



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

November 13, 2017

Public Utility Commission of Oregon
201 High St., SE, Ste. 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: OPUC Filing Center

Re: UM-1892 PGE's Application for Waiver of the Competitive Bidding Guidelines

Enclosed for filing is Portland General Electric Company's reply comments in the matter above.

If you have any questions or require further information, please call Stefan Brown at (503) 464-7795. Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com.

Thank you,

A handwritten signature in black ink that reads "Jay Tinker". The signature is written in a cursive, flowing style.

Jay Tinker
Director, Regulatory Affairs

encls.

cc: Kaylie Klein, OPUC
JP Batmale, OPUC
Geoffrey Ihle, OPUC
Elizabeth Jones, CUB
Bob Jenks, CUB
Tyler Pepple, ICNU
Nathan Sandvig, National Grid
Chris Zentz, Troutman Sanders,
LLP
Robert Kahn, NIPPC
Irion Sanger, Sanger Law, PC
Sidney Villeneuve, Sanger Law, PC
Wendy Gerlitz, NW Energy
Coalition
Fred Heutte, NW Energy Coalition
Michael O'Brien, Renewable NW
Silvia Tanner, Renewable NW

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BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UM 1892

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Waiver of the Competitive
Bidding Guidelines.

PORTLAND GENERAL ELECTRIC
COMPANY'S REPLY COMMENTS

Introduction and Summary

Portland General Electric Company (PGE) welcomes the opportunity to provide these Reply Comments, and appreciates the Public Utility Commission of Oregon (Commission) and Commission Staff's (Staff) willingness to evaluate PGE's Application for Waiver of the Competitive Bidding Guidelines (Application) expeditiously. In these Reply Comments, PGE clarifies that it seeks a waiver of all of the Commission's Competitive Bidding Guidelines (Guidelines)¹ so that it may finalize agreements with top-performing resources identified in its bilateral negotiations and evaluations. PGE's Reply Comments also respond to Comments filed by Staff² and National Grid USA³ (National Grid), and address the criteria proposed by Staff for evaluation of PGE's Application.

Waiver Request

Staff's Comments seek additional clarity on the scope of PGE's requested waiver of the Guidelines. Staff recognizes that PGE's initial filing requests a waiver of the Guidelines while also identifying a final shortlist of resources.⁴ Given that PGE's Application contains an identified final shortlist and supporting scoring information, Staff requests clarity as to whether PGE's request includes waiver of Guideline 13, which requires a utility to request acknowledgment of a final shortlist.⁵

¹ *In the Matter of the Public Utility Commission of Oregon, Investigation Regarding Competitive Bidding*, Docket No. UM 1182, Order No. 14-149, App'x A (Apr. 30, 2014).

² Staff Comments (Oct. 27, 2017).

³ National Grid's Comments on Portland General Electric Company's Application for Waiver of the Competitive Bidding Guidelines (Sept. 14, 2017).

⁴ Staff Comments at 1.

⁵ Staff Comments at 1-2.

PGE requests a waiver of all Guidelines, including Guideline 13. PGE's Application included a final shortlist to allow the Commission to review the resources identified by PGE as top-performing resources. PGE provided detailed scoring information to assist Staff and the Commission in evaluating the fairness of PGE's bilateral negotiations and scoring processes when they consider the merits of PGE's waiver request. If after reviewing PGE's Application and supporting materials the Commission believes that acknowledgment of the final shortlist is appropriate, PGE certainly would welcome such acknowledgment. If the Commission simply grants PGE a waiver of all Guidelines, PGE nevertheless anticipates moving forward to procure 350-450 MW of the top-performing resources identified in the final shortlist.

Merits of PGE's Waiver Request

Staff's Comments

PGE appreciates Staff's support of its waiver request, and its willingness to engage in a review of PGE's scoring process and to provide feedback on PGE's proposed acquisitions. PGE has recently responded to a collection of data requests that the Company hopes will aid Staff's review process; and PGE will welcome further questions and dialogue to confirm the reasonableness of PGE's scoring methodology and the appropriateness of PGE's final shortlist, particularly the identified top-performing resources. In addition, PGE has and will continue to make all workpapers available for review subject to confidential and highly confidential protective orders. The Company carefully designed the evaluation process to be comparable to the process specified by the Guidelines and believes the Application is consistent with the policy goals behind the Guidelines. PGE hopes that, through its review, Staff finds the solicitation process to be comprehensive and transparent, and the scoring process to be thorough and unbiased.

In its Comments, Staff presents five criteria by which it intends to evaluate the merits of PGE's waiver request. The five criteria are identical to those applied by Staff in PGE's 2016 request for a partial waiver of the Guidelines, filed in UM 1773,⁶ and PGE agrees that, in this instance, they are suitable for evaluating the reasonableness of the present requested waiver. In PGE's Application, the Company highlighted the same criteria and argued that PGE's request satisfied the proposed criteria.⁷ For completeness, PGE will provide a summary of those five criteria, and briefly explain how each is satisfied by PGE's request:

- 1. There is a demonstrated need to procure capacity resources.*

PGE has consistently demonstrated a significant capacity deficit in 2021. Commission Order No. 17-386, issued in PGE's most recent Integrated Resource Plan (IRP), acknowledged PGE's capacity deficit of 561 MW.⁸ In addition, the Commission acknowledged PGE's procurement

⁶ *In the Matter of Portland General Electric Co. Petition for Partial Waiver of Competitive Bidding Guidelines and Approval of Request for Proposals (RFP) Schedule*, Docket No. UM 1773, Order No. 16- 221, App'x A at 9-10 (June 8, 2016).

⁷ PGE's Waiver Application at 12

⁸ *In the Matter of Portland General Electric Company 2016 Integrated Resource Plan*, Docket No. LC 66, Order No. 17-386 at 17 (Oct. 9, 2017).

approach of pursuing bilaterally negotiated capacity purchases with existing regional generating resources.⁹

Since April 2017, PGE has updated its capacity adequacy analysis, including for response to Staff Data Request No. 001. PGE’s October 19th analysis—updated for all new resources, executed qualifying facility (QF) contracts, and the latest load forecast—identifies a 2021 capacity deficit of 461 MW.¹⁰ As was assumed in its 2016 IRP, PGE’s updated analysis assumes that all executed QF contracts will be delivered on their anticipated commercial operation date.

PGE will continue to evaluate its forecasted capacity deficit and may procure less than 450 MW—which approximates the top of the range proposed to be acquired through bilateral negotiations—if the Company finds procuring all top-performing offers to be unnecessary to meet PGE’s adequacy targets. PGE’s forecasted capacity need will also be affected by potential near-term additions of renewable resources and energy storage additions, should the Commission acknowledge or approve those actions. The capacity need could be further adjusted by additional executed QF contracts as well as QF contract failures.

To help illustrate how PGE’s capacity deficit may be affected by QF contract failures, PGE includes in these Comments the sensitivity analysis used to support PGE’s IRP Addendum filing.¹¹ Consistent with the methodology in the 2016 IRP, as a base assumption, the Company assumes that all contracts executed prior to a recent cut-off date (October 19, 2017, for the current snapshot) result in successful projects that come online by the estimated commercial online date. However, it is possible that fewer than 100 percent of contracted-for QF projects will come online. To understand the sensitivity of PGE’s near-term needs to this uncertainty, the Company conducted a simple sensitivity analysis in which a fixed fraction of projects that are executed but not yet online are assumed to be successful. This analysis is shown below, assuming 100%, 75%, and 50% success rates.

Impact of QF Success Rate on PGE’s Capacity Need

	QF Success Rate		
	100%	75%	50%
Resource Adequacy (MW)			
2021 Capacity Need	461	503	551

This analysis illustrates that PGE’s assumption of a 100% success rate for QF contracts has a significant impact on its periodic need snapshot. While PGE currently does not have sufficient

⁹ *Id.*

¹⁰ The difference from PGE’s acknowledged 2021 capacity need is due predominantly to the execution of new Qualifying Facility contracts.

¹¹ *In the Matter of Portland General Electric Company 2016 Integrated Resource Plan*, Docket No. LC 66, PGE’s Revised Addendum to 2016 IRP (Nov. 9, 2016)

data to revise its base assumption that all executed QF contracts will succeed in achieving delivery to PGE, the sensitivities above provide useful context for making decisions about near-term resource procurement. PGE intends to conduct further evaluation regarding the likelihood of QF projects failing to reach COD and the resulting impact on the Company's resource needs. In lieu of that evaluation, PGE provides this illustrative information to contextualize the current need snapshot.

PGE anticipates signing definitive agreements for approximately 350-450 MW of contracts following receipt of a waiver of the Guidelines. The total procurement volume will depend on final contract negotiations and subsequent updates to PGE's forecasted capacity need. It remains important for PGE to pursue a range of capacity additions in order to enable selection of the most cost competitive offers as PGE further refines its 2021 capacity need. PGE anticipates having increased certainty on PGE's proposed renewable action item, energy storage proposal, and QF contract success rate in early 2018. As appropriate, PGE anticipates entering into layered agreements for top-performing bilateral offers.

2. Functions of an Independent Evaluator are replicated.

While PGE did not use an Independent Evaluator (IE) to monitor the bilateral evaluation process, the functions of the IE were replicated to the greatest extent possible. PGE believes its evaluation was transparent, unbiased, and fair.

The IE's role in fostering **transparency** was replicated through the detail and disclosure included in the Application. PGE's Application included a thorough description of its scoring process and methodology. The Application was supported by detailed scoring information provided in confidential exhibits. Primary scoring information has been made available to Staff and select parties through a highly confidential protective order. PGE believes its evaluation process has been as transparent as possible, while still preserving the integrity of the negotiations.

The IE's responsibility to ensure **unbiased** evaluation was replicated by PGE's use of an equitable scoring methodology. As described in its Application and detailed in Exhibit PGE/302, all offers were evaluated within a consistent evaluation framework that fairly accounted for a resource's cost and value. Furthermore, PGE did not submit a benchmark resource into the solicitation process, mitigating any concerns of bias parties may have. To date, PGE is unaware of any stakeholder or counterparty that has suggested PGE's bilateral evaluation was biased in anyway. The apparent unanimity speaks to the perceived fairness of the evaluation.

The role of the IE to create a **fair** process with equal access to information for all bidders was also replicated in PGE's negotiation process. PGE communicated clearly and directly with all potential counterparties regarding the products that were sought and the associated timelines for responses. Further, PGE made multiple term sheets and commercial arrangements available to counterparties to ensure that fairness across resource technologies and commercial structures was achieved. Lastly, PGE gave all counterparties an opportunity to update their offers based on standard Company feedback.

For these reasons, the functions of an IE have been adequately replicated, and for the same reasons, PGE's request for a waiver should be granted.

3. Processes for sufficient stakeholder involvement existed.

Stakeholders have had opportunities for involvement through both the 2016 IRP process and this docket. Throughout the negotiation process, PGE has kept the Commission and parties updated through public meetings, quarterly power supply updates, and workshops. Importantly, comments from diverse stakeholder interests filed in the IRP have indicated support for PGE to pursue the bilateral negotiation process.¹² Opportunities for additional feedback on the outcomes of that evaluation have been provided for in this docket. To date, only Staff has served data requests and only Staff and National Grid have filed comments in this docket.

4. Fairness of Competitive Bidding Guidelines was preserved.

PGE's negotiation process and evaluation, to a great extent, have adhered to the Guidelines and are consistent with the policy goals emphasized in the Guidelines. PGE used a fair and transparent scoring process that is very similar to that which has historically been and would be used in future RFP processes. Staff's Comments suggest that Staff is continuing to evaluate PGE's scoring process,¹³ and PGE hopes the data responses to date have been helpful.

5. The process was clear and transparent.

PGE's bilateral negotiations and evaluation process have been clear and transparent to counterparties, the Commission, Staff, and stakeholders. PGE has been clear in its communications with potential counterparties regarding what the Company requires and the timelines for responses. And PGE has met with Staff to keep them informed and has kept the parties to the IRP docket updated about its plans. PGE has responded to data requests from Staff in this docket to provide additional clarification and details. To date, PGE has not received data requests from any party other than Staff. This suggests that PGE's IRP docket, this Application, and the pre- and post-Application opportunities for stakeholder involvement have provided clarity and transparency and have kept stakeholders informed.

National Grid's Comments

National Grid generally supports PGE's request for a waiver, but opposes PGE's request to the extent it encompasses thermal resources,¹⁴ because National Grid believes PGE has not demonstrated that a waiver is necessary or appropriate with regard to such resources.¹⁵ National Grid advocates that pumped storage resources should be used to meet PGE's need in the medium- and long-term, and asserts that any waiver should be for resources with a term-limited

¹² Docket No. LC 66, Staff's Final Comments at 17 (May 12, 2017); CUB's Final Comments at 1-2 (May 12, 2017); CUB's Final Comments at 1-2 (May 12, 2017); Final Comments of Renewable Northwest at 14 (May 12, 2017); Final Comments of the Oregon Department of Energy at 7 (May 12, 2017); Final Comments of the NW Energy Coalition at 1 (May 12, 2017).

¹³ Staff's Comments at 4-5.

¹⁴ National Grid Comments at 1-2.

¹⁵ National Grid Comments at 3-5.

duration.¹⁶ PGE appreciates National Grid's general support for the waiver request. However, National Grid's suggestion that PGE should consider only certain fuel types or contract lengths is contrary to the purpose and goals of the Guidelines, which include fairness, flexibility, and providing the opportunity to minimize long-term energy costs.¹⁷ As explained in depth in PGE's Application and in these Reply Comments, PGE took care to ensure a comprehensive and transparent offer-solicitation process and conducted a fair and unbiased evaluation of all technologies and fuel types offered. PGE believes that the offers in its final shortlist represent the least-cost resources that best meet its capacity need.

Conclusion

Through its Application, and supporting analysis, PGE has demonstrated that it meets the requirements for a waiver of all of the Commission's Competitive Bidding Guidelines, and that the resource procurement process PGE has undertaken is transparent, unbiased, and fair. PGE looks forward to continuing to work with Staff and the parties to answer any remaining questions and to provide additional information demonstrating the appropriateness of PGE's Application.

PORTLAND GENERAL ELECTRIC COMPANY



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¹⁶ National Grid Comments at 5-6.

¹⁷ *In the Matter of an Investigation Regarding Competitive Bidding*, Docket No. UM 1182, Order No. 06- 446 at 2 (Aug. 8, 2006).