BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 2274

In the Matter of PORTLAND GENERAL ELECTRIC, 2023 All-Source Request for Proposals, Request for Partial Waiver of Competitive Bidding Rules.	COMMENTS OF RENEWABLE NORTHWEST

I. INTRODUCTION

Renewable Northwest ("RNW") is grateful to the Oregon Public Utility Commission ("Commission") for the opportunity to submit these comments regarding Portland General Electric's 2023 All-Source Request for Proposals ("RFP"). In these comments we raise observations and questions about the RFP geared toward making this procurement as competitive as possible and supporting PGE's acquisition of new, clean resources to meet its needs and achieve an 80% reduction in greenhouse gas emissions by 2030, all at the least cost and risk to its customers. We look forward to the company's and the Commission's consideration of these comments, and to further engagement in the RFP review process.

II. COMMENTS

1. Interaction Between IRP and RFP

PGE's 2023 Integrated Resource Plan ("IRP") is the company's -- and indeed the state's -- first post-HB 2021 IRP and Clean Energy Plan ("CEP"). PGE has proposed the novel approach of running regulatory review of the IRP/CEP and the RFP concurrently. This approach makes some sense given the urgency of HB 2021's 2030 mandate that PGE reduce its greenhouse gas emissions by 80%. However, it does mean that this RFP is driven by a novel analytical approach still under review in a separate docket.

As the Commission, Staff, and interested parties review the IRP/CEP in Docket No. LC 80, Renewable Northwest recommends that the company and Commission work to ensure that any modeling issues that may be identified and addressed in that docket be carried over to this one, particularly for the purpose of shortlist development. For example, there is a July 20 public comment opportunity on PGE's IRP/CEP, followed by an August 30 reply opportunity for the company and a September 7 Commission workshop scheduled. All of this process pre-dates the benchmark and third-party bid deadlines, let alone the initial shortlist determination. An additional round of engagement pre-dates determination of the final shortlist. Keeping the IRP/CEP and the RFP aligned, and updating the RFP to respond to improvements that may be identified as interested parties review the IRP/CEP modeling, would be appropriate under these unique circumstances to ensure that this RFP identifies the best possible shortlist.

This recommendation also carries over to conditional firm transmission, and specifically to potential updates to the company's assumptions regarding the availability or unavailability of resources using conditional firm transmission. RNW is not prepared today to offer a firm recommendation on whether or how to assume curtailment of these resources; however, we expect to present a firm recommendation by July 20, in time for recommended changes to be adopted into the RFP analysis as appropriate. Relatedly, we support the comments of PGE's benchmark team requesting that PGE allow the use of conditional firm system conditions as an acceptable transmission product.

2. Commercial Operation Date

PGE's RFP establishes a required end-2025 commercial operation date for all but long-lead resources. This 2025 COD is integrated into the terms of the RFP throughout the RFP document. RNW recommends that the RFP be substantially revised on this point to allow a 2026 COD for renewable resources.

The RFP's 2025 COD appears to be designed to allow PGE to meet its near-term capacity need. Nevertheless, the date applies to all resources, with the caveat that renewable resources are permitted to come online in stages. RNW acknowledges that PGE's capacity need begins before the end of 2026; however, it appears that an end-2026 COD for renewable resources would allow PGE to meet its renewable energy needs. On the flip side, a 2025 COD for these resources will likely very significantly limit the bid pool, as that timing would leave less than two years from shortlist acknowledgement to operation. For these reasons, Renewable Northwest recommends that the company move the required commercial operation date for renewable resources to end-2026, or that the Commission direct the company to do so.

Moving the commercial operation date to 2026 would also eliminate the need for the potentially complicated phased-COD approach contemplated in the RFP. Our understanding is that the phased-COD approach offers little benefit to potential bidders while likely increasing the complexity of PGE's efforts to identify a least-cost, least-risk bid shortlist.

3. Imputed Debt Adder is Unnecessary and Contrary to Commission Precedent

Renewable Northwest opposes the inclusion of an imputed debt adder in an RFP. Commission Order 11-001 states that rate cases are better suited for considering utility debt in the context of cost of capital instead of imputed debt. We also agree with the IE's assessment that they "are concerned that this is a theoretical cost that could serve to bias the selection of bids" as this adder would only be assigned to PPAs and not to utility owned benchmark bids.[1] While the Company has given a rationale for the necessity of an adder in the frame of dispersing risk from debt, it still needs further clarification and granularity to show that this is a meaningful adder that addresses real, existing fiscal harm to the company. This is in line with the IE report which asks for more "evidence from PGE that S&P is becoming more aggressive in assessing these costs and that PGE has actually incurred increased costs as a result of debt imputation."

Additionally, the Company has not made the case for why this adder should occur at this stage of the RFP in contradiction to current PUC practice and orders which state this should be considered in a rate case. At this point, RNW assesses the use of an imputed debt adder unnecessary and contrary to Commission practice and precedent.[2]

4. Utility Controlled Bid Elements

Appendix P identifies "certain assets controlled by the utility" that "are under consideration for use in support of Benchmark Resources or an Affiliate bid", specifically identifying land in eastern Oregon. The Commission's competitive bidding rules provide that an "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."[3] The rules further provide that, if a utility does *not* make those elements available, "it must provide analysis explaining that decision when seeking RFP acknowledgement and recovery of the costs of the resource in rates."[4] It does not appear that PGE has either affirmatively made the identified land available to third-party bidders or explained why the land is not available. Renewable Northwest requests clarification as to whether PGE will make these assets available to third-party bidders and, if not, an explanation of why not.

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[1] Independent Evaluator's Assessment of Portland General Electric's Draft 2023 All-Source Request for Proposals at p. 19 (May 31, 2023).

[2] In a May 16, 2023, Public Meeting, the Commission previewed that it would likely disallow the imputed debt adder proposed in UM 2255, Idaho Power Company's RFP, after much deliberation, and reaffirmed this in the June 7, 2023, Special Public Meeting on UM 2255. The commission decided to approve the RFP with the conditions presented in a May 31, 2023, Staff Memo which included SMM Condition 3 that Idaho Power would not add or apply an imputed debt adder. A written order on this has not been issued as of this filing.

[3] OAR 860-089-0300(2).

[4] OAR 860-089-0300(3).

5. Pricing Flexibility

RNW supports PGE's approach to allowing for some degree of pricing flexibility, given the increasingly complex and challenging renewable energy development market. Specifically, PGE provides that "[p]ricing may be conditional on a commercial contingency" (so long as "all commercial contingencies must be satisfied or waived prior to Commission's acknowledgement of the final shortlist in order to remain a candidate bid on the final shortlist") and that "[a]ll resources on the initial shortlist will also be given the chance to provide a best and final price update," again prior to determination of a final shortlist. This approach is a reasonable and appropriate way to balance the complexities of the market against PGE's obligation to identify a least-cost, least-risk resource portfolio for the benefit of its customers.

6. Price Adjustments

PGE has proposed that it "expects to … sell future generated energy tax credits" on a developing transferability market and "will incorporate an estimated discount on tax credit benefits in the analysis of resources with utility ownership structures." RNW suggests that, while a discount on tax credits assumed to be transferred is appropriate, the effect of the transferability market on portfolio economics may be better explored as a sensitivity rather than a core modeling assumption. A sensitivity approach could also allow for a more thorough assessment of how, e.g., different discount rates may affect portfolio economics. It is our understanding that the transferability market is likely to develop but does not yet exist and therefore is not yet well understood. Hard-wiring assumptions about its future availability at this point may not be reasonable.

7. Clarity on Minimum Bid Criteria Consideration

RNW agrees with the IE report on additional clarity needed in Appendix N regarding minimum bid criteria. Given that the Company has converted terms that would traditionally have been non price scoring items into minimum bid criteria in support of a streamlined process, RNW suggests that these terms -- which could now serve to fully disqualify some resources -- would benefit from added clarity in the RFP. In particular, in previous RFPs bidders have been able to address shortcomings in their non price and price scoring items. Since those non price items are now minimum bid criteria, will bidders be given an opportunity to cure any deficiencies? If so, it would be helpful to understand how this will be accommodated in the RFP process.

Relatedly, RNW recommends that the company and the Commission consider whether the decision not to incorporate contract redlines into scoring -- which we believe is a sensible approach overall -- may have implications for future negotiations with shortlisted bidders. One possibility to address this potential concern would be to provide term sheets for bidders to either use for pricing or to redline in order to provide more transparency to the company and avoid surprises at the negotiation stage. This is an idea rather than a firm recommendation, however, and we are open to other approaches.

III. CONCLUSION

Again, RNW appreciates the opportunity to provide these comments, and the company's and Commission's consideration of our recommendations. We look forward to further engagement in the process of reviewing this RFP, a key first step toward PGE's achievement of 80% emissions reductions by 2030 and a zero-emissions grid by 2040.

Respectfully submitted this 16th day of June, 2023,

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