**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

Docket No. UM 2274

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| In the Matter of<br><br>PORTLAND GENERAL ELECTRIC COMPANY,<br><br>2023 All-Source Request for Proposals. | Staff Comments on Draft RFP and Scoring and Modeling Methodology |

These comments address Portland General Electric's (PGE or Company) Draft Request for Proposals (RFP) and its associated scoring and modeling methodology as filed on May 19, 2023, and subsequently presented at workshops with stakeholders. Staff's analysis is based upon its own review of the RFP, the Independent Evaluator's (IE) first report and subsequent discussions with the IE, and initial stakeholder feedback at PGE's workshops. It includes recommendations and requests for clarification or additional information Staff would like PGE to address in Reply Comments.

## I. Procedural Background

On January 31, 2023, Portland General Electric (PGE or Company) filed an application seeking multiple partial waivers from the Public Utility Commission's Competitive Bidding Rules (CBRs).[1] The Company argued that in developing its 2023 Clean Energy Plan (CEP) and Integrated Resource Plan (IRP), it had already identified energy and capacity needs beginning in 2026 and growing throughout the decade as the first House Bill (HB) 2021 compliance milestone approaches. PGE stated that filling those needs in a timely fashion would require a partial waiver that would streamline the review process of the 2023 All-Source (AS) Request for Proposals (RFP) it intended to file, and further, accommodate concurrent review of the RFP and the 2023 CEP/IRP on which it was based. PGE's waiver request consisted of three parts:

1. Allow the Company to continue using Bates White as the Independent Evaluator (IE) for its 2023 RFP without going through another selection process;
2. Allow the Company to use a streamlined process with combined review of its Draft RFP and the associated Scoring and Modeling Methodology (SMM); and
3. Allow for concurrent review of the 2023 RFP and the 2023 CEP/IRP.

The Commission granted the first two parts of the Company's waiver requests in Order 23-146, issued on April 21, 2023, and permitted the simultaneous review of the CEP/IRP and the 2023 RFP while finding that such review was permissible within Commission rules and did not

[1] See Oregon Administrative Rules, Chapter 860, Division 89, Resource Procurement for Electric Companies.

require a partial waiver of the CBRs. PGE subsequently filed its Draft RFP on May 19, 2023. The Company has held a total of three stakeholder workshops to date: one on March 2, 2023, to describe its waiver requests and its overall strategy for this procurement in the context of its 2023 CEP/IRP; and two on May 26, 2023, and June 5, 2023, to walk potential bidders through the Draft RFP and answer any questions. Bates White filed its initial IE report on May 31, 2023, and its preliminary observations are addressed below.

## II. <u>2023 CEP/IRP Alignment and Resource Needs</u>

Before turning to analysis of the Draft RFP, Staff will address the fact that this RFP is being reviewed concurrently with the PGE's 2023 CEP/IRP, docketed as LC 80, and make one recommendation below to help address uncertainty caused by this unique timing. Typically, an RFP would only be issued to fill capacity and energy needs identified in a Commission acknowledged CEP/IRP. However, as discussed above, the Commission allowed for concurrent review of the CEP/IRP and the RFP which will, ultimately, fill the needs identified in its 2023 CEP/IRP.

To the extent possible, Staff will work to keep its review of these modeling elements consistent and leverage the work being done in both dockets to ensure that the RFP methodology is up to date and consistently and appropriately valuing resources across ownership structures and procurement channels. However, onus also rests with the Company to ensure that participants in IRP docket are aware of discussions taking place around the RFP and, conversely, that discussions and updates from the CEP/IRP are reflected in this docket.

Two critical points requiring ultimate alignment between the CEP/IRP and the RFP are the capacity and energy needs to be filled by the RFP. PGE's 2023 CEP/IRP filed on March 31, 2023, suggests that to comply with HB 2021, the Company will need to add incremental emissions-free energy resources amounting to approximately 181 MWa each year through 2030. Additionally, the Company may have a capacity need as early as 2026, although this need is less certain and more subject to change based on updates to the load forecast as well as other action items from the CEP/IRP such acquisitions of energy efficiency and community-based energy resources which may impact the final procurement volume in this RFP.

The capacity need preliminarily identified in the CEP/IRP could potentially be filled by the renewal of expiring contracts or by signing additional, incremental bilateral agreements that PGE is pursuing throughout the remainder of the year. However, discussions with both the Company's RFP and CEP/IRP teams have suggested that the volume of the short-term capacity need it may seek to fill through this RFP are anticipated to be finalized near the time at which PGE seeks acknowledgement of the IRP/CEP, in early in 2024.

In the Procurement Targets section of the Draft RFP, PGE references the annual energy needs from the 2023 CEP/IRP. With respect to capacity targets, however, the Company provides no indicative procurement volume. Bates White noted this in its report and suggested the Company at least reference the 2026 capacity need identified in the reference case from its

2023 CEP/IRP.[2] Appreciating that this capacity target is subject to change, Staff agrees with Bates Whites' recommendation and requests that PGE update the Procurement Targets section accordingly. In Order No. 21-320, Staff made the following recommendation:

> *Upon executing an agreement in which the capacity need is modified, the Company must provide further explanation of each of the inputs into the updated needs assessment and how they affected the total updated capacity need as compared to capacity need estimates provided in other recent dockets. In addition, the Company should provide an explanation of how the updated capacity need may change based on pending activities.* [3]

Staff makes the same recommendation in this docket and requests that PGE provide an updated Needs Assessment to Staff, stakeholders, and bidders as soon as such information is known to allow for feedback.

PGE has committed on multiple occasions to hold any request for acknowledgement of a final shortlist until the 2023 CEP/IRP has been acknowledged by the Commission. Any energy and capacity needs acknowledged by the Commission in Docket No. LC 80 will then serve as the volumetric basis for the final shortlist. Staff maintains its position regarding IRP/CEP and RFP alignment as captured in Order 23-146, which is that Staff recommends that no action on a final shortlist in this docket should be taken until the 2023 IRP—and the resource need and exact procurement volume identified therein—have been aligned.

## III. <u>Initial Staff Analysis</u>

Based upon information provided by PGE; the initial IE report and further discussions with Bates White; and Staff's own review, Staff finds that the Draft RFP includes most of the appropriate elements required by the Commission and is generally consistent with the CBRs. In the analysis that follows, Staff describes the broad contours of the RFP and its associated SMM, as well as offer some suggestions and requests for clarification that the Company should address in reply comments. Staff also requests that the Company provide a redlined draft of the RFP in reply comments to show what changes have been made based on feedback from Staff, stakeholders, and the IE.

### 1. <u>Scoring and Modeling Methodology</u>

*<u>Bid Evaluation Process</u>*

PGE's bid evaluation process, as illustrated in Figure 1, includes the same overarching steps as were used in its most recent RFP, which was approved by the Commission. However, several aspects of the minimum bidder requirements and initial scoring have changed.

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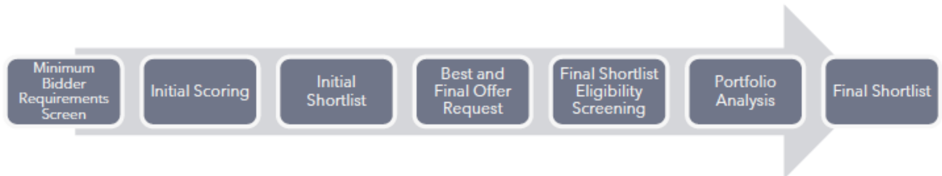
[2] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 2.

[3] See OPUC Order No. 21-320, page 15.

*Figure 1: Bid Evaluation Process*[4]




*Minimum Bidder Requirements and Elimination of Non-Price Scoring*

In a departure from prior RFPs, the bid evaluation process included in the 2023 Draft RFP has eliminated non-price scoring. Instead, the Company proposes moving many items that would ordinally have been included in a self-scored non-price scoring matrix into the minimum bid criteria. Bids that fail to meet these minimum requirements, set forth in Appendix N to the RFP, will be eliminated from consideration and receive no price score. Additional discussion of some of these minimum bid requirements will follow later in these comments.

One positive effect of this change is to remove the confusion and ambiguity inherent to making potential bidders evaluate and score their own compliance with often subjective criteria. Additionally, this change is compliant with the CBRs, which state that, "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."[5] Staff notes that this change addresses the concerns of some stakeholders, who have suggested in prior RFP proceedings that price scoring should comprise as large a share as possible of the total bid score.

Staff is generally amenable to this approach. In its initial IE report on the RFP, Bates White suggested that the elimination of non-price scoring may reduce confusion.[6] However, Bates White warned that this may encourage bidders to price their submissions based on non-price factors that will ultimately be unacceptable to PGE if the parties proceed to commercial negotiations. The IE suggested that one way to mitigate this risk would be to grant bidders the ability to cure bids that are rejected by PGE.[7] Staff agrees with this recommendation and seeks feedback from the Company in its reply comments.

That said, the non-price scoring elements from the previous RFP are listed below, along with PGE's proposed approach for considering these elements in this current RFP.

[4] See PGE 2023 AS RFP, Appendix N, May 19, 2023, page 3.
[5] OAR 860-089-0400(2)(c)
[6] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 18.
[7] Ibid, page 18.

*Figure 2: Non-Price Scoring Elements Translated to Minimum Bidder Requirements*[8]

| Non-Price Scoring Element in 2021 RFP | Description | 2023 AS RFP Approach |
|---|---|---|
| Commercial Performance Risk | Points were allocated based on adherence to commercial terms and conditions that focus on performance guarantees and limitations of liability and remedies | Minimum Bidder Requirement<br>• Form contracts and term sheets are provided for informational purposes, with all final terms subject to commercial negotiation |
| ELCC (renewable only) | Points were allocated based on the ratio of the resource's capacity contribution to its expected energy production | Reflected in the Capacity Values assigned each resource by PGE's Sequoia model based on 2023 CEP/IRP modeling assumptions |
| Transmission Plan (renewable only) | Points were allocated based on the risk of service reassessment or withdrawal as well as those that have more of the facility's potential output met with long-term transmission rights | Minimum Bidder Requirements<br>• Requirements delineate what milestones must be met at what times (e.g. at initial shortlist, at final shortlist) to demonstrate a reasonable transmission plan |
| Commercial Operation Date (Dispatchable only) | Points were allocated based on the online date of the resource | Minimum Bidder Requirement<br>• Requirements delineate what milestones must be met at what times (e.g. at initial shortlist, at final shortlist) to demonstrate ability to meet the specified COD |

One impact of this change is that the effective load carrying capability (ELCC) for resources, adjusted for the transmission product provided by the bidder, will be a component of price scoring, rather than non-price scoring as in the 2021 RFP. As capacity contribution calculations were an issue in the 2021 RFP, Staff will be working with the IE to closely evaluate those calculations in this RFP. Moreover, Staff will be exploring the capacity contribution modeling from the 2023 CEP/IRP and may identify concerns in that docket. In that case, Staff may have additional comments on capacity contributions informed by the analysis in Docket No. LC 80.

[8] See Docket No. UM 2166, Staff Report, November 19, 2021, page 15.

*Transmission*
PGE has opted to accept three transmission products in this RFP.

1. Long-term Firm Transmission;
2. Long-term Conditional Firm Bridge; and
3. Long-term Conditional Firm Reassessment.

To pass the minimum bidder requirement, renewable energy bidders must have transmission service equivalent to at least 80 percent of the resource's interconnection limit originating at the point of interconnection and terminating at one of the acceptable delivery points identified by the Company in Appendix N. Dispatchable capacity resources must have transmission rights for 100 percent of the resource's interconnection limit.[9]

PGE opined that as conditional firm products are relatively new additions to BPA, it is concerned about forecasting or evaluating how those products may behave in future years. As such, it believes a conservative approach is warranted when evaluating bids relying on those products. The Company will assume resources using those projects will be curtailed for 50 percent of annual curtailment hours and will not attribute any capacity value to bids relying on a conditional firm reassessment product. This approach is consistent with Commission direction in PGE's 2021 RFP in Docket No. UM 2166.[10]

Staff finds it reasonable to include, as a minimum bidder requirement, a specified transmission plan with clearly specified milestones. Staff sees this as a potential improvement over the 2021 RFP, where the transmission plan was included in the non-price scoring that required bidders to provide a subjective determination of reasonableness. However, Staff is highly interested in reviewing comments and concerns from stakeholders prior to making a final determination on this point.

Staff understands that the bidder-specified transmission tlan will be used in the capacity contribution and associated valuation aspect of the price scoring. Staff is continuing to review the Company's approach for appropriateness in this RFP and, in LC 80, for its appropriateness in the Company's overall planning and resource acquisition activities moving forward. Staff is interested in an expanded understanding of the role that transmission availability will play in the competitiveness of this and future RFPs. At this time, Staff is requesting that PGE, in reply comments, specify what transmission products it expects any benchmark bids to use. Staff would also like PGE to identify whether any benchmark bids will utilize legacy transmission rights from decommissioned thermal units or any other source.

In its initial report, Bates White referenced a recommendation from its Final Report on the 2021 RFP that PGE consider bids from resources that would share existing transmission and

[9] See PGE 2023 AS RFP, May 19, 2023, Appendix N, page 5.
[10] See Docket No. UM 2166, Commission Order No. 21-320, October 6, 2021, page 24.

interconnection capacity.[11] Given that constraints in transmission capacity and extremely long processing times for interconnection and other studies have been an impediment to projects in past RFPs, Staff is interested in exploring any solutions to allow more projects to successfully bid in this RFP. Staff therefore requests that in reply comments, PGE updates the RFP to incorporate the IE's recommendation or provides a discussion of whether the Company believes this suggestion is inappropriate or unworkable.

*Price Score Overview*

Bids will be evaluated and assigned a price score by the Company in accordance with the scoring and modeling methodologies described in Appendix N to the RFP. Each renewable energy bid will be evaluated on its Value-to-Cost ratio that will be calculated by summing the levelized energy, capacity, and flexibility values (the basis for these values is described in a subsequent section of these comments) of each bid and comparing them to the levelized resource cost based on the price information provided by bidders. The Company will use a binary metric to determine which renewable energy bids pass a basic cost-benefit test, but will not use this calculation as the ultimate basis for scoring.

*Figure 3: Value-to-Cost Calculation*[12]

$$Levelized\ Resource\ Cost < Levelized\ Energy\ Value + Levelized\ Capacity\ Value + Levelized\ Flexibility\ Value$$

Bids will be assigned price score points on a sliding scale, with the resources with the most desirable cost-to-benefit price ratio receiving 1,000 points. As in the 2021 RFP, renewable resources and dispatchable capacity resources will be evaluated and scored in two separate groups. After each eligible bid has been scored, PGE will develop an initial shortlist using those scores as well as its assessment of other factors, such as the proposed locations of resources or the transaction and technology type.[13]

Because this supplemental, qualitative analysis of various resources is only discussed briefly and vaguely in the RFP, Staff requests additional details on this topic. In reply comments, PGE should specify what specific factors will be used in this qualitative assessment and how they will be weighted as the Company develops its initial shortlist. Staff would also like the Company to explain its reason for scoring renewable and non-emitting capacity resources separately when assigning price score points. While acknowledging that this approach is unchanged from the 2021 RPF, Staff would like to know if this methodology is still appropriate and would like the Company to opine on the topic.

After PGE has created its initial shortlist, the Company will notify selected bidders and request additional information. At this stage, bidders must demonstrate that they have achieved certain milestones set out in the minimum bid requirements. These milestones mark progress on factors like site control, permitting, financing, and interconnection. The minimum bid requirements included in Appendix N of the RFP specify what milestones must be achieved at

[11] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 12.
[12] See PGE 2023 AS RFP, Appendix N, May 19, 2023, page 12.
[13] See PGE 2023 AS RFP, May 19, 2023, page 13.

different times (e.g. upon bidding, upon selection to the initial shortlist, upon selection to the final shortlist) to remain eligible. At this stage, bidders will also be asked for a best and final offer.

Finally, PGE will develop a final shortlist using portfolio analysis from its ROSE-E analysis tool to evaluate various portfolios under a variety of futures. The mechanics of the portfolio analysis used at this stage are described in detail in Appendix N to the RFP, as well as in the appendices of the 2023 CEP/IRP.

In its report, the IE raised concerns about the requirement that bidders must provide a facilities study at the final shortlist stage, noting long delays in the completion of such studies indicate that the timelines for feasibility studies make this requirement problematic. Bates White noted that the average time for PGE to complete a facilities study is 112 days.[14] The IE also pointed out that some otherwise favorable projects were excluded for failing to provide transmission feasibility studies in time and showed that the current time to complete a feasibility study is 351 days, despite an OATT requirement to complete such studies in no more than 45 days.[15] The IE attached OASIS table showing the queues for all types of transmission interconnection studies, showing the overall backlog to indicate that any leeway on this issue could be beneficial.[16] To mitigate this issue, the IE recommended removing the requirement for a facilities study at this stage in favor of allowing bidders to be selected to the Final Shortlist if they could otherwise substantiate their project's ability to meet the required Commercial Operation Date (COD).[17] Staff supports this recommendation and would like to see it incorporated in a redlined draft of the RFP in PGE's reply comments.

*Price Score Components*

In Appendix N of the Draft RFP, PGE lays out the modeling methodology that will be used to create price scores for bids and eventually generate a final shortlist. Much of the modeling methodology relies on variables, assumptions, and parameters that are currently under review by a broader stakeholder group for general appropriateness in justifying utility resource actions and valuing resources consistently across resource acquisition actions in the 2023 CEP/IRP. However, in this docket Staff will focus on evaluating these models and assumptions for appropriateness in scoring bids in this RFP. As issues with these models and methods are identified in the CEP/IRP, Staff will work with PGE to ensure those issues are brought over for consideration in this RFP docket. This coordination process will add complexity to both dockets, but this additional effort will generate important learnings for future discussion of planning and procurement reforms. Staff also expects PGE to continue to work to articulate the range of cross-cutting issues being considered in both dockets for clarity among all stakeholders.

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[14] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, Attachment A.
[15] Ibid, page 9.
[16] Ibid, Attachment A.
[17] Ibid, page 20.

The sections below describe the overall modeling approach for this RFP, including the specific modeling units used for each component of bid evaluation.

*Energy Value*
Each bid will have an energy value assigned by the Company based upon the generation information provided by each bidder. PGE will then use the reference market price forecast from its 2023 CEP/IRP and, in the case of dispatchable resources, the Aurora production cost simulation tool used for the CEP/IRP and described in Appendix H.

*Capacity Value*
PGE will generate a capacity value for each bid into the RFP, using the capacity contribution of the resource and the avoided capacity cost used by the Company in its 2023 CEP/IRP. In a departure from prior IRPs, the 2023 CEP/IRP generates an avoided capacity cost utilizing the "real-levelized cost, net of wholesale revenues and flexibility value, adjusted for effective ELCC of a four-hour battery"[18] as opposed to a thermal generating unit as in prior IRPs. The capacity contribution of each resource will be calculated using Sequoia. Sequoia uses loss-of-load probability models and stochastic analysis to evaluate resources under many of possible futures and scenarios to determine their capacity contribution. The capacity contribution and associated capacity values for resources will also account for the transmission product provided by the bidder, with resources relying on Conditional Firm Bridge and Conditional Firm Reassessment products having their capacity contribution reduced or eliminated, respectively. The Company notes that it will also use the "average cost of dispatchable capacity from bids in this RFP as a proxy for avoided capacity cost as a portfolio sensitivity." Staff appreciates the inclusion of this sensitivity. Staff is continuing to evaluate this methodology as presented in the CPE/IRP to determine whether it is appropriate for use in this RFP.

*Flexibility Value*
In the modeling for the 2023 CEP/IRP, PGE estimates the flexibility value that different resources may contribute to its portfolio, for example by being able to ramp quickly or meet reserve requirements. These values are estimated using a model called GridPath, which is discussed in the appendices of the 2023 CEP/IRP. The flexibility values for demonstrative dispatchable products are also provided in a table in the RFP.

[18] See PGE 2023 AS RFP, Appendix N, May 19, 2023, page 10.

*Figure 4: Flexibility Value from the 2023 CEP/IRP*[19]

| Flexibility Value (2026$/kW-yr) | |
|---|---|
| 2-hour Battery | $8.35 |
| 4-hour Battery | $9.77 |
| 6-hour Battery | $10.68 |
| 8-hour Battery | $11.78 |
| 10-hour Pumped Storage | $11.47 |

As stated above, Staff is engaged in active discovery on these topics in LC 80 And is in the process of evaluating whether this methodology is appropriate for use in this RFP.

*Other Price Score Components*
While Staff finds the price scoring methodology proposed by PGE broadly reasonable, there are two specific items that warrant some additional discussion.

*Tax Credits*
The Inflation Reduction Act changed the rules for Investment Tax Credits (ITCs) and Production Tax Credits (PTCs) to allow for their sale or transfer. However, the sale of those credits is expected to come at a discount. Federal guidance on tax credit transferability is expected this summer, which could potentially alter any discounting PGE applies in this procurement. In its stakeholder presentation on May 26, 2023, PGE stated that it expects to discount these tax credits between 5–10 percent.[20] The Company stated that it also intends to discount the value of any tax credits associated with resources offered under a utility-ownership structure.

At that workshop, multiple bidders questioned PGE's assumption about the proposed discounting. Staff understands that this is a new policy change and that there is little indicative information on which to base a discount estimate at this point. However, Staff also expects PGE to provide updates on this topic in reply comments and as federal guidance is issued.

*Imputed Debt*
One new component of the 2023 Draft RFP, as compared to the 2021 RFP, is the inclusion of an imputed debt adder to the price scores for all Power Purchase Agreements (PPAs) and similar long-term contractual structures with third-party owned and operated resources.

Imputed debt refers to a financial measure tracked by the bond ratings agency Standard and Poor's (S&P). While the other two major ratings agencies, Moody's and Fitch, purportedly track this measure as well, S&P is the most public about its calculations and it is S&P's methodology on which PGE intends to base its own imputed debt adder calculation. Imputed debt as

[19] See PGE 2023 AS RFP, May 19, 2023, Appendix N, page 12.
[20] See Portland General Electric 2023 All-Source RFP Stakeholder and Bidder Workshop, May 26, 2023, slide 17.

measured by S&P is intended to reflect the fact that the long-term financial obligations of a contract like a PPA are akin to a form of debt. In order to capture the debt-like attributes of these contracts, S&P totals the net present value of a utility's obligations under PPAs and similar contracts. S&P then calculates the share of those payments attributable to the capacity value of the contract and applies a risk adjustment to this total and includes the resulting sum in its measures of the utility's balance sheet.[21]

According to the Company, the imputed debt burden from each PPA will be calculated and added to its price score. The Company claims that attributing the share of imputed debt to PPAs is necessary to ensure a level playing field between utility-built resources and those owned and operated by third parties. In the Draft RFP, PGE states its intention to use a slightly altered version of S&P's methodology to calculate an imputed debt adder to each PPA or similar bid. The following table, taken from the Draft RFP, shows the Company's estimates of the scale of the imputed debt adder that would be applied to demonstrative PPAs.

*Figure 5: Imputed Debt Adder by Contract Length and COD[22]*

| Contract Length (Years) | Adder (2026 COD) | Adder (2027 COD) |
|---|---|---|
| 15 | 2.92% | 2.86% |
| 20 | 3.87% | 3.79% |
| 25 | 4.83% | 4.74% |
| 30 | 5.82% | 5.70% |

Theoretically, imputed debt as calculated by S&P should show up in increased borrowing costs for the utility—the inclusion of imputed debt would lead to a balance sheet with a higher debt-to-equity ratio, and this increased debt burden would be reflected in higher interest rates when issuing new debt or refinancing old debt. While Staff acknowledges that higher borrowing costs could result from S&P's imputed debt adder, those costs are somewhat theoretical and hard to specifically identify. Moreover, it seems difficult if not impossible to attribute a share of those higher borrowing costs to any specific PPA.

Staff opposes the inclusion of imputed debt in the Draft RFP. As discussed in the proceedings for Idaho Power Company's 2026 AS RFP (see Docket No. UM 2255), the Commission has previously ruled that imputed debt calculations should be excluded from the scoring and evaluation of RFPs.

The Commission addressed the use of imputed debt in RFP evaluation in Order 11-001, which resulted from a rulemaking docket on build-vs-buy bias. The Commission concluded that to the extent that imputed debt did lead to higher borrowing costs, the utility should address those costs in a general rate case as part of a comprehensive examination of a utility's balance sheet

[21] See PGE 2023 AS RFP, May 19, 2023, Appendix N, page 9.
[22] See PGE 2023 AS RFP, May 19, 2023, Appendix N, page 9.

and cost of capital.[23] In recent weeks, the Commission again considered this issue and did not find any reason to change existing precedent.[24]

In its initial report on the Draft RFP, Bates White also objected on a preliminary basis to the inclusion of imputed debt, although the IE did suggest that if furnished with an appropriate justification it may revise its position.[25]

Without additional information justifying its inclusion, Staff's initial reaction is that PGE should strike the imputed debt adder from the price scoring in this RFP. However, if PGE wished to provide additional information, Staff asks the Company to provide relevant reports from S&P, including the ratings agency's financial evaluation of PGE, that show what additional borrowing costs are directly attributable to imputed debt. Staff also requests an explanation of what has changed that leads the Company to believe that these costs have increased in salience since its last RFP in 2021.

Staff also requests the Company to specify what risk factor S&P applies to PGE's PPAs and when that risk factor was last changed in S&P's evaluations of PGE. Staff understands the risk factor to be reflective of the utility's rate recovery risk[26] and would appreciate the Company opining on this topic in reply comments. Finally, if the main driver of the risk factor is related to recovery risk, Staff requests the Company provide information from S&P explaining how it determined the risk factor it would apply to PGE.

## 2. **Request for Proposals**

*RFP Schedule*

In its initial report, the IE expressed concern over the proposed schedule for this RFP. Specifically, the IE proposed an alternate schedule that, among other things, included extra time for the evaluation of benchmark bids prior to opening market bids.[27] Staff agrees with the IE on this point and proposes adopting the adjusted schedule included in the initial report and will work with stakeholders and the company on schedule modifications.

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[23] See Docket No. UM 1276, Commission Order No. 11-001, January 3, 2011, page 6.

[24] See Docket UM 2255, Public Meeting, Video Recording 1 starting at 01:25:00, May 16, 2023; Docket UM 2255, Special Public meeting, Video Recording starting at 50:10, June 7, 2023.

[25] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 19.

[26] See Standard & Poor's Methodology for Imputing Debt for U.S. Utilities' Power Purchase Agreements, May 7, 2007, page 3.

[27] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 23.

*Figure 6: Proposed IE Schedule Modification*[28]

| Action | PGE Timeline | | Suggested Timeline | |
|---|---|---|---|---|
| | date | days | date | days |
| Benchmark Receipt | 9/15/2023 | | 9/15/2023 | |
| RFP Bids due | 10/6/2023 | 21 | 10/13/2023 | 28 |
| Initial Shortlist | 10/30/2023 | 24 | 11/10/2023 | 28 |
| BAFO Update | 11/17/2023 | 18 | 11/28/2023 | 18 |
| PGE submits Acknowledgement Request | 1/23/2024 | 67 | 2/2/2024 | 66 |

*Procurement Timing*

Staff, the IE, and stakeholders have identified several related concerns around the timing of this procurement—including the CODs desired by the Company—and the difficulty reviewing key elements of this procurement while the same elements are under review and subject to update in PGE's 2023 CEP/IRP. PGE has already identified resource needs throughout the rest of this decade, although those needs and the strategy to meet them have not yet been vetted as part of an acknowledged IRP. Below, Staff will discuss several discrete but related issues around the timing of this and future procurements. Staff hopes this discussion will provide additional guidance as the Company prepares the report on its future procurement plans, which it will be filing in July pursuant to instructions in the Commission's order granting its waiver requests in this docket.[29]

*COD*

PGE is seeking capacity resources with CODs no later than December 31, 2025, to fill potential capacity needs beginning in 2026. These capacity needs are derived from the Company's 2023 CEP/IRP, currently under review in Docket No. LC 80.

In stakeholder workshops held on May 26, 2023, and June 5, 2023, several potential bidders raised concerns about the feasibility of this proposed COD. Bates White also raised this issue in its initial IE report.

In its own filing requesting partial waivers of the Commission's CBRs, PGE stated that the process of commercial negotiations and construction for a project generally takes approximately two years. Given that the current proposed schedule would only seek acknowledgment of a Final Shortlist in the first quarter of 2024, the stakeholder concerns with meeting a COD by the end of 2025 seem reasonable.

Bates White provided additional details demonstrating the timing concerns for the proposed COD in this RFP. As Bates White noted, PGE's 2018 and 2021 RFPs allowed approximately 30 to 36 months between the acknowledgment of their final shortlists and the target CODs of

[28] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 22.
[29] See Docket No. UM 2274, Commission Order No. 23-146, April 21, 2023, page 11.

December 2021 and December 2024, respectively.[30] More specifically, the IE discussed the timelines for specific projects from prior procurements. The IE highlighted that the Seaside and Troutdale projects selected as part of the 2021 RFP were part of the final shortlist acknowledged in July of 2022, but contractual negotiations extended until April 2023, when the Company was able to announce agreements for them. In the case of the Seaside Battery Energy Storage System project, this will mean extending the COD until mid-2025, beyond the original COD required in the 2021 RFP.[31] The proposed schedule for this procurement would allow less than two years between Final Shortlist acknowledgement and the December 31, 2025, COD.

After discussions with bidders, the Company stated its intention to alter its treatment of resource CODs. Staff's understanding of PGE's discussion of this topic in its second stakeholder workshop is that it will still require a December 31, 2025, COD for resources seeking to fill the projected capacity need in 2026.

Staff understands, following PGE's stakeholder workshops, that the Company will modify the RFP such that renewable resources whose bids are aimed to fill the ongoing energy needs identified in the 2023 CEP/IRP will not be held to meeting the December 31, 2025 COD. Instead, CODs anywhere within the 2023 CEP/IRP Action Plan window will be deemed eligible. However, after consulting with the IE, Staff requests clarification from the Company in reply comments. Specifically, Staff is interested to know if projects providing capacity, like battery energy storage systems, may still bid with CODs later than December 31, 2025, even if they receive no capacity valuation for years prior to coming online. Staff would appreciate PGE providing an updated draft of the RFP in reply comments, with redlines, to memorialize these changes.

Bates White also suggested that PGE should consider allowing capacity resources to propose CODs of December 31, 2026.[32] Staff appreciates that the potential capacity need the Company is seeking to fill would arise in 2026 in the reference case from the 2023 CEP/IRP. However, given the uncertain nature of that capacity need, Staff feels it would be prudent to also consider resources with CODs in 2026, rather than having a hard cutoff at the end of 2025. Staff requests PGE explore this possibility in reply comments.

*Long Lead Time Resources*

Staff notes here that PGE specified in its minimum bidder requirements that resources with long construction lead times, such as pumped hydro storage, would be considered in this procurement even with CODs beyond the December 31, 2025, cutoff for other bidders. Staff appreciates this carve-out, but would like to see additional detail provided. PGE states that long lead time resources could be considered if they:

a. Would provide a unique value to its customers; or,
b. Meet all other requirements of the RFP other than the proposed COD.

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[30] Ibid, page 10.
[31] Ibid, page 10.
[32] Ibid, page 2.

Staff believes this consideration for long lead time resources needs additional discussion on the part of the Company. Staff requests the Company provide more information about whether and under what circumstances other CODs might be considered in this RFP, as well as a detailed description of what unique values PGE would take into account and how those determinations would be made. The Company should also provide any other information about how projects would be identified, and what actions the Company anticipates taking when such resources are identified.

*Future Procurements*

At the two post-filing stakeholder workshops, some potential bidders questioned the overall procurement strategy suggested by the Company. With Commission approval, PGE is running this 2023 procurement in an expedited fashion because of the potential capacity needs it has identified in the very short-term. As such, bidders are being placed in difficult situation, attempting to meet a target COD that the Company acknowledges will be extremely hard to meet. However, the Company has also suggested that it will need to run one or more additional procurements between now and 2030 to fill its annual incremental energy needs as well as a potential capacity need in 2028. Some bidders wondered why the Company would not use the current RFP to seek bids with CODs further in the future, rather than waiting and once again running an expedited process with difficult to meet timelines.

Staff appreciates stakeholders raising this question and believes that the discussion of the Company's resource acquisition strategy in the 2023 CEP/IRP will offer a more comprehensive exploration of the pacing and size of future procurements. Staff is unsure whether increasing the level of resources that ratepayers will be committed to aligns well with the nature of a first-time, experimental procurement approach, but given the timing challenges raised by bidders, it seems reasonable to ask PGE to explore the potential risks and benefits of using this RFP to meet its potential future capacity needs in 2028. Pursuant to the Commission's order granting PGE's requests for partial waivers for this procurement, PGE will be filing in this docket a report about its future procurement plans. Staff requests that PGE include this discussion of tradeoffs in its procurement forecast filing.

*Benchmark Resources*

Appendix P of the Draft RFP addresses the Company's description of potential benchmark bids for this procurement. However, the appendix as filed only states that PGE intends to submit several bids that will include wind, solar, hybrid, and stand-alone energy storage resources with no additional details provided. The appendix also notes one parcel of land, including its coordinates, which is under consideration for a benchmark solar bid.

Staff appreciates that PGE has begun to identify utility-owned or controlled assets that may be used to support a benchmark bid. As additional details on potential benchmark bids become available, Staff expects the Company to continually update the description of utility resources that will support those bids. Pursuant to OAR 860-089-0300(2) and (3), Staff also expects PGE to provide a description of whether those resources or elements thereof may also be made available to third-party bidders and, if not, a justification for its decision.

In the portion of the IE's report discussing lessons learned from PGE's 2021 RFP, Bates White suggested that the Commission might consider placing a limit—expressed as a share of total procurement volume—on the volume of benchmark resources offered by the Company.[33] Staff is interested in this proposal, and requests PGE opine on the potential benefits and risks of such an approach. Staff appreciates that a limitation like this could be difficult to establish given the uncertainty around the final procurement volume in this RFP, but requests PGE set aside that complication in reply comments in favor of a discussion of its broader impact on procurements generally.

*Affiliate*
Staff notes that on May 22, 2023, PGE filed an application for approval of an affiliated interest transaction.[34] That application seeks to stand up a wholly-owned affiliate called Portland Renewable Resources Company, LLC (PRR). In the presentation at its June 5, 2023, stakeholder workshop, the Company specified that the PRR affiliate may be used by either benchmark or third-party bids.[35] Staff will be monitoring that docket closely and expects to discuss it further in subsequent reports filed to this docket.

*Credit Requirements*
In its report, Bates White suggested that the RFP should include more clarity regarding credit requirements. As the IE noted, PGE's stance on many contractual and commercial issues in this RFP is that they should subject to negotiation.[36] To reduce potential confusion, the IE suggested that PGE should make clear which, if any, credit terms are hard requirements, and which are subject to commercial negotiation. Staff requests that this clarification be provided in reply comments.

*Form Agreements*
While the Draft RFP included most of the relevant form contracts that would be expected, stakeholders at PGE's workshops and the IE suggested the inclusion of a Renewable and Storage PPA form.[37] Staff agrees with the suggestion and requests PGE prepare the relevant form agreement for inclusion in reply comments or an updated draft of the RFP.

*Notice of Intent*
The Draft RFP requires bidders to submit a Notice of Intent to Bid by July 14, 2023. As noted by the IE, this deadline occurs before a Commission decision on approval is set to occur.[38] Staff agrees with the IE's recommendation that the Notice of Intent deadline should be moved until after the RFP is approved and issued.

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[33] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 8.
[34] See Docket No. UI 489
[35] See Portland General Electric All-Source RFP Second Stakeholder and Bidder Workshop, June 5, 2023, slide 9.
[36] See The Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All Source Request for Proposals, May 31, 2023, page 13.
[37] Ibid, page 13.
[38] Ibid, page 13.

This concludes Staff's comments.

Dated at Salem, Oregon, this 16th of June, 2023.

*/s/ Patrick Shaughnessy*

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