includes stakeholders' desired IE criteria. The discussion in this section of the memo illustrates that PGE was responsive to this directive.

reviewed the disclosures with stakeholders and Staff at the confidential workshop on June 2, 2021 and was responsive to Staff and stakeholder concerns, sharing that three of the ranked bidders had existing relationships with the Company and potential solutions to address potential conflicts. To the best of Staff's knowledge, Bates White is not a bidder that currently has existing contracts with PGE that might otherwise put into question its independence from PGE.

The degree to which the cost of the services to be provided is reasonable: All of the bids were well below the upper number of historical IE costs Staff calculated as part of Docket No. AR 600. In Docket No. AR 600, Staff conducted analysis on historic IE costs of Oregon utilities. Staff noted that, based on ten data points between 2007 and 2018 for two Oregon utilities, the range of IE costs was from \$190,000 to \$929,000. Staff also noted that the drivers of IE costs include: the complexity of the RFP design process, the number of proposals received in response to an RFP, and the need for analysis and review of high-end production cost and transmission modeling.⁶ Staff has observed that recent RFP activity has required increasingly complex analysis associated with market risk sensitivities and transmission expenses.⁷ Furthermore, this RFP will be coincident with significant recent changes in legislation potentially affecting electric utility procurement.⁸ Given this, Staff anticipates complexity in this RFP that warrants the use of a highly qualified and experienced IE and likely higher costs for those services.

IE bids ranged from **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. Among the bids in this particular IE selection process, Bates White was neither the least nor the most expensive proposal at **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]**. Where the costs were higher among the candidates, Staff believes it is largely commensurate with an increased level of experience and expertise brought by the candidates. As discussed in the next criterion, Bates White offered strong experience, so the fact that its bid was not the least expensive is not unexpected. For all of the reasons above, Staff finds the cost of the services to be provided by Bates White reasonable.

The experience and competence of the IE: PGE explained that bidders had to meet minimum qualifications by demonstrating in their application that they had the adequate experience and competency such that they could perform the IE functions identified in the Commission's competitive bidding rules. Based on the application materials, Staff considered whether applicants had previous IE experience, recent or prior RFP evaluation or moderation experience, or other relevant experience. Of the 12 applicants, **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** either did not have or did not

⁶ See AR 600, Staff Comments, June 13, 2018.

⁷ See UM 2059 - PacifiCorp's current All-Source RFP.

⁸ See HB 2021 <https://olis.oregonlegislature.gov/liz/2021R1/Measures/Overview/HB2021>.

demonstrate adequate experience and competency. PGE shared the scores of the remaining applicants, as well as the overarching experience level they demonstrated. Table 2 below includes the scoring for the bids that met the minimum qualifications.

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Table 2: Bidder Scoring

Bidder	Completeness, Understanding of Scope	Experience	Adherence to PGE's T&C	\$ Score	Price	Total Score	Rank
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[END CONFIDENTIAL]

Bids were ranked according to their score. PGE relied on the resulting scores to identify its top candidates. Stakeholders indicated it did not object to a number of the IE candidates, including Bates White, but did not recommend a specific candidate.

Staff's preference is for a highly qualified IE that brings past IE experience and awareness of the Northwest's energy challenges. Bates White was one of the top three scorers overall. But, as PGE noted in its filing, Bates White's experience sets its proposal apart from the other top scoring bidders. This includes:

- Prior IE experience,
- Specific familiarity with challenges faced by utilities in the Pacific Northwest,
- An extensive knowledge of renewables and energy storage resources,
- Demonstrated understanding of Oregon's competitive bidding rules, and
- The ability to assess the fairness of scoring and the unique risks and advantages of a variety of ownership structures.

As a particularly relevant example of the firm's experience, Bates White recently served as IE for PGE's 2018 Renewable RFP. Taking only the experience and the overall

understanding of the scope of work that comes with that, Staff agrees that Bates White's application stood out from the others in this regard.

The public interest: As described above, as the draft IE RFP was developed, Staff and interested parties worked with the Company to ensure IE candidates were evaluated in terms of their understanding and experiences that reflect the challenges facing utility planning in the Pacific Northwest. Bates White's proposal demonstrated this particular experience, and was competitive with other highly qualified bids. The selection of Bates White also reflects stakeholder input, insofar as it was not opposed by Staff, the Company, or interested persons. All of these items speak to satisfying the public interest.

Staff believes the IE selection process has been conducted consistent with OAR 860-089-0200(2) and recommends the selection of Bates White as the IE for PGE's 2021 All Source RFP.

Background on Scoring and Methodology and Associated RFP Timeline

Accompanying its IE Selection filing on June 15, 2021, PGE also attached proposed scoring and modeling methodology for the 2021 All-Source RFP along with an associated timeline for the RFP (See Appendix A of the filing). The Company's proposed partial timeline for conducting the RFP is included below for easy reference:⁹

Event	Date
PGE issued IE RFP	5/5/2021
IE RFP candidates submitted bids	5/17/2021
PGE hosted a workshop to discuss IE selection results	6/2/2021
PGE filed IE selection request for approval and scoring and modeling methodology document	6/15/2021
OPUC issues decision regarding IE selection	7/13/2021
PGE hosts stakeholder RFP introduction workshop	8/9/2021
PGE hosts bidder RFP introduction workshop	8/16/2021

⁹ Staff refers to the proposed timeline as a partial timeline because it includes some of the key milestones, but it is not comprehensive (e.g. it does not include dates for staff memos, party comments, or PGE reply comments).

OPUC IE selection docket scoring and methodology approval	8/17/2021
PGE files draft RFP with the Commission	8/25/2021
Commission public meeting to consider approval of RFP	11/15/2021
PGE issues RFP	November 2021
Bids due	January 2022
PGE requests acknowledgement of final short list and commences negotiations	Q2 2022

In its filing, PGE noted that this was the first time it submitted a Scoring and Modeling Methodology Proposal in the IE selection docket since the adoption of the competitive bidding rules and expressed the intent to invite feedback on the proposal and involve the IE.

Through the rulemaking process conducted in Docket No. AR 600, the Commission adapted the competitive bidding guidelines from Order No. 14-149 and established the competitive bidding rules now in effect in OAR Chapter 860, Division 089. PGE's 2019 IRP was the first IRP filed after the rules were adopted. The rules are designed to recognize the increasing overlap between IRP and RFP processes and to better integrate the RFP process with the IRP, in part by accelerating discussion of RFP design and its relationship to IRP analysis.¹⁰ The new rules require initial RFP design and scoring methodology to be filed either in the IRP, or later in the independent evaluator proceeding.¹¹ PGE sought to satisfy this requirement with IRP Appendix J containing RFP design and modeling methodology. But, the Commission did not reach a conclusion on whether the design and modeling methodology satisfied the requirement and instead explained that the Commission would rely on substantive discussion of it in the IE docket.¹² The relevant discussion from Order No. 20-152 is included below:

We do not reach a conclusion as to whether PGE provided the level of scoring and associated methodology that, under our new RFP rules, would enable them to move directly to filing an RFP. Under the circumstances, where PGE's procurement approach was a significant area of discussion in our acknowledgment decision and where external timelines do not force PGE to

¹⁰ See LC 73, Order No. 20-152. Page 6.

¹¹ OAR 860-089-0250.

¹² LC 73, Order No. 20-152. Page 27.

move to an RFP immediately, we will depend on substantive discussion of the RFP format, eligibility criteria, scoring and selection methodology, and transmission arrangements in the IE docket. For these procurements, we agreed with Staff that PGE will need to engage in a rigorous process to establish RFP details, clarify key attributes including dispatchability and transmission requirements. During the RFP process we will endeavor to provide more clarity on how we interpret OAR 860-089-0250. We will aim to explain what information about scoring and associated modeling is required in an IRP to avoid the extra step of a workshop on scoring and methodology in the IE selection docket.

Staff Scoring and Modeling Methodology And Associated Timeline Recommendation
Staff recommends the Commission direct Staff to work with stakeholders and PGE on a schedule that includes adequate discussion and consideration of the RFP design and scoring and methodology. Staff appreciates PGE noting in its filing that both the timeline and scoring and methodology may require further discussion.

The need for extensive review of the 2021 RFP details was specifically contemplated by the Commission. As noted in this excerpt from Order No. 20-152, the Commission wanted to “depend on substantive discussion of the RFP format, eligibility criteria, scoring and selection methodology, and transmission arrangements in the IE docket.” Similarly, in the above referenced Order, the Commission agreed with Staff that PGE will need to engage in a “rigorous process” to establish RFP details.

As noted earlier in this memo, one of the Commission’s concerns in LC 73 has been resolved through stakeholder engagement in the IE RFP development and selection process. However, other issues noted by the Commission in the Order are still outstanding. These other issues include the need for further conversation on the scoring and selection methodology, transmission arrangements, performance risk and the PTC, sensitivities, long lead time resources, and an updated needs assessment. The overall RFP format and energy cap also may need further conversation. A table attached to this memo – Attachment A – attempts to more fully capture the outstanding items the Commission noted for further discussion.

As a result, Staff believes that the timeline needs to be modified to 1) allow for more time to accommodate the substantive discussion envisioned in Order No. 20-152 and 2) consistent with the competitive bidding rules, allow for a fundamental review of the RFP design and scoring and methodology. This timeline should include, at the very least, more time for comments on the scoring and methodology from stakeholders to better inform the Commission’s decision on approval of these elements.

Conclusion

Staff independently reviewed the IE applications and recommends that Bates White be selected as the IE for PGE's 2021 RFP. Further, Staff recommends further work with PGE and stakeholders to develop the RFP timeline to allow for adequate discussion and consideration of the RFP details.

PROPOSED COMMISSION MOTION:

1. Approve Bates White as the Independent Evaluator for PGE's 2021 All-Source RFP.
2. Direct Staff to engage stakeholders on the development of a schedule that includes an adequate opportunity for stakeholder review of the RFP design and scoring and modeling methodology.

Table of Outstanding RFP Issues from 2019 IRP Commission Orders
Attachment A to Staff Memo dated July 8, 2021

Topic	Cite	Relevant Language (Text bolded to facilitate identification of key direction in the excerpt)
Scoring and Methodology	Order No. 20-152 (pg. 27)	We do not reach a conclusion as to whether PGE provided the level of scoring and associated methodology that, under our new RFP rules, would enable them to move directly to filing an RFP. Under the circumstances, where PGE's procurement approach was a significant area of discussion in our acknowledgment decision and where external timelines do not force PGE to move to an RFP immediately, we will depend on substantive discussion of the RFP format, eligibility criteria, scoring and selection methodology, and transmission arrangements in the IE docket. For these procurements, we agreed with Staff that PGE will need to engage in a rigorous process to establish RFP details, clarify key attributes including dispatchability and transmission requirements. During the RFP process we will endeavor to provide more clarity on how we interpret OAR 860-089-0250. We will aim to explain what information about scoring and associated modeling is required in an IRP to avoid the extra step of a workshop on scoring and methodology in the IE selection docket.
Transmission	Order No. 20-152 (pg. 27)	Finally, we observe that transmission will be a significant constraint on the resources PGE will be able to consider for inclusion in an optimized portfolio. Although we do not reach any conclusions about PGE's transmission addendum here, we appreciate PGE's efforts and stakeholders' feedback in this area. In the IE docket we will take up these issues and seek additional information about PGE's transmission rights and what types of transmission arrangements are suitable for PGE's procurement.
Performance risk and PTC	Order No. 20-152 (pg. 26)	In the event that PGE moves forward with a standalone RFP, we considered two of Staffs recommended conditions that would apply to a company-owned resource. We declined to bar PGE from submitting a benchmark resource into the RFP. 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. We recognized that PTC realization is a key benefit shown in PGE's economic analysis. We stated that, if PGE pursues a company-owned resource, our acknowledgement is based on an assumption of the value of PTCs flowing through to customers. We further noted that the IE will need to make any PTC risk very visible in its RFP analysis.

Sensitivities	Order No. 21-129 (pg. 25)	Staff raised questions about how PGE's portfolio analysis could change under low market price futures and additional PTC extensions. PGE agreed with the request in Staffs motion to collaboratively develop sensitivities in a RFP proceeding and to report those sensitivities with the final shortlist.
Long lead-time resources and other resources	Order No. 21-129 (pg. 5)	We had questions about how resources with less common development and business structures (i.e., long lead-time resources) will be fairly evaluated for inclusion in the portfolio. We recognize the concerns raised by Swan Lake/Goldendale and NIPPC that long-lead time resources may have commercial operation dates just beyond the IRP action plan window and beyond the RFP target for resources to be online. We expect a thorough discussion in RFP design on how different types of resources may participate in the RFP.
Updated Needs Assessment	Order No. 20-152 (pg. 2) (pg. 8) (pg. 12)	<p>As we approach the RFP, we will continue to depend on PGE to rigorously update its needs assessment and assessment of changing conditions; to ensure that the way PGE and others manage transmission rights does not unreasonably diminish the significance of portfolio analysis in resource selection and to better justify how separate or combined procurements will result in an optimized portfolio. This work will continue in a docket for selection of an Independent Evaluator (IE) and approval of one or more RFPs.</p> <p>We discussed Staff and parties' concerns over PGE' s base case assumption of zero participation in PGE's voluntary green energy programs. While PGE's sensitivities showed only a modest decrease to its energy and capacity needs from its green energy programs, we find there is some risk of PGE over-procuring resources if it fails to consider these programs. PGE has committed to update its needs assessment in a RFP docket with a consideration of the capacity and energy impacts of its green tariff. We also direct PGE to incorporate examination of customer program growth assumptions, including utility-offered programs and direct access, in its next IRP. We address energy efficiency considerations below.</p> <p>We will depend on PGE providing clear and thorough needs assessment updates in its IRP Update and prior to any RFP (likely in its IE selection docket). PGE shall make best efforts to refresh the same inputs that it updated in November 2019 in this proceeding, with the latest available econometric load forecast, resource updates for the green tariff subscription level, updated QF levels and sensitivities, and updated market capacity information. For PGE's market capacity update, PGE is to consult with Staff about what data (in addition to coal retirements) can be updated in PGE's exiting market capacity study tool.</p>

		<p>capacity action on PGE optimizing the renewables RFP with the capacity RFP to achieve the goals of the preferred portfolio. PGE may achieve this by combining the procurements to produce an optimized portfolio that achieves the goals of the preferred portfolio, or providing further justification for how separate procurements will be coordinated to improve our confidence that they can produce an optimal portfolio. We direct PGE to make a filing in the IE docket that explicitly addresses the tradeoffs between separate and combined RFP formats and explains how energy and capacity will be evaluated in either procurement format. If PGE retains the two-vehicle procurement approach it will need to explain how its scoring criteria address the risk that the two procurements may not lead to an optimized portfolio.</p>
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