BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2274

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

2023 All-Source Request for Proposals

NEWSUN ENERGY LLC'S APPLICATION FOR REHEARING OR RECONSIDERATION

I. Introduction and Summary

Pursuant to ORS 756.561 and OAR 860-001-0720, NewSun Energy LLC ("NewSun") respectfully applies for rehearing or reconsideration of the Public Utility Commission of Oregon ("Commission")'s Order No. 24-011 (the "Order"), as previously modified by Errata Order No. 24-024.

In Portland General Electric's 2021 Request for Proposals ("2021 RFP"), PGE ultimately selected its benchmark bid, NextEra's Clearwater Wind Project. However, the Clearwater project should never have been eligible to bid, as it did not meet the minimum threshold for long-term transmission rights. While this was hinted at in a heavily redacted staff memo dated October 30, 2023, Commission Staff issued an "errata" to its prior memo on February 5, 2024, that discloses new and alarming information about the level of malfeasance or misfeasance of PGE and its selected independent evaluator ("IE"), Bates White, which led to the improper participation and ultimate selection of the Clearwater project. The errata offers new evidence that the Commission should evaluate on reconsideration of its Order.

NewSun appreciates Staff's work to disclose this important and relevant information.

The newly unredacted portions illustrate how PGE has and can abuse subjective bidding

elements to self-deal and deprive this state of the "diverse ownership" of resources the Legislature intended. Specifically, what the memo makes clear is that when bidding criteria or scoring is subject to interpretation, PGE will bend or break the rules in its own favor. PGE, as the chief adjudicator in the room determining which projects stay and which projects go, will invariably favor its own projects. And the IE failed to safeguard against this abuse. As such, it is incumbent upon this Commission to ensure that such abuses do not recur in this RFP supervised by the *same* IE that failed in the last one. NewSun requests that, after rehearing or reconsideration, the Commission amend the Order to reflect the following:

- a. That PGE and its affiliates be precluded from submitting benchmark bids or affiliate bids in PGE's 2023 Request for Proposals ("2023 RFP");
- b. That NextEra and its affiliates be precluded from participating in any benchmark
 bids in the 2023 RFP;
- That Bates White be disallowed from continuing to serve as the IE in the 2023
 RFP;
- d. That the Commission actively supervise the 2023 RFP, particularly those elements that currently call for subjective evaluation by PGE and its IE; and
- e. That the price scoring be made more transparent and objective to bidders and the scoring methodology for the 2023 RFP include objective consideration of non-price elements, along the lines of NewSun's example proposal attached as Exhibit A.

NewSun recognizes the urgent need for Oregon utilities to procure renewable resources to rapidly reduce carbon emissions, consistent with ORS 469A.415. However, it is equally critical that the process by which utilities procure such resources ensures a level playing field for

all participants that actively protects against anti-competitive, self-dealing behavior by PGE and other investor-owned utilities. Further, NewSun requests that the Commission issue a short extension to the 2023 RFP to adopt RFP design modifications that mitigate the problems demonstrated by PGE's 2021 RFP.

II. Legal Standard

The Commission may grant an application for rehearing or reconsideration if the applicant shows that there is "[n]ew evidence that is essential to the decision and that was unavailable and not reasonably discoverable before issuance of the order, "[a]n error of law or fact in the order that is essential to the decision" or "[g]ood cause for further examination of an issue essential to the decision." An application for rehearing or reconsideration must identify:

(a) the portion of the challenged order that the applicant contends is erroneous or incomplete; (b) the portion of the record, laws, rules, or policy relied upon to support the application; (c) the change in the order that the Commission is requested to make; (d) how the applicant's requested change in the order will alter the outcome; and (e) one or more of the grounds for rehearing or reconsideration in OAR 860-001-0720(3).² If the application is granted, the Commission may affirm, modify, or rescind its prior order or take other appropriate action.³

III. Argument

a. The portion of the Order that NewSun contends is erroneous or incomplete.

Oregon law requires that the Commission provide for competitive bidding processes that allow for "a diverse ownership of renewable energy sources." ORS 496A.075(4)(c). The Commission's rules require RFPs utilize a "fair, objective, and transparent competitive bidding

¹ OAR 860-001-0720(3).

² OAR 860-001-0720(2).

³ OAR 860-001-0720(6).

process." OAR 860-089-0010. However, Bates White's continued involvement as the IE will not ensure a "fair, objective, and transparent" process, as it has shown it cannot effectively oversee an RFP. Further, PGE's ability to submit a benchmark or affiliate bid, and NextEra's ability to serve as the developer for such project, will undoubtedly result in another unfair and biased outcome of selecting PGE's preferred resource. Last, the subjective nature of certain minimum bidder requirements and the scoring methodology do not support a "fair, objective, and transparent" process. In light of the material errors made by PGE and Bates White in the 2021 RFP, Bates White should be precluded from serving as the IE in the 2023 RFP, PGE and its affiliates should be barred from submitting benchmark or affiliate bids, and NextEra and its affiliates should be precluded from participating in a benchmark bid. Further, the Commission should modify the scoring methodology to remove or mitigate subjective review by PGE and make the price scoring transparent and objective.

b. The portion of the record, laws, rules, or policy relied upon to support the application.

The Commission's Division 89 Rules identify the standards required of RFPs, as well as the duties of the various parties (including the utility, the IE, and the Commission) with respect to the RFP process. In light of these rules, as well as the record in UM 2166 and in this docket, the Order does not meet the standards required by the Commission and should be reconsidered.

c. The changes in the Order that the Commission is requested to make.

As stated above, NewSun requests that the Commission amend the Order to reflect the following:

a. That PGE and its affiliates be precluded from submitting benchmark bids or affiliate bids in PGE's 2023 Request for Proposals ("2023 RFP");

- b. That NextEra and its affiliates be precluded from participating in any benchmark
 bids in the 2023 RFP;
- That Bates White be disallowed from continuing to serve as the IE in the 2023
 RFP;
- d. That the Commission actively supervise the 2023 RFP, particularly those elements that currently call for subjective evaluation by PGE and its IE; and
- e. That the scoring methodology for the 2023 RFP include objective consideration of non-price elements, along the lines of NewSun's example proposal attached as Exhibit A.
- d. How the applicant's requested change in the Order will alter the outcome.

NewSun's requested changes to the Order will help ensure that the 2023 RFP provides a "fair, objective, and transparent competitive bidding process" as required by the Commission's rules.

e. Grounds for rehearing or reconsideration.

Rehearing or reconsideration of the Order is appropriate, given that (1) new evidence has come to light that is essential to properly considering the Order, (2) given the new evidence, the Order does not provide for a "fair, objective and transparent competitive bidding process," and is therefore unlawful, and (3) good cause exists for further examination of the Order.

i. The Commission's rules require a fair, objective, and transparent competitive bidding process.

ORS 469A.075(4)(c) requires the Commission to adopt rules that "[p]rovid[e] for the evaluation of competitive bidding processes that allow for diverse ownership of renewable energy sources." Division 89 of the Commission's rules establish the process for its regulated utilities to procure resources using a "fair, objective, and transparent competitive bidding

process." The rules aid in achieving the Commission's general function of protecting "customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates." ORS 756.040(1). The purpose of the rules is to "provide an opportunity to minimize long-term energy costs and risks, complement the integrated resource planning (IRP) process, and **establish a fair, objective, and transparent competitive bidding process**. . "OAR 860-089-0010 (emphasis added).

Utility compliance with the Division 89 rules is mandatory for resource acquisitions within the scope of the rules; compliance is not optional. OAR 860-089-0100(1) ("[a]n electric company must comply with the rules in this division when it seeks to acquire generating or storage resources or to contract for energy or capacity if any of the following apply . . ."). Compliance with competitive bidding requirements is only excused if (a) there is an emergency, (b) there is a time-limited opportunity to acquire a resource of unique value to the utility's customers, (c) the Commission has explicitly acknowledged an alternative acquisition method proposed in the utility's IRP, or (d) the utility seeks to exclusively acquire transmission assets or rights. OAR 860-089-0100(3). If a utility seeks a waiver of competitive bidding requirements, it must timely file a report with the Commission explaining the relevant circumstances. OAR 860-089-0100(4).

The Commission may approve the design of an RFP with any conditions the Commission deems necessary, "upon a finding that the electric company has complied with the provisions of these rules and that the draft RFP will result in a **fair and competitive bidding process**." OAR 860-089-0250(5) (emphasis added). The Commission has prescribed specific rules for treatment of the utility's own benchmark bids. Important here is the requirement that "[t]he electric

company must apply the same assumptions and bid scoring and evaluation criteria to the benchmark bid that are used to score other bids." OAR 860-089-0350.

The rules are also designed to promote objective fairness and transparency in the evaluation of bids: "To help ensure that the electric company engages in a **transparent bid-scoring process using objective criteria and metrics**, the electric company must provide all proposed and final scoring criteria and metrics in the draft and final RFPs filed with the Commission." OAR 860-089-0400(1) (emphasis added). To help keep the utility honest, the Commission requires the appointment of an independent evaluator to "oversee the competitive bidding process to ensure that it is conducted **fairly, transparently, and properly**." OAR 860-089-0450(1) (emphasis added). In its closing report to the Commission, the IE must evaluate "the applicable competitive bidding processes in selecting the least-cost, least-risk acquisition of resources." OAR 860-089-0450(9).

Finally, after the utility has scored and developed its final shortlist, it "must request that the Commission acknowledge the electric company's final shortlist of bids before it may begin negotiations." OAR 860-089-0500(2). "Acknowledgment' is a finding by the Commission that an electric company's final shortlist of bid responses appears **reasonable** at the time of acknowledgment and was **determined in a manner consistent with the rules** in this division." OAR 860-089-0500(1) (emphasis added).

ii. The Commission Staff's February 5, 2024 "errata" filing in UM 2166 reveals new evidence that is essential for the Commission's consideration in approving the 2023 RFP design.

On February 5, 2024, nearly a month after the Commission issued its Order approving the design of PGE's 2023 RFP, Commission Staff issued an "errata to [its] October 30, 2023 Staff Memo, Staff Summary Upon Conclusion of RFP" in PGE's 2021 RFP. The errata – which

disclosed portions of the memo previously redacted, and "corrected" certain statements regarding the RFP after staff's conferral with PGE and Bates White – revealed new information regarding the 2021 RFP to which NewSun and other stakeholders were not privy. Specifically, the errata disclosed the following:

- PGE's benchmark bid NextEra's Clearwater wind project which ultimately was selected by PGE "failed to secure long-term transmission rights for 80 percent of its output as required of all renewable energy projects by the RFP." (Errata at 2)
- Even in its alternative transmission plan, the Clearwater wind benchmark bid only secured transmission capacity equal to 60 percent of its maximum interconnection limit. (Errata at 4)
- "[T]he existing PGE transmission rights proposed for use in the alternative transmission plan were neither made available to other bidders nor described as part of the RFP development process as utility resources that would be used to support benchmark bids with the appropriate analysis." (Errata at 4)
- Despite the fact that Clearwater did "not quite meet the letter of the law from the RFP," "Bates White, nonetheless, describes the Clearwater project arrangements in its final report as '...acceptable given PGE's renewable and capacity needs,' [and] further explains to Staff in response to Staff's written questions that it believes the alternate transmission plan is viable because, in the long term, there is additional time to secure more firm service." (Errata at 4, emphasis added)

- While PGE's benchmark project was allowed to skirt the RFP's transmission
 requirements without reducing its project size, "two projects with similar
 transmission deficiencies were told that they could downsize the project to get
 them to conform. Both instead chose to withdraw." (Errata at 1)
- At least one bidder with transmission deficiencies "was informed, at the initial screening stage of the RFP process, that to comply with the RFP and pass the minimum requirement screening, it should downsize the project or offer only its solar component." Instead, the bidder withdrew from the process. The Staff Report confirmed that, "...had the project and its alternative plan been treated like Clearwater, it could have passed the minimum requirement screening and moved on for further evaluation." (Errata at 4, emphasis added)
- Bates White admitted in its response to a question from Commission Staff that, "In retrospect, we as the IE could have pushed harder for [REDACTED] inclusion as offered in order to assure it had the same treatment as Clearwater. At the time we (and, we believe PGE evaluators) were more focused on making [REDACTED] offer the most competitive it could be." (Errata at 4, emphasis added)

It is clear that Bates White and PGE were intent on propping up the Clearwater project, at the expense of creating a level playing field for all bidders. The facts disclosed in the errata are bad enough in isolation to warrant closer scrutiny by the Commission in the 2023 RFP. But this is not an isolated event or a good-faith mistake. The wrongful selection of the Clearwater project, as PGE's benchmark bid, was entirely consistent with PGE's long history of favoring its own projects. Despite the clear purpose of the Legislature to provide for "diverse ownership" of

resources and the Commission's implementing rules to create a fair and competitive bidding environment, PGE's track record makes clear that the rules are being abused to favor PGE's own projects, as PGE has selected projects in which it has an ownership interest in nearly every RFP over the last decade. For example:

- In PGE's 2012 Capacity and Energy RFP (UM 1535), PGE selected the Carty Generating Station and Port Westward 2 projects, in which PGE owns a 100% stake.
- In PGE's 2012 Renewable RFP (UM 1613), PGE selected the Tucannon River
 Wind Farm project, in which PGE owns a 100% stake.
- In PGE's 2018 Renewable RFP (UM 1934), PGE selected the Wheatridge Wind,
 Solar, and Battery project, in which PGE owns a 1/3 share.⁴
- In PGE's 2021 All Source RFP (UM 2166), PGE selected four projects
 (Clearwater Wind, Troutdale BESS, Seaside BESS, and Evergreen BESS), which were all benchmark bids and in which PGE owns some or all of three out of four of the bids, with an aggregate 61% stake.

Given the obvious bias exhibited by PGE, it and its affiliates should not be allowed to submit bids in the 2023 RFP. It is also clear that PGE's selection of Bates White as its preferred IE is not in the public interest given Bates White's failure to properly oversee the 2021 RFP.⁵ It is particularly concerning that PGE sought and received a waiver of the competitive bidding requirements for procuring an IE when it was well aware of Bates White's failure to properly

⁴ PGE's 2018 Renewable RFP was the first RFP conducted under the Commission's then-newly adopted Division 089 Competitive Bidding Rules.

⁵ Bates White also served as the IE for PGE's 2018 RFP.

oversee the 2021 RFP.⁶ The Commission should remove Bates White as the IE in this and future RFPs as it is not truly independent of PGE, has demonstrated a lack of competence, and since it is not in the public interest to have Bates White continue to oversee critical resource acquisitions. OAR 860-090-0200(2).

iii. The Order violates law because it does not facilitate a "fair, objective, and transparent competitive bidding process."

For the reasons stated above, the Order does not ensure a "fair, objective, and transparent competitive bidding process" since PGE and NextEra's continued ability to offer benchmark bids, and Bates White's continued involvement as IE, sets the stage for PGE to once again select its own resources. As such, the Order is inconsistent with the Commission's Division 89 rules and should be modified.

Aside from ensuring neutral participants in the RFP, the evaluation and scoring of projects also should be reconsidered to provide fair and objective criteria, and to eliminate subjectivity by PGE.

The "price" score as described in this RFP is not objective and transparent to bidders.

While it may be transparent to PGE or to Staff who have access to PGE's models, Excel spreadsheets, and assumptions, bidders will see their bidder-provided information go into a black box and come out looking different on the other end.

First, PGE determines bid cost by utilizing "a revenue requirement model in Excel over the economic life of the asset to calculate the total offer cost." PGE 2023 RFP, Appendix N at 8. Bidders do not have access to this Excel spreadsheet.

_

⁶ See Order No. 23-146.

Second, PGE determines energy value by forecasting resource production and utilizing the market price forecast from the 20203 IRP. PGE 2023 RFP, Appendix N at 10. PGE states that this forecast will be "based on" bidder provided information, which implies that while it may use the bidder provided information as a starting point, the ultimate forecast utilized may be something different than what the bidder provides. How that forecast is determined is not transparent to bidders. For storage and dispatchable resources, PGE will simulate dispatch using Aurora, into which bidders again have no insight.

Third, PGE determines the capacity value as the product of capacity contribution and avoided capacity cost. PGE 2023 RFP, Appendix N at 10. NewSun appreciates that an ELCC tool has been made available in this RFP, yet PGE states that the individual capacity contributions will be calculated using Sequoia. Bidders have no transparency into Sequoia. Capacity contributions are then also adjusted based on the type of transmission product and its curtailment assumptions. While some progress has been made on this in this RFP, more work still needs to be done to ensure transparency for bidders. First, even though Conditional Firm-Number of Hours will be assumed to be curtailed such that 50 percent of curtailable hours would occur within PGE's peak hours of need, PGE should be required to disclose which hours are PGE's "peak hours of need." Second, even though PGE will allow bidders to propose their own curtailment parameters for Conditional Firm-Systems Conditions, the RFP design does not require PGE to accept that bidder-provided information and there is no transparency to bidders about how that will be modeled and affect the capacity value component of the score. Bidders may have no assurances or confidence that PGE will accurately model these transmission products.

PGE's "price" scoring methodology, therefore, is neither clearly objective nor transparent, and thus, violates the competitive bidding rules. These elements should be made transparent to bidders.

The Commission should also require the RFP scoring to include weighted consideration of objective non-price elements. NewSun has provided a proposed rubric for such non-price elements in Exhibit A. The tables below provide a few examples of how NewSun's proposed scoring elements might play out in practice. NewSun is open to suggestions on these proposals and not asserting that this is the only way these bidding elements can be made more objective.

Price Elements 700 points possible					
A	B Total Cost	C Total Value	D Ratio of Cost to Benefit	E Lowest Ratio	F Points
			B/C	Min(D)	700*(E/D)
Bid 1 (higher cost, mid-range viability)	40	50	0.8	0.73	638
Bid 2 (low cost, midrange viability)	35	48	0.73	0.73	700
Bid 3 (middle cost, highly viable)	15	20	0.75	0.73	681
Bid 4 (low cost, not viable)	35	48	0.73	0.73	700

Non-Price Elements 300 points possible						
	COD	Permits	Ix	Tx	Community Benefits	Points
Total Points Possible	6pts	6pts	6pts	6pts	6pts	Sum* 10
Bid 1 (higher cost, mid-range viability)	2	3	4	3	6	180
Bid 2 (low cost, midrange viability)	2	3	4	3	6	180
Bid 3 (middle cost, highly viable)	6	6	6	6	6	300
Bid 4 (low cost, not viable)	DQ-ed	DQ-ed	DQ-ed	DQ-ed		DQ-ed

	Price	Non-Price	Total
	Score	Score	
Bid 1	638	180	818
Bid 2	700	180	880
Bid 3	681	300	981
Bid 4	700	DQ-ed	

Additionally, the Commission should exercise additional scrutiny over PGE and the IE in their evaluation of at least two minimum bidder requirements ("MBRs"). First, the MBRs require bidders to provide "an achievable plan to meet the . . . transmission requirements." However, while the MBR provides some description of the eligible transmission products, the evaluation of whether a "plan" to meet those requirements is "achievable" is entirely subjective and solely within PGE's discretion. Second, the MBRs require various permitting requirements to be met by different points in the RFP process. However, the MBR provides: "In the event a specific permit is not required at all or during this RFP process for the resource(s) that are bid into this RFP, the Bidder may provide a narrative explanation on the bid form regarding why it is not applicable." Again, this "narrative explanation" gives PGE broad discretion to determine whether the MBR can be waived. Given the risk of abuse in evaluating these subjective "plans" and "explanations", the Commission should exert additional scrutiny over the evaluation of such criteria.

///

///

///

⁷ PGE RFP, Appendix N at 5-6.

⁸ PGE RFP, Appendix N at 3-4.

iv. Good cause exists for the Commission to re-examine the 2023 RFP design to avoid repeating the grave errors in PGE's 2021 RFP.

For the reasons stated above, good cause exists for the Commission to reconsider its

Order on the 2023 RFP design, in order to ensure a "fair, objective, and transparent competitive bidding process."

Dated this 12th day of March 2024.

Respectfully submitted,

s/ Richard Lorenz

Richard Lorenz, OSB No. 003086 Cable Huston LLP 1455 SW Broadway, Suite 1500 Portland, OR 97201 (503) 224-3092

Email: rlorenz@cablehuston.com

Attorneys for NewSun Energy LLC

Exhibit A Example Non-Price Scoring Methodology Straw Proposal

Example Rubric
Total bid points would be allocated between 70% price-based criteria and 30% non-price-
based criteria. Each point equates with one percentage of the overall score for a total possible
of 30 points/30%.

	oj 50 pontis/5070.	
		Points
Commercial	COD by 12/31/2025	6
Operation Date	COD by 12/31/2026	4
	COD by 12/31/2027	2
	COD by 12/31/2028	1
	COD by 12/31/2029	0
Permitting	State permit, Local land use permit, and/or Federal Siting Permit	6
	Wildlife, ESA, sensitive species, cultural, tribal permits/studies	3
Interconnection	Completed Facilities Study	6
	Completed System Impact Study	4
	Completed Feasibility Study	2
Transmission	100% of interconnection limit	6
	90% of interconnection limit	5
	80% of interconnection limit	4
	70% of interconnection limit	3
	60% of interconnection limit	2
	50% of interconnection limit	1
HB 2021 Direct	Bids are allocated points based on whether and how they provide	0-6
Benefits to	direct benefits to communities in this state in the forms of creating	
Oregon	and sustaining living wage jobs, promoting workforce equity, or	
Communities	increasing energy security and resiliency.	
Total Non-		30
Price Points		
Available		

Notes on Non-Price Scoring Elements

1. Commercial Operation Date.

- a. <u>PGE proposal:</u> PGE initially required an online date of 12/31/2025, but now will accept bids through 12/31/2027, with an additional allowance for long lead time resources until 12/31/2029.⁹
- b. NewSun proposal: Bids are scored on a sliding scale for commercial operation dates anywhere between 12/31/2025 to 12/31/2029, with bids coming online sooner receiving higher scores.

16

⁹ PGE RFP Appendix N, Scoring and Modeling Methodology at 1-2.

2. **Permitting**.

- a. <u>PGE proposal:</u> Six permits or studies are required at the time the bid is submitted for all resource types. ¹⁰ In the event a specific permit is not required at all or during this RFP process for the resource(s) that are bid into this RFP, the Bidder may provide a narrative explanation on the bid form regarding why it is not applicable.
- b. NewSun proposal: Bids are scored on a sliding scale based on how many of each of the six permits/studies they have acquired. Bids with fewer permits will not be prevented from bidding, and bids with more permits receive a higher score. 11

3. Interconnection.

- a. <u>PGE proposal:</u> A completed System Impact Study is a minimum bid requirement. 12
- b. NewSun proposal: Bids are scored on a sliding scale by how far along in the interconnection process they have progressed, i.e., whether they have a completed Feasibility Study, System Impact Study or Facilities Study. Bids will not be rejected if they only have a Feasibility Study but will receive a lower score. Alternately, bids that have progressed beyond the System Impact Study phase and completed a Facilities Study will receive a higher score. This could also be adjusted to provide even more points to projects that have a draft or executed interconnection agreement.

4. Transmission.

- a. <u>PGE proposal:</u> Renewable resource bids must have an achievable plan for one of the eligible transmission products (long-term firm; long-term conditional firm bridge, number of hours; long-term conditional firm reassessment, number of hours; conditional firm, number of hours and conditional firm, system conditions) for 75% of the resource's interconnection limit.¹³
- b. <u>NewSun proposal:</u> Bids are scored on a sliding scale based on the quantity of transmission service anywhere between 50 and 100% of the resource's interconnection limit.

¹⁰ PGE RFP Appendix N, Scoring and Modeling Methodology at 17 Exhibit A: Required Permits.

Note: For simplicity, NewSun's proposal does not address all permits that are required for all resource types.

PGE RFP Appendix N, Scoring and Modeling Methodology at 5.

PGE RFP Appendix N, Scoring and Modeling Methodology at 5-6.

5. Community Benefits.

- a. PGE proposal: None.
- b. <u>NewSun proposal:</u> Bids are allocated points based on whether and how they provide direct benefits to communities in this state in the forms of creating and sustaining living wage jobs, promoting workforce equity, or increasing energy security and resiliency.

NewSun is open to further discussion on how this might be implemented. This could for example be based on objective criteria such as number of jobs created and whether a project is located in a community that experiences multiple or long duration interruptions.