



Portland General Electric Company

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portlandgeneral.com

October 30, 2023

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: UM 2274 – Portland General Electric Company, 2023-All-Source Request for Proposals

Dear Filing Center:

Enclosed for filing today in the above-referenced docket is Portland General Electric Company's Affiliate Services Overview. This document is being filed by electronic mail with the Filing Center.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "Riley Peck". The signature is written in dark ink and is positioned above the printed name and title.

Riley Peck
Senior Manager
Resource & Regulatory Strategy

RP:bp/dm

Introduction:

On October 17, 2023, the Commission granted PGE's request for reconsideration and clarification for Order 23-294. The Commission adopted recommended language in the Administrative Hearing Division (AHD) report that modified Condition 2 contained within Order 23-294.

The modified language of condition 2 is copied below:

PGE and PRR will maintain separation of duties and prohibit sharing of certain information between individuals engaged in the development of any PRR bids and any individuals engaged in the evaluation or scoring of bids as part of the PGE RFP process such that PGE employees who participate in the development of the RFP or the evaluation or scoring of bids may not participate in the preparation of any PRR bids and will be screened off from the process. All employees will abide by the Federal Energy Regulatory Commission (FERC) Standards of Conduct. No PGE employee that has had previous access to Highly-Confidential information from non-benchmark or nonaffiliate bidders in PGE's most recent RFP process may provide services for PRR with respect to a project bidding into an RFP conducted under the Commission's Competitive Bidding Rules if those services are provided before the final short-list has been filed by PGE with the Commission.

During deliberations at the October 17, 2023 public meeting, the Commission encouraged PGE to confirm in writing the understandings stated at the public meeting regarding how PRR will be used and the related protections and actions that were outlined at the discussion at the public meeting. A clear written statement of PRR's use is important as the understanding regarding the proposed use of PRR was one of the bases of the Commission's final order approving the modified language for condition 2 and the Commission's conclusion that proposed use of PRR will not cause any incremental unfairness¹ to bidders.

Analysis:

How will PRR be used to provide benefit to PGE customers?

PRR will be used as a potential vehicle to enable full realization of Investment Tax Credits (ITC) for the benefit of PGE customers to help manage power costs. Use of PRR is critical for any solar projects – including benchmark and third-party BTAs – involving utility ownership to be competitive and to provide maximum customer benefit under current federal tax law. Investment Tax Credit (ITC)-eligible resources owned by PRR can efficiently pass tax credit benefits to customers by virtue of avoiding normalization requirements. To avoid normalization requirements, PRR must be the owner of the ITC-eligible asset and sell power attributes to PGE through a power purchase agreement (PPA).

¹ For clarity, we use the phrase "incremental fairness" because that term was used at the public meeting. We understand that term to focus the test on whether the use of PRR causes any unfairness to bidders to distinguish arguments against the use of PRR that are more properly directed at aspects of the current RFP process under the existing CBRs. By using the term "incremental unfairness" we do not believe that the Commission's comments or these PGE comments should be interpreted as acknowledging that the current RFP process under existing Commission rules is unfair to bidders. While PGE believes that aspects of the CBRs should be changed (for example, the CBR's prohibition of the use of shared subject matter experts), PGE maintains that the existing rules adopted by the Commission "establish a fair, objective, and transparent competitive bidding process" that are intended to "provide an opportunity to minimize long-term energy costs and risks." OAR 860-089-0010(1).

For PRR to become the asset owner, the expectation is for a third-party to sell a development or project directly to PRR in the form of an Asset Purchase Agreement (APA) (transferring an existing facility) or Build Transfer Agreement (BTA) (transferring a newly constructed facility with associated property). To sell power and power attributes to PGE, PRR must enter a PPA with PGE. PRR will be responsible for converting the BTA or APA structure into a PPA price utilizing standard economic practices, and updating the RFP form PPA contract and exhibits for project specific information. What will be the RFP Evaluation Process?

For either PGE or PRR to purchase an ITC-eligible resource, the CBRs generally require submission of a bid into an RFP for evaluation by PGE and the Commission.

PRR's potential asset ownership (of either a third-party bid or PGE benchmark-sponsored bid) can be directly considered as part of the RFP evaluation.

Importantly, PGE has committed that PRR will not submit a bid into the 2023 RFP. Rather, PGE's RFP team will evaluate all ITC-eligible solar ownership bids as a BTA or APA utilizing PRR's potential asset ownership and evaluating the forecasted cost of service associated with such BTA or APA bids assuming that the ITC can be immediately recognized (not normalized). Any PGE-sponsored benchmark ITC-eligible solar ownership bid will be submitted and scored consistent with the competitive bidding rules.

At the time of RFP bidding and evaluation, PRR will have taken no action and no actions will have been taken on its behalf by any PGE employees. PRR will simply be used by the RFP team as a potential vehicle to enable full realization of ITCs for the benefit of PGE customers. Upon completion of bid evaluation by PGE's RFP evaluation team, PGE will develop the final shortlist and seek approval by the OPUC.

The discussion during the Commissioner deliberation emphasized the question of whether PRR is causing any "incremental unfairness" to other bidders. The process outlined above shows that the existence of PRR will introduce no unfairness during this RFP bidding and evaluation phase.

What happens after the final shortlist (See exhibit below for diagram)?

Should any PGE-sponsored benchmark ITC-eligible solar ownership bid be selected on the final shortlist and selected to negotiate contracts, PGE's benchmark team would negotiate a BTA (or APA for an existing facility) with the third-party owner of the development/resource for ultimate execution by PRR.

Upon execution of the PGE-sponsored benchmark BTA or APA between PRR and the third-party, PGE's benchmark team would then convert the BTA or APA price to a PPA price utilizing standard economic practices and update the RFP form PPA contract and exhibits for project specific information for ultimate execution between PRR and PGE. Utilizing the RFP form PPA agreement is consistent with conditions included in Order 23-294 (Condition #1).

Should a third-party non-benchmark ITC-eligible solar ownership bid be selected on the final shortlist and selected to negotiate contracts, PGE's RFP evaluation team would negotiate a BTA (or APA for an existing facility) with the third-party owner of the development resource for ultimate execution by PRR.

Upon execution of the BTA or APA between PRR and the third-party, PGE's RFP evaluation team would then convert the BTA or APA price to a PPA price utilizing standard economic practices and update the RFP form PPA contract and exhibits for project specific information for ultimate execution between PRR and PGE. Utilizing the RFP form PPA agreement is consistent with conditions included in Order 23-294.

The process outlined above for the phases of the RFP after filing of the final shortlist demonstrates that the existence of PRR will introduce no unfairness during this post RFP bidding and evaluation phase. PGE benchmark employees working on negotiation of the BTA or APA with a developer under the benchmark sponsored bid will continue to have no access to confidential information from other bidders in this RFP. In addition, the RFP team members who will negotiate with any third-party BTA or APA based bidders will be the same people who would have served in this role with or without the use of PRR so there is no unfairness to these or other bidders as a result of using of PRR. Finally, the consistent use of the approved form PPA as the basis for the final PPAs for any bids that would use PRR continues to provide further protections against claims of manipulation or unfairness to other bidders.

What will happen after execution of the BTA (or APA) and PPA?

PGE and PRR will file an affiliated interest application at the OPUC for the PPA and an application at FERC for approval of the PPA. During this phase, and throughout PRR ownership of the resource, it is expected that PRR will have no employees so asset management, financial, accounting, regulatory, legal and any other services will be rendered by PGE employees governed by the affiliate services agreements approved by the Commission or directly contracted by PRR with third-party contractors.

Example Services Provided to PRR:

PRR Asset Purchase	PRR Power Sale	Asset Management and Operations	Corporate Activities
<ul style="list-style-type: none"> • Executing APA/BTA with 3rd Parties and related governance actions • Contract Administration 	<ul style="list-style-type: none"> • Determining PPA price utilizing standard economic methods • Converting RFP form PPA and exhibits with project specific information • Executing PPA with PGE and all related governance actions • Contract Administration 	<ul style="list-style-type: none"> • All asset O&M activities • Power Operations including forecasting, scheduling, and tagging 	<ul style="list-style-type: none"> • Financing decisions and actions • Corporate accounting actions • Financial reporting • Regulatory filings

DIAGRAM

