

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 427

**Renewable Resource Automatic Adjustment
Clause (Schedule 122) (Clearwater Wind Project)**

PORTLAND GENERAL ELECTRIC

Reply Testimony

Reply Testimony of:

Greg Batzler

Jacob Goodspeed

April 25, 2024

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I. Introduction

1 **Q. Please state your names and positions with Portland General Electric Company (PGE).**

2 A. My name is Greg Batzler. I am a Senior Regulatory Consultant for PGE.

3 My qualifications appear in PGE Exhibit 100.

4 My name is Jacob Goodspeed. I am a Manager of Origination and Structuring at PGE and
5 am responsible for overseeing and managing PGE's RFP process.

6 My qualifications appear at the end of this testimony.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of this testimony is to respond to the statements and positions of the Public Utility
9 Commission of Oregon (OPUC or Commission) Staff (Staff) put forward in their opening
10 testimony and address Commission Order No. 24-091, indicating that more information is
11 needed within the UE 427 record to "address concerns with the 2021 request for Proposals
12 (RFP) process through which Clearwater was selected."¹

13 In the following testimony, PGE will demonstrate the 2021 RFP process was properly
14 conducted in accordance with the Commission's competitive bidding rules with review and
15 oversight by an unbiased Independent Evaluator (IE) and with robust participation from the
16 market. This ultimately led to the most competitive and viable projects being identified for
17 the final shortlist such that PGE was able to select and ultimately procure the least-cost, least-
18 risk resources for customers. Further, PGE will demonstrate that certain adjustments for
19 Clearwater proposed by Staff within their opening testimony are unreasonable and based on
20 unfounded presumptions, which introduce a downward bias that, in direct noncompliance with

¹ Commission Order No. 24-091, at 1.

1 ORS 469A.120(1), will prevent PGE from having a reasonable opportunity to recover its
2 prudently incurred costs.

3 **Q. Please summarize your review of Staff’s positions raised in their opening testimony.**

4 A. Staff made numerous assertions within their opening testimony suggesting that the RFP
5 process was unfair and that treatment in the RFP “may have led to bidders choosing to not bid
6 into the RFP, thus leading to a less competitive RFP to the detriment of customers.”² As we
7 will demonstrate below, Staff’s positions and arguments do not comport with the facts, are
8 largely based upon a misrepresentation and/or misunderstanding of the record within Docket
9 UM 2166 (PGE’s 2021 RFP), and are unsupported by the evidence in that proceeding.
10 Moreover, these mischaracterizations and unsupported statements fail to demonstrate that the
11 costs incurred for Clearwater were imprudent.

12 **Q. What is your recommendation to the Commission?**

13 A. PGE recommends the Commission approve PGE’s request as filed in our opening testimony
14 of this proceeding, including:

- 15 1. Removal of the Clearwater-associated production tax credit (PTC) deferred tax asset
16 (DTA) from the forecast accumulated deferred income tax (ADIT) balance included
17 revenue requirement. The Commission approved PGE’s proposal to sell 2024 and 2025
18 generated PTCs in Docket No. UP 426, thus removing the DTA from rate base here is
19 appropriate.
- 20 2. The reflection of Clearwater’s 2024 forecasted net variable power cost benefits, which
21 assume a 43.93% capacity factor assuming 230 MW of long-term firm transmission.

² Staff /200, Dlouhy/ 19 at 5-6.

1 Additionally, PGE recommends the Commission reject Staff's proposed performance-
2 based mechanism and proposal to fix Clearwater's capacity factor for five years. These two
3 Staff recommendations are inherently biased, are premised upon an inaccurate representation
4 of the record in UM 2166, and ultimately would deny PGE the opportunity to recover
5 prudently incurred costs as provided under ORS 469A.120(1).

6 Should the Commission still think measures are needed to address concerns about future
7 performance of Clearwater, PGE proposes the following alternatives:

- 8 1. The reflection of Clearwater's 2024 forecasted capacity factor assuming both the rights
9 and cost of 240 MW of firm transmission. This equates to a capacity factor of 43.99%.
- 10 2. Annual submissions of actual performance reports in the Annual Update Tariff docket
11 that show the impact of costs and benefits to customers both with and without the
12 inclusion of Clearwater.
- 13 3. A cap of Clearwater's 5-year rolling average capacity factor change at no higher than
14 105% and no lower than 95% of the 2024 authorized capacity factor in this proceeding
15 for the first four years of forecasting Clearwater energy benefits.

16 **Q. What specific issues do you address in the following testimony?**

17 A. We address the following:

- 18 • The competitiveness of the 2021 RFP;
- 19 • The selection and role of the IE;
- 20 • Transmission rights and scoring;
- 21 • Staff's proposed adjustments; and
- 22 • PGE's proposal and final considerations.

1 **Q. How is the remainder of your testimony organized?**

2 A. After this introduction, we have three sections:

- 3 • Section II: PGE's Response to Staff Testimony;
- 4 • Section III: Summary and Final Considerations; and
- 5 • Section IV: Qualifications.

II. PGE's Response to Staff Testimony

A. The Competitiveness of the 2021 RFP

1 **Q. Please summarize Staff's arguments and claims regarding the prudence of selecting**
2 **Clearwater.**

3 A. Staff claims that the way the RFP was conducted "may have led to a less than competitive
4 outcome, possibly to the expense of retail customers."³ As support, Staff states in testimony
5 that the Clearwater bid was given different treatment than similarly situated bids and that this
6 differing treatment "appears to have led to some bids withdrawing from the process."⁴ Staff
7 goes on to argue that even "the perception that a benchmark bid would receive preferential
8 treatment may have led to some bidders choosing not to bid at all"⁵ and that "[s]ome of these
9 alternatives could have been lower cost to retail customers."⁶ Ultimately, Staff argues that
10 "the acquisition of Clearwater was prudent but does not support recovery of all costs in light
11 of PGE's decisions related to the Transmission requirements for Clearwater."⁷

12 To address their concerns, Staff recommended the adoption of performance-based
13 mechanism to address transmission, the recalculation of forecast NVPC assuming Clearwater
14 has 80% long-term firm transmission, and the fixing of Clearwater's capacity factor at Staff's
15 calculated value for the first five years of forecasting net variable power costs (NVPC).

16 **Q. What is PGE's overall response to the above arguments made within Staff Exhibit 200?**

17 A. Staff's position is based upon incorrect assumptions and incomplete and inaccurate facts.
18 In fact, Staff testimony lacks evidence to support any of the above assertions. Additionally,

³ Staff/200, Dlouhy/5 at 14-15.

⁴ *Id.* at 20.

⁵ *Id.* at 21-22.

⁶ *Id.* 6. at 2.

⁷ *Id.* 21. at 5-7.

1 as we will demonstrate in the following testimony, certain assertions from Staff are
2 impossible. The IE,⁸ who was required to be independent of PGE and bidders and who reports
3 directly to the Commission, confirmed in Staff Exhibit 206, that proceeding with Clearwater
4 was reasonable given PGE's renewable and capacity needs and that this same lens was applied
5 equally to other bids.⁹ Further, as asserted by Staff in a separate proceeding, the Clearwater
6 Project was eligible to bid in the RFP and Clearwater was not treated differently by PGE in
7 order to disadvantage more competitive bids.¹⁰

8 Ultimately, Clearwater was selected and secured by PGE because it was the top performing
9 project and is expected to deliver the highest value to customers when compared to other
10 resources evaluated. This was confirmed by the IE, who stated, "the Clearwater project is a
11 cost-effective project that meets with RFP timelines and fulfills a large amount of the RFP
12 target with effective risk protections via standard contracts"¹¹ and "[a]lternative offers would
13 *all* [emphasis added] be less beneficial."¹²

14 **Q. Please describe the selection, role, and responsibilities of the Independent Evaluator.**

15 A. Staff recommended Bates White as the most qualified candidate to serve as the IE on behalf
16 of the Commission through a competitive IE RFP process that was initiated at the outset of
17 UM 2166.¹³ In its recommendation, Staff stated that "Staff's preference is for a highly
18 qualified IE that brings past IE experience and awareness of the Northwest's energy

⁸ As defined in OAR 860-089-0020(4).

⁹ Staff/206, Dlouhy/10-11

¹⁰ *In the Matter of Portland General Electric Company, 2023 All-Source Request for Proposals, Request for Partial Waiver of Competitive Bidding Rules*, Docket UM 2274, Staff Response to NewSun Application at 4-5 (April 4, 2024).

¹¹ Staff/206, Dlouhy/13.

¹² *Id.*

¹³ *In the Matter of Portland General Electric Company, 2021 All-Source Request for Proposals*, UM 2166, Order No. 21-235 at 1, App. A at 8 (Jul. 15, 2021).

1 challenges”¹⁴ and that “Bates White’s experience sets its proposal apart from the other top
2 scoring bidders.”¹⁵ Following their selection as IE, Bates White worked on behalf of the
3 Commission and independent from PGE and bidders.¹⁶ Throughout the RFP process, PGE
4 and Staff worked closely with the IE to ensure that the Competitive Bidding Rules were
5 complied with and that the process was fair. Staff’s June 29, 2022 report recommending
6 acknowledgement of the final shortlist states that “[t]he IE observed that the RFP process was
7 run in accordance with the rules laid out in the RFP document; bidders were treated fairly
8 under the rules of the RFP; offers selected for the final shortlist were selected fairly; and
9 PGE’s price and non-price scoring were reasonable.”¹⁷

10 Following the Commission’s acknowledgement of PGE’s final shortlist and as a condition
11 of Order No. 22-315, the Commission went beyond the requirements prescribed in the
12 Competitive Bidding Rules and adopted Staff Condition 1, directing that Bates White
13 continue to serve as IE through the final resource selection, monitor contract negotiations, and
14 file a closing report with the Commission no later than 30 days after final resource selection.¹⁸
15 Within this closing report, the IE indicates that Clearwater’s final contract matched the price
16 offered by the bidder and that PGE did engage with other bidders but was not able to reach
17 agreement, “in large part due to the fact that other bidders increased their offer prices from
18 the August price update.”¹⁹ In fact, every UM 2166 final shortlist renewable project PGE

¹⁴ Order No. 21-235, App. A at 7.

¹⁵ UM 2166, Order No. 21-235, App. A at 7 (Jul. 15, 2021).

¹⁶ As prescribed in OAR 860-089-0020(4)

¹⁷ UM 2166, Staff Report at 5 (June 29, 2022).

¹⁸ UM 2166, Order No. 22-315 at 4 (Aug 31, 2022).

¹⁹ UM 2166, PGE's Independent Evaluator's Final Report on Contract Negotiations at 2 (Jun 30, 2023).

1 entered into contract negotiations with, increased their offer price during negotiations; except
2 for Clearwater.²⁰

3 **Q. Please broadly describe the participation in the 2021 RFP.**

4 A. The 2021 RFP process had robust bidder participation, with proposals received from 19
5 separate entities, who offered a total of 34 unique projects. When factoring in the multiple
6 options offered for each unique project, PGE received 110 distinct proposals. From this, PGE
7 selected 29 separate offers from 13 unique projects for the final shortlist. It is from this large
8 and varied field of projects that Clearwater emerged as the top performing project.

9 **Q. Did Staff provide evidence that “more cost-effective projects”²¹ dropped out of the 2021
10 RFP as a result of not getting the “same treatment” as Clearwater?**

11 A. No. There is no evidence to support this assertion, yet it serves as the basis of Staff’s
12 arguments and proposals throughout their testimony. In fact, the evidence supports the
13 opposite. Every project that dropped out of the process, as described in Staff Exhibit 206, was
14 either demonstrably more expensive, represented greater risk (e.g., no firm transmission), or
15 both. Staff Exhibit 206, which is the September 1, 2023 IE response to questions from Staff
16 in UM 2166, repeatedly describes how Clearwater was the “best performing offer”²² in the
17 RFP when compared to offers that made it to the shortlist and that when compared with offers
18 that did not meet the RFP requirements, Clearwater “had the strongest ‘alternative’ plan.”²³

19 **Q. Were all bidders in the RFP afforded the opportunity to submit an alternative
20 transmission plan?**

²⁰ A Highly Confidential copy of the IE’s Final Report of Contract Negotiations is provided as PGE Exhibit 202HC.

²¹ Staff/200, Dlouhy/23 at 18.

²² Staff/206, Dlouhy/11.

²³ *Id.*

1 A. Yes. All bids unable to meet the 80 percent transmission requirement during the RFP process
2 were allowed the opportunity to submit alternative transmission plans for consideration and
3 further evaluation. In total, eight offers with alternative transmission plans deemed acceptable
4 made it to the final short list.

5 **Q. Did the Independent Evaluator think more competitive offers than Clearwater may have**
6 **dropped out of the 2021 RFP?**

7 A. No. When specifically examining offers that dropped out of the process, the IE states offers
8 “would not have been more competitive than the Clearwater offer”²⁴ and “there is no reason
9 to believe it would have been more competitive than the Clearwater offer”²⁵ and compares
10 estimated cost/benefit ratios that are significantly greater (less favorable) than Clearwater’s
11 ratio.²⁶

12 **Q. Throughout testimony, Staff repeats a claim that treatment of Clearwater “may have**
13 **led to bidders choosing to not bid into the RFP”²⁷ and thus it is possible a more**
14 **competitive bid could have been submitted. Is there any support or reasonable basis for**
15 **this assertion?**

16 A. No. Staff argues in testimony that Clearwater treatment “may have led to some bidders
17 choosing not to bid at all,”²⁸ and that “similarly situated bids may have been dissuaded from
18 bidding into the RFP,”²⁹ and that “Staff believes that the impression of an unfair RFP process
19 or a selectively enforced transmission minimum requirement may have led to bidders

²⁴ Staff/206, Dlouhy/7.

²⁵ *Id.* 8.

²⁶ *Id.* A cost/benefit ratio for [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
[REDACTED] [END HIGHLY CONFIDENTIAL]

²⁷ Staff/200, Dlouhy/19 at 5-6.

²⁸ *Id.* 5 at 22.

²⁹ *Id.* 13 at 14-15.

1 choosing to not bid into the RFP, thus leading to a less competitive RFP to the detriment of
2 customers.”³⁰ However, Staff offers zero support to substantiate their repeated claim and as
3 we will explain below, there is no possibility this could occur.

4 **Q. Is Staff’s concern that the treatment of Clearwater may have led to bidders choosing not**
5 **to bid logistically possible?**

6 A. No. Due to both the timing of bid submission and the confidentiality of the process, it is not
7 possible for another potential bidder to have any insight or knowledge of competing bids.
8 Thus, even if preferential (or detrimental) treatment was afforded to one or more bids, which
9 was not the case, this would have occurred nearly contemporaneously with submission of
10 non-benchmark bids and there would be no possible way it could have been known to the
11 market and, therefore, would not impact the submission of other bids into the process. While
12 benchmark bids are received and scored prior to the receipt and scoring of remaining bids,³¹
13 this occurs in immediate succession and under strict confidentiality provisions. The only
14 parties allowed to see detailed scoring results are those who are allowed to see highly
15 confidential information, including Staff and the Commission, the Independent Evaluator,
16 attorneys for the Northwest and Intermountain Power Producers Coalition (NIPPC), and the
17 PGE RFP scoring team. Most importantly, bidders in the process, whether benchmark or third
18 party, are expressly prohibited from viewing any of this information. Thus, based on the
19 timing of submission of non-benchmark bids and the confidentiality protections, the potential
20 scenario Staff puts forward in Exhibit 200 to suggest that Clearwater may not have been the
21 best bid is unfounded.

³⁰ *Id.* 19 at 3-7.

³¹ OAR 860-089-0350(1).

1 **Q. Did PGE question Staff on their assertion?**

2 A. Yes. Through the discovery process, PGE requested that Staff support these statements with
3 either specific examples they were aware of or an explanation of how something like this
4 could potentially occur. Ultimately, Staff objected to PGE’s request arguing it was “not likely
5 to lead to the discovery of relevant information in this proceeding” and provided no support
6 for these assertions, generically stating “anything that makes winning a bid less likely would
7 dissuade a potential participant from engaging in the RFP process.”³²

8 **Q. Staff states that “the IE noted that non-conforming bids were often instructed to resize
9 their bids in order to conform to the minimum transmission requirement.”³³ Does the
10 IE make this statement?**

11 A. No. Nowhere in Staff Exhibit 206, nor in any other IE documentation, does the IE state that
12 non-conforming bids were *often* instructed to resize their bids to conform to the minimum
13 transmission requirement. This statement, attributed to the IE, simply does not exist beyond
14 Staff making it and as demonstrated below, is not supported by the facts.

15 **Q. What does the IE state regarding bid resizing?**

16 A. The IE states that “*one* [emphasis added] bid had an offer similar to Clearwater’s”³⁴ in
17 transmission coverage that “*did not* [emphasis added] have the near-term coverage that
18 Clearwater offered.”³⁵ This *one* similar offer, initially bid as a wind and solar hybrid resource
19 with approximately 60% of firm transmission coverage, after offering no alternative
20 transmission plan, was provided the alternatives of reducing the size of their offer or
21 separating the two components of their offer. As the IE notes, this bidder instead chose to

³² Staff’s response to PGE Data Request No. 005, provided here as PGE Exhibit 203

³³ Staff/200, Dlouhy/16 at 6-8.

³⁴ Staff/206, Dlouhy/3.

³⁵ *Id.* 6.

1 withdraw the solar component, which was the more economic component, but that, had the
2 solar project continued to be included with the wind component in the process, it “would
3 likely have improved the offer, *but it would not have been more competitive than the*
4 *Clearwater offer* [emphasis added].”³⁶ Additionally, the IE states that this *one* bid having an
5 offer similar to Clearwater in transmission coverage “did not have the near-term
6 [transmission] coverage that Clearwater offered.”³⁷ In other words, Clearwater was clearly a
7 better project from both a price perspective and a risk perspective, offering the best alternative
8 transmission plan with the near term coverage that 50 MW of transmission rights from
9 Snohomish PUD provided. Additionally, it is important to note that this bidder did not (nor
10 were any bidders obligated to) indicate the reason for their decision to withdraw.

11 **Q. Does the IE discuss any other bids in comparison to Clearwater’s transmission plan?**

12 A. Yes. The IE discusses one additional project that was *not* similar in size (i.e., it was a much
13 smaller project) and offered only 50% of firm transmission coverage.³⁸ Beyond this, the IE
14 states that “[n]o other offers were otherwise close to these in terms of transmission coverage,
15 almost all others had zero firm coverage.”³⁹

16 **Q. Does the IE indicate why Clearwater was not instructed to reduce its size?**

17 A. The IE does state they do not know why Clearwater was not instructed to reduce its size.
18 However, what Staff neglects to mention is that the IE follows this by stating their “best guess
19 is that the evaluators believed the project was close enough in the short term (having 77% of
20 its supply covered vs the RFP requirement of 80%) that the shortfall was not a major project

³⁶ Staff/206, Dlouhy/7.

³⁷ Staff/206, Dlouhy/10.

³⁸ *Id.* 7.

³⁹ *Id.* 8.

1 risk”⁴⁰ and that if Clearwater “had been resized it likely would still have been a competitive
2 project.”⁴¹

3 **Q. Does the September 1, 2023 Memo from the IE to Staff directly compare Clearwater to**
4 **the one similar project?**

5 A. Yes. When directly responding to and comparing the treatment between Clearwater and the
6 one bid that withdrew the solar component, described above, the IE states the following:

7 “The only project in a similar space to Clearwater was the [BEGIN HIGHLY
8 CONFIDENTIAL] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [END HIGHLY
9 CONFIDENTIAL], though that did not have the near-term coverage that
10 Clearwater offered. In retrospect we as the IE could have pushed harder for
11 [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY
12 CONFIDENTIAL] inclusion as offered in order to assure it had the same
13 treatment as Clearwater. At the time we (and, we believe PGE evaluators) were
14 more focused on making the [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END
15 HIGHLY CONFIDENTIAL] offer the most competitive it could be. We saw that
16 the wind project was not competitive at all (a fact subsequently borne out by PGE
17 analysis and verified by us) and thought that the more competitive solar project
18 might stand a better chance as a standalone offer. [BEGIN HIGHLY
19 CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] did not
20 consider this and simply withdrew without any discussion.”⁴²

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² Staff/206, Dlouhy/10.

1 Thus, while the IE does state they could have pushed harder to include this project as it
2 was bid, 1) Clearwater’s alternative transmission plan was superior, 2) the [BEGIN HIGHLY
3 CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] project would not have
4 been a competitive offer and 3) the request that the bidder separate the solar component was
5 an effort to make the bid competitive in the RFP.

6 **Q. Would the [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY
7 CONFIDENTIAL] offer have been more cost effective, with less risk if allowed to
8 continue as bid?**

9 **A.** No. The combined bid score would not have been anywhere near the Clearwater offer and the
10 transmission plan would have represented greater near-term risk. Staff Exhibit 206 estimates
11 a cost to benefit ratio of [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
12 [REDACTED] [END HIGHLY CONFIDENTIAL], as initially bid. These
13 amounts are consistent with PGE’s initial scoring results and compare to a materially better
14 96% cost to benefit ratio for Clearwater as initially bid. Additionally, as noted by the IE,
15 [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
16 [REDACTED] [END HIGHLY CONFIDENTIAL]. In other words, while Clearwater’s
17 January 2023 cost to benefit ratio was 94.5% it is likely that the final cost to benefit ratio of
18 the above referenced [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END
19 HIGHLY CONFIDENTIAL], if allowed to continue as bid, would have been even higher
20 than estimated above, making the offer uncompetitive compared to Clearwater and compared
21 to the cost/benefit scores of final shortlist renewable projects provided in both the September

1 29, 2022 price refresh memo to the Commission⁴³ and the January 2023 update provided in
2 Staff Exhibit 206.

B. Transmission Rights and Scoring

3 **Q. How does PGE respond to Staff’s statement that existing PGE transmission rights were**
4 **made available to Clearwater but not to other bidders?**

5 A. This is simply incorrect and is directly contradicted in the Errata Staff Summary in Docket
6 UM 2166, which clearly states that PGE *did not* accept the inclusion of existing PGE
7 transmission rights as part of Clearwater’s alternative transmission plan, nor were these rights
8 used in the scoring of Clearwater’s bid.⁴⁴ Staff asserts in Exhibit 200 that “PGE suggested
9 that it use [...] existing Mid-C transmission rights”⁴⁵ and that “the alternative plan intends to
10 use the PGE’s transmission rights associated with Colstrip.”⁴⁶ However, both of these
11 statements are incorrect and unsupported in Staff’s testimony.

12 **Q. You mention above that Staff filed a summary report in UM 2166. When was it filed and**
13 **what does it state regarding transmission?**

14 A. Staff filed its Errata to Staff Summary Upon Conclusion of RFP in Docket UM 2166, which
15 corrected certain previous statements and conclusions made by Staff in their original summary
16 memo, on February 5, 2024; one day prior to Staff’s testimony in this proceeding. Provided
17 here as PGE Exhibit 201HC, Staff states that “PGE advises that it did not accept the inclusion
18 of these assets [Colstrip and Mid-C transmission rights] as part of Clearwater’s alternate
19 transmission plan and did not score the bid using such assets.”⁴⁷

⁴³ PGE Exhibit 102.

⁴⁴ PGE Exhibit 201HC

⁴⁵ Staff/200, Dlouhy/16 at 17-19.

⁴⁶ *Id.* 17 at 2-3.

⁴⁷ PGE Exhibit 201HC, page 6

1 **Q. Were any bids in the 2021 RFP disqualified on the basis of requesting to use PGE**
2 **transmission rights, which were afforded to Clearwater, as Staff claims?**

3 A. No. Clearwater, just like all other bids, was not able to use existing PGE transmission rights.
4 Thus, while Staff specifically asserts that the [BEGIN HIGHLY CONFIDENTIAL]
5 [REDACTED] [END HIGHLY CONFIDENTIAL] project was disqualified for
6 having a transmission plan that included PGE's Colstrip Transmission System (CTS),⁴⁸ the
7 project was disqualified for not having a viable transmission plan. In short, the project
8 proposed using BPA network transmission, but did not include a transmission study request
9 or study results across BPA's network to deliver to PGE as evidence of feasibility.

10 **Q. Did bid evaluators at PGE consider the Clearwater project developer's alternative**
11 **transmission proposal to use existing Colstrip transmission rights when selecting the**
12 **project?**

13 A. No, they did not. In fact, it was the bidder (i.e., project developer) who suggested these
14 alternatives, along with 50 MW of transmission from Snohomish PUD as part of their
15 alternative transmission plan. Ultimately PGE accepted only the Snohomish rights as part of
16 the Clearwater bid because existing PGE transmission rights were not made available as part
17 of UM 2166 and thus were expressly prohibited as an option for any bid in the process,
18 including Clearwater. Staff even admits in testimony that PGE's plan to deliver power from
19 Clearwater does not rely on Colstrip's transmission rights.⁴⁹

20 **Q. Were certain transmission costs not accounted for in the scoring of the Clearwater bid,**
21 **as Staff suggests?⁵⁰**

⁴⁸ Staff/200, Dlouhy/17.

⁴⁹ Staff/200, Dlouhy/18 at 17-18.

⁵⁰ Staff/200, Dlouhy/24 at 5-7. "Staff believes that had Clearwater accounted for costs to acquire the required transmission, it may still have been selected as a winning bid."

1 A. No. This is incorrect. As clearly indicated in Staff Exhibit 206, Clearwater, as with other
2 conforming bids, was modeled including the cost of transmission capacity equal to the full
3 output of the facility.⁵¹ Thus, for Clearwater, the cost associated with holding 300 MW of
4 transmission for the entire life of the project was included in the price score. In fact, for all
5 projects, regardless of whether the transmission was assumed to be long-term or short-term,
6 the cost of transmission capacity equal to 100% of facility output was included. Thus,
7 Clearwater's score, which outperformed every other bid score included the full cost of
8 transmission at maximum facility output.

9 **Q. Did Clearwater's alternative transmission plan have any other impacts to the bid score?**

10 A. Yes. Clearwater's transmission plan also impacted the non-price score it received. As we
11 discussed in PGE Exhibit 100, renewable energy resource bids were evaluated based on a
12 combination of price and non-price points, with 18.8% of a bid's total score based on non-
13 price points.⁵² Included in the non-price scoring, were points assigned to transmission plan
14 attributes. As evidenced in Staff Exhibit 207, Clearwater (identified as bid 32.2.Base)
15 received zero non-price points for its transmission plan attributes in the non-price scoring
16 summary, negatively impacting the overall bid score.⁵³

17 **Q. Staff mentions in multiple places that PGE bid evaluators highlighted the deliverability**
18 **risk of Clearwater's alternative transmission plan. How does PGE respond?**

19 A. As provided in Staff Exhibit 207, which Staff uses as the support for their concerns and
20 proposed mechanism, Clearwater's deliverability risk was highlighted by PGE's bid

⁵¹ Staff/206, Dlouhy/9. "Importantly, the percentage covered by such transmission only mattered for qualification purposes - from an evaluation perspective PGE assumed that the entirety of Clearwater's output was delivered via firm transmission and paid for as well - there was no "free ride" for the additional supply"

⁵² PGE notes that UM 2166 Commission Order No. 21-460 approving the 2021 RFP reduced the non-price such that the total possible non-price score equaled 188 points, or 18.8%; not 300 points as Staff states in Staff Exhibit 200.

⁵³ Refer to Staff Exhibit 207, Attach DR Response 15, tab, Non-Price Scoring Summary.

1 evaluators. However, what Staff neglects to point out is that this same exhibit raises
2 deliverability risk as a transmission concern for approximately 16 other bids that were
3 included within the initial shortlist and of those, seven were included on the final short list
4 along with Clearwater.

5 **Q. Did other bidders submit alternative transmission plans that did not meet the RFP**
6 **design requirements, which were allowed through in the process?**

7 A. Yes. As discussed in the Errata Staff Memo, “PGE [...] agreed to allow other bidders unable
8 to meet the 80 percent transmission requirement to still be considered for further evaluation
9 if they could provide a narrative description of a plan to secure the necessary transmission
10 rights”⁵⁴ In fact, nearly one quarter of the offers provided an alternative transmission plan that
11 was deemed acceptable, with eight offers making it to the final short list.⁵⁵ Of these, at least
12 three unique bids did not meet the minimum requirements for 80% long-term transmission
13 from project COD through the end of the agreement term. However, as evidenced in Staff
14 Exhibit 207, PGE (and the IE) found the plans to be acceptable and allowed the bids to
15 proceed.

C. Staff’s Proposed Adjustments

16 **Q. Please describe Staff’s performance mechanism as proposed in their testimony.**

17 A. Staff’s performance mechanism contains two components:

- 18 1. The actual costs associated with the *first* 10 MW⁵⁶ of short-term transmission rights
19 used to deliver power from Clearwater to PGE’s load will be “held out” of the power
20 cost adjustment mechanism (PCAM) “or any other cost recovery docket,” which,

⁵⁴ PGE Exhibit 201 at 2.

⁵⁵ *Id.* at 3.

⁵⁶ 10 MW is 3% of Clearwater’s capacity.

1 according to Staff “holds ratepayers harmless from PGE acquiring transmission rights
2 to deliver 80 percent of Clearwater’s nameplate capacity, which was the minimum
3 RFP requirement.”⁵⁷

- 4 2. Any marginal power costs incurred due to Clearwater's inability to deliver power to
5 PGE's load due to lack of transmission will be excluded from PCAM results, including
6 curtailment fees, offset against any revenues from selling power to another balancing
7 authority.

8 **Q. Does PGE believe this a reasonable treatment for Clearwater?**

- 9 A. No. This mechanism would unfairly harm PGE and could prevent PGE from recovering its
10 prudently incurred costs. The 2021 RFP allowed for renewable energy projects to be bid in
11 with only 80% firm (i.e., 20% non-firm) transmission. It is illogical to proposal a mechanism
12 that would disallow the first 10 MW of short-term transmission when the 2021 RFP would
13 have allowed up to 60 MW of short-term transmission for Clearwater.

14 Furthermore, as discussed above, Clearwater’s score in the RFP included the cost
15 associated with the purchase of 300 MW (i.e., 100%) of transmission capacity, thus the costs
16 that Staff is seeking to disallow from ratemaking were included in Clearwater’s RFP score; a
17 score that outperformed all others. Finally, while Clearwater’s alternative transmission plan
18 did not achieve 80% firm transmission in the RFP but rather 77%, other projects that did not
19 meet the full requirement also had their alternative transmission plans deemed acceptable.
20 This is important because even when considering those other projects and their alternative
21 transmission plans, the IE clearly indicated “the Clearwater offer was ultimately the best

⁵⁷ Staff/200, Dlouhy/22 at 21-23.

1 performing offer”⁵⁸ and that “[a]ll [information] points to alternative offers being much more
2 costly than Clearwater”⁵⁹ and that “alternative offers would all be less beneficial and most
3 would be some combination of later in COD and/or smaller in size.”⁶⁰

4 **Q. Does Staff’s proposed transmission performance mechanism conform with**
5 **ORS 469A.120?**

6 A. No. While PGE will address this further in briefing, we are unaware of any prior instance
7 where such a performance mechanism has been applied when a statute specifically allows for
8 the recovery of “all prudently incurred costs.” Furthermore, as explained by Staff, the
9 mechanism is designed for punitive purposes driven by their unfounded assertions of our RFP
10 process. Staff fails to show how the mechanism as proposed will enhance performance in any
11 manner, let alone the RFP process.

12 **Q. Can Clearwater be curtailed for reasons other than PGE’s transmission rights?**

13 A. Yes. Bonneville Power Authority (BPA) can curtail generation connected to its system for a
14 number of reasons, and as Clearwater is delivered to PGE via BPA transmission, it is subject
15 to BPA policies regarding transmission curtailment. PGE and all other BPA contract rights
16 holders are subject to System Operating Limits, which can result in curtailment due to any
17 number of reasons including failing transmission components, components taken out of
18 service, and systems issues such as fires near transmission lines. Additionally, BPA
19 transmission customers and interconnecting generators are subject to Remedial Action
20 Schemes and Rate of Change Constraints from BPA, both of which could impact Clearwater.

⁵⁸ Staff/206, Dlouhy/11.

⁵⁹ *Id.* 12.

⁶⁰ *Id.* 13.

1 Thus, Staff's mechanism would also impair PGE's ability to recover prudent power costs for
2 reasons PGE has no control over.

3 **Q. Is it in PGE's interest to curtail Clearwater?**

4 A. No. All incentives in place support PGE either delivering Clearwater energy to load or selling
5 the energy on the wholesale market. When PGE's wind assets under-produce relative to
6 forecast, PGE incurs the cost of higher priced replacement energy and the cost related to the
7 under-production of federal Production Tax Credits (PTCs). The same impact occurs if wind
8 generation is required to be curtailed.

9 **Q. How impactful is the modeling of curtailment in PGE's 2024 power cost forecast?**

10 A. For 2024, PGE's MONET forecast assumes short-term transmission availability of
11 approximately 93.0% over the entire year, which translates to approximately 0.4% of
12 Clearwater's generation being curtailed. Effectively, the cost associated with any curtailment
13 of Clearwater energy in 2024 that is greater than 0.4% is borne by PGE and likely results in
14 actual power costs that are greater than forecast.

15 **Q. Inclusive of Clearwater's transmission plan, did the selection of Clearwater impose
16 greater risk on customers as compared to other bids?**

17 A. No. Both PGE and the IE (and we believe Staff) were focused on identifying and selecting
18 the least-cost, least-risk resources necessary to meet the needs of PGE customers. Each project
19 has a set of unique attributes, which define both a project's cost and risk. It is this combination
20 of cost and risk on which projects are assessed to ensure a least-cost, least-risk outcome.
21 Accordingly, Clearwater represented the best project for customers. As stated in PGE Exhibit
22 100, Clearwater was the top performing bid and PGE's portfolio modeling analysis included
23 Clearwater in the top performing portfolio 146 times versus 84 times for the second-best

1 performing bid. As noted by the IE in Staff Exhibit 206, after the final shortlist process and
2 contracting, Clearwater was a net beneficial project, with a cost to benefit ratio of 95%.

3 [BEGIN CONFIDENTIAL] [REDACTED]

4 [REDACTED] [END

5 CONFIDENTIAL]. Importantly, when including non-price scores, which included scores
6 for transmission plan attributes and commercial performance risk (e.g., output guarantee,
7 commercial online date provisions, etc.), Clearwater remained the top scoring bid.

8 Additionally, the above cited rankings were prior to final negotiations, in which, according
9 to the IE's final report, Clearwater held its price but that "other bidders increased their offer
10 prices from the August price update."⁶¹ That is, while Clearwater did not raise its price, every
11 other renewable project raised their price during contract negotiations. Without the Clearwater
12 project, PGE would have faced the option of contracting with a project having costs markedly
13 greater than bid and greater than forecast benefits or concluding the RFP with no renewable
14 project.

15 **Q. Please describe Staff's proposed adjustments to PGE's capacity factor.**

16 A. First, Staff adjusted PGE's filed capacity factor by including an assumption that Clearwater
17 has 240 MW of firm transmission. Second, Staff recommended that the capacity factor used
18 for Clearwater in the AUT forecast remain fixed at their proposed 43.99% capacity factor for
19 the first five years, versus using PGE's long-standing method of incorporating actual results
20 into a five-year average.⁶²

⁶¹ UM 2166, PGE's Independent Evaluator's Final Report on Contract Negotiations at 2 (Jun 30, 2023)

⁶² Staff/300, Kim/5.

1 **Q. How does PGE respond to Staff's capacity factor adjustment for 2024?**

2 A. PGE calculated the impact of Staff's proposed adjustment to forecast generation in MONET
3 assuming 240 MW of firm transmission and determined that Staff's estimated reduction to
4 NVPC of \$1.338 million was incorrect, a fact Staff admitted in discovery.⁶³ The actual benefit
5 calculated in MONET from making this change is \$278 thousand but this is prior to also
6 assuming the incremental cost associated with the change. It is inconsistent to assume the
7 benefits associated with 240 MW of firm transmission, without also assuming the costs. Thus,
8 the benefit of \$278 thousand associated with the change in capacity factor less the cost
9 associated with the 10 MW of transmission, amounts to a net benefit of \$42 thousand.
10 Including both the cost and benefit of the incremental 10 MW is both a consistent approach
11 for modeling and it recognizes the fact that these forecasted costs were included in the RFP
12 scoring for Clearwater.

13 **Q. How does PGE respond to Staff's proposal to fix the capacity factor for the first five**
14 **years?**

15 A. PGE disagrees with this proposal from Staff. The only argument Staff provides to support this
16 proposal is based on a speculative concern that PGE's handling of the RFP *may* have resulted
17 in a different outcome and a concern that Clearwater will not deliver benefits as anticipated.⁶⁴
18 PGE has unequivocally demonstrated that Clearwater was the best project bid into the 2021
19 RFP. No other project compared with Clearwater from a least-cost, least-risk perspective.
20 Additionally, as we have demonstrated above, Staff's suggestion that bids may have been

⁶³ Provided as PGE Exhibit 204

⁶⁴ Staff/300, Kim/4-5.

1 dissuaded from bidding, is not only unsupported by any evidence in the record and at odds
2 with the robust participation in the 2021 RFP, but also logistically impossible.

3 A variable energy resource's capacity factor is expected to represent the average level of
4 generation over the long-term. Because wind production is subject to weather patterns and
5 macro-level climatological factors that vary from year to year, the capacity factor is not
6 expected to represent what a facility will produce every year. Finally, fixing a capacity factor
7 to effectively guarantee production is not in line with the market. If such a contract term was
8 proposed in a PPA, the associated cost would be significant rendering the project uneconomic,
9 and it is highly questionable whether any seller would accept such a condition as it would
10 likely render the project unfinanceable.

11 **Q. Is it standard industry practice to include in contracts the guaranteed capacity factor**
12 **Staff is proposing?**

13 A. No. Staff's proposal of fixing forecasted generation would have PGE guarantee 100% of
14 Clearwater's expected annual generation to customers, and to incur damages related to
15 resupply for generation shortfalls. Asking a variable energy resource supplier to provide an
16 output guarantee at 100% of expected generation is an unrealistic and out of market
17 contractual provision. While contract terms can and do vary, output guarantees associated
18 with variable resource purchase power agreements typically guarantee a certain percentage of
19 expected generation. To contractually obligate a PPA seller to guarantee 100% of the expected
20 facility output would likely be unaccepted by the seller and if such a guarantee was negotiated
21 with a counterparty, the price paid would be extremely high versus comparable products in
22 the market with standard contract terms. As a point of reference, in Docket No. UM 2274,
23 PGE's 2023 RFP, NIPPC recommended that form PPA contracts require an annual output

1 guarantee of 80%, asserting 80% is “more aligned with market conditions.”⁶⁵ [BEGIN

2 **HIGHLY CONFIDENTIAL]** [REDACTED]

3 [REDACTED]

4 [REDACTED] [END HIGHLY CONFIDENTIAL].

5 **Q. Given these facts, is Staff’s proposal reasonable?**

6 A. No. If no competitively priced PPA for variable energy would guarantee 100% of their
7 expected output, it is unreasonable to hold Clearwater to this standard for the first five years.

⁶⁵ Docket UM 2274, NIPPC’s Final Comments at 44 (December 21, 2023).

III. Summary and Final Considerations

1 **Q. What is PGE’s recommendation to the Commission?**

2 A. As we state in Section I above and support throughout our testimony, PGE recommends the
3 Commission approve PGE’s request as filed in our opening testimony of this proceeding,
4 which includes removing the PTC DTA amount of approximately \$19.7 million from rate
5 base and the reflection of Clearwater’s 2024 forecasted net variable power cost benefits,
6 assuming a 43.93% capacity factor and 230 MW of long-term firm transmission.

7 Additionally, we recommend the Commission reject Staff’s proposed performance-based
8 mechanism and proposal to fix Clearwater’s capacity factor for five years. As we have
9 demonstrated above, these two Staff recommendations are premised upon an inaccurate
10 representation of the record in UM 2166, are fundamentally flawed in design, are biased
11 against PGE, and ultimately would not allow PGE the opportunity to recovery all prudently
12 incurred costs under ORS 469A.120(1).

13 **Q. Was a full settlement previously reached between UE 427 parties in this proceeding?**

14 A. Yes. PGE, Staff, and the Oregon Citizens’ Utility Board (CUB) reached a full settlement and
15 stipulation in this docket, which was filed on March 5, 2024, along with joint testimony
16 (Stipulating Parties Exhibit 100) in support of the Stipulation. This was a unanimous
17 stipulation of all the parties to the docket at the time.⁶⁶ However, the Commission’s
18 April 4, 2024 Order No. 24-091 rejected this stipulation and directed PGE to file reply
19 testimony in this docket “addressing the concerns raised by Staff in opening testimony and
20 discussed in this order.”⁶⁷ Subsequent to this and pursuant to the terms of the Stipulation,

⁶⁶ NewSun filed a petition to intervene on April 4, 2024 that was granted on April 11, 2024.

⁶⁷ Commission Order No. 24-091, at 5.

1 which states that each Stipulating Party reserves its right to withdraw from the Stipulation if
2 rejected by the Commission, both Staff and CUB withdrew from the Stipulation, meaning the
3 signatories to the Stipulation no longer agree to the terms of the Stipulation.

4 **Q. Has PGE also withdrawn from the Stipulation?**

5 A. We have not, but realizing that the Commission is no longer considering approval of the
6 Stipulation, we propose an alternative recommendation presented in this reply testimony
7 should the Commission still have fairness concerns from Staff's testimony.

8 **Q. What is PGE's proposal should the Commission believe additional conditions are**
9 **necessary?**

10 A. If the Commission does think additional reassurances are needed specifically related to
11 Clearwater, PGE would propose any of the following three measures:

- 12 1) PGE will provide annual reporting on Clearwater's performance, which will allow the
13 Commission and stakeholders full visibility into Clearwater's actual performance.
14 This can address any potential concerns about the performance of Clearwater relative
15 to projected long-range expectations.
- 16 2) That PGE's 2024 modeling of Clearwater will assume the project has access to
17 240 MW (i.e., 80%) of firm transmission. This is consistent with the RFP design.
- 18 3) A cap of Clearwater's 5-year rolling average capacity factor change at no higher than
19 105% and no lower than 95% of the 2024 authorized capacity factor in this proceeding
20 for the first four years of forecasting Clearwater energy benefits.

21 **Q. Please describe what would be provided as part of annual reporting for Clearwater?**

22 A. As part of this report, PGE would provide within the AUT 1) expected (i.e., RFP and AUT)
23 versus actual generation output, 2) expected (i.e., RFP and AUT) versus realized production

1 tax credits, and 3) RFP modeled NVPC vs. AUT forecasted NVPC. PGE proposes that this
2 report would be provided through 2033 and it would allow parties within PGE's power cost
3 proceedings to monitor Clearwater's performance versus the RFP expectations.

4 **Q. How does PGE's 2024 forecast of Clearwater benefits compare to amounts forecast**
5 **within the RFP for scoring purposes?**

6 A. As provided in the filed stipulation for Clearwater, the full year revenue requirement for
7 Clearwater forecasted a benefit of approximately \$30.2 million. This compares to an RFP
8 forecasted 2024 net benefit amount of approximately \$19.5 million.

9 **Q. Please describe how PGE would include an assumption of 80% firm transmission for**
10 **Clearwater?**

11 A. Clearwater's capacity factor in MONET would be calculated assuming 240 MW of firm
12 transmission and that the cost of the incremental 10 MW transmission would also be included.

13 **Q. Why does PGE believe this would be a reasonable condition?**

14 A. First, adjusting the first-year capacity factor to assume 240 MW of firm transmission
15 availability aligns with the 80% RFP threshold. Second, including the cost of this transmission
16 is appropriate because the cost of this was assumed for Clearwater in the RFP bid evaluation.⁶⁸

17 **Q. How does this compare to the output guarantee included in the 100 MW Clearwater**
18 **PPA between PGE and NextEra?**

19 A. As we state above in Section II, [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]
20 [REDACTED]
21 [REDACTED]. [END HIGHLY
22 CONFIDENTIAL]

⁶⁸ As PGE stated in Section II, the price score for Clearwater assumed the full cost of 300 MW of transmission.

1 **Q. Please describe PGE’s proposal for adjusting the rolling average capacity factor?**

2 A. For the first four years of forecasting Clearwater power costs, the 5-year rolling average
3 capacity factor used in MONET, which fairly balances risk between PGE and customers and
4 is more in line with traditional output guarantees seen in the market, would be capped at an
5 average change of no higher than 105% and no lower than 95% of the 2024 Commission
6 adopted capacity factor.

7 **Q. Why does PGE believe this would be a reasonable condition?**

8 A. PGE continues to believe the 5-year average methodology is the best approach for ratemaking
9 purposes and is more in line with the risk traditionally included in market-based power
10 purchase agreements for variable energy resources. However, the adjustment described here
11 provides additional assurances to PGE’s customers that Clearwater will perform as expected,
12 while also recognizing that variable energy resources will vary in their levels of production
13 from one year to the next.

14 **Q. Does PGE have any final comments regarding the bidder participation level in the RFP?**

15 A. The fundamental purpose of an RFP is to have robust participation to ensure that competitive
16 projects and proposals are received and evaluated, such that least-cost, least-risk resources
17 can be secured on behalf of PGE customers. While this RFP, as noted by the IE, occurred
18 during a time of “severe industry upheaval, including price increases and extensive project
19 delays and strain on supply chains,” we believe the 2021 RFP achieved broad participation
20 and was competitive by design and execution, which led to the best resources being procured.

1 **Q. Was the selection of Clearwater in the RFP prudent?**

2 A. Yes. Throughout their answers to Staff’s questions of contract negotiations,⁶⁹ the IE
3 repeatedly describes Clearwater as “the best performing offer,” and “even more competitive”
4 after the final shortlist process and contracting. The IE confirmed that alternative offers were
5 “much more costly than Clearwater” and that “alternative offers would all be less beneficial.”
6 Furthermore, as described in Section II and provided as part of Highly Confidential PGE
7 Exhibit 202, all other renewable projects raised their prices during contract negotiations.

8 **Q. Would it have been better for customers if PGE had not selected Clearwater due to the**
9 **RFP minimum requirements for available transmission?**

10 No. As the Commission said in its order acknowledging the shortlist for the RFP, “PGE can
11 and should make reasonable and prudent decisions informed by actual negotiations and based
12 on circumstances at the time the decision is made, even if they deviate from the modeled
13 preferred portfolio.”⁷⁰ As the IE pointed out, “Evaluators had to be flexible in order to achieve
14 the desired result. That is a common practice here and in similar RFPs across the country.”⁷¹

15 **Q. Do you have any final comments?**

16 A. Yes. Staff claims it had significant concerns about the appearance of fairness of the RFP
17 process⁷² but fails to recognize the ultimate purpose of an RFP, which is the identification and
18 selection of the best resources for customers. As the IE explained to Staff, “While it is
19 certainly possible to run an RFP strictly per the letter of the document we do think it’s
20 important to keep the final goal of securing cost-effective supply for ratepayers in mind.

⁶⁹ See Staff Exhibit 206.

⁷⁰ UM 2166, Order No. 22-315 at 7 (Aug 31, 2022).

⁷¹ Staff/206 Dlouhy 10.

⁷² Staff/200 Dlouhy 23 at 16-17.

1 An RFP run strictly to the letter that results in no purchases is typically not the desired
2 outcome.”⁷³

⁷³ Staff/206 Dlouhy 10

IV. Qualifications

1 **Q. Mr. Goodspeed, please describe your qualifications.**

2 A. I have been a Manager of Origination and Structuring at PGE since 2021. My job
3 responsibilities include the design and execution of PGE's RFP process. Previously, I worked
4 in resource planning and regulatory project management roles at PacifiCorp and have
5 previously worked in pricing/rate design capacities at PGE and Entergy. I have a master's
6 degree in business administration from the University of New Orleans and a Bachelor of Arts
7 degree in Public Affairs from Washington State University.

8 **Q. Does this conclude your testimony?**

9 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
201HC	UM 2166, Errata to the October 30, 2023, OPUC Staff Memo, Staff Summary Upon Conclusion of RFP
202HC	UM 2166, PGE's Independent Evaluator's Final Report on Contract Negotiations at 2 (Jun 30, 2023)
203	OPUC Staff Response No. 05
204	OPUC Staff DR Response No. 02



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10/30/2023

Docket UM 2166

In the Matter of PGE's 2021 Request for Proposals

Re: Staff Summary Upon Conclusion of RFP



Staff of the Public Utility Commission of Oregon (Staff) files this summary of information gathered from the Independent Evaluator (IE) following acknowledgment of Portland General Electric Company's (PGE's) final short list for its 2021 All-Source Request for Proposals (RFP). While the docket for a utility's RFP often concludes with an acknowledgment decision on a Company's final short list, the Commission in this docket required additional activities following its acknowledgement decision, given the circumstances at the time. Staff files these comments to confirm the required actions have been taken and to summarize information of note that it received from the IE at the conclusion of this docket.

In Order 22-315, the Commission memorialized its decision to acknowledge the final shortlist, subject to conditions, and noting that "future developments and analysis will bear heavily on PGE's ultimate procurement decision."¹ Among the conditions, PGE was directed to ensure that the IE, Bates White, continued "to serve as IE through final resource selection, in order to monitor all contract negotiations, file a final resource selection closing report with the Commission no later than 30 days after final resource selection, and respond to any Staff or Commission questions on the final IE report." It also required the IE to answer any questions about its final report from the Commission or Staff.

On June 30, 2023, Bates White filed its final report on PGE's contract negotiations for its 2021 RFP. Bates White responded to Staff's questions seeking additional detail about the report, which is attached to this memo as Attachment 1. Subsequently, additional discussions regarding these issues took place between PGE, Staff and the IE.

Staff's review of the report, and engagement with stakeholders and the IE, highlighted issues with the 2021 procurement that Staff believes are worth noting in UM 2166 before closing the docket. Staff summarizes information below that primarily concerns the Clearwater Wind resource acquired by PGE under this RFP. Further, with this memo, Staff intends to close this docket and will work with the Company and Stakeholders to reflect lessons learned in future RFPs.

Clearwater transmission minimum requirements and downsizing: The Clearwater project did not meet the requirement that all renewable energy bids have long-term transmission rights equal to 80 percent of their maximum interconnection limit or to present a viable plan that met the transmission product and quantity requirements specified by the RFP. Further, the Clearwater project was allowed to maintain a project size that did not have the required matching transmission requirements, whereas two projects with similar transmission deficiencies were told that they could downsize the project to get them to conform. Both instead chose to withdraw.

Clearwater disclosure of resources: The Clearwater project's alternate transmission plan describes one of several options that includes the potential use of PGE assets that were neither offered to other

¹ Order 22-315 at 4.

bidders nor disclosed as required by the competitive bidding rules. Ultimately, PGE advises that it did not accept the inclusion of these assets as part of Clearwater’s alternate transmission plan and did not score the bid using such assets.

The IE Final Report on Contract Negotiations notes that the Clearwater Energy Wind project did not “quite meet the letter of the law from the RFP” with regards to its transmission rights.

These events are described in more detail below.

Table 1: UM 2166 Timeline

Date	Event
12/02/2021	RFP approved for issuance at Public Meeting (Order No. 21-460 dated 12/10/2021)
12/06/2022	RFP Issued to Market
02/04/2022	Bates White Submits Benchmark Bid Report
05/14/2022	PGE Files Final Shortlist & IE Closing Report
05/2022	PGE begins negotiations with Clearwater after FSL Filed
08/12/2022	PGE allows updates to pricing and COD
08/14/2022	FSL Acknowledged at Public Meeting (Order No. 22-315 dated 08/31/2022)
08/26/2022	Price/COD updates received
10/2022	Clearwater contract executed
06/30/2023	Bates White Final Report on Contract Negotiations for UM 2166
9/01/2023	IE responds to Staff questions on Final Report

TRANSMISSION MINIMUM REQUIREMENTS

The Clearwater wind project did not meet the requirement that all renewable energy bids have long-term transmission rights equal to 80 percent of their total interconnection. This project was developed by NextEra and offered as a benchmark bid, with a portion of the project sold to PGE under a BTA while the remainder will be owned by NextEra with the output contracted to PGE under a PPA. In its February 2022 benchmark bid report, the IE noted that Clearwater failed to secure long-term transmission rights for 80 percent of its output as required of all renewable energy projects by the RFP. At that time, Bates White recommended the project remain viable for consideration as Clearwater had proposed an alternative transmission plan that could allow the project to secure the necessary transmission rights to comply with the minimum requirements of the RFP. The benchmark report also noted that PGE had agreed to allow other bidders unable to meet the 80 percent transmission requirement to still be considered for further evaluation if they could provide a narrative description of a plan to secure the necessary transmission rights. This was confirmed on the Q&A webpage for the procurement.

[BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED] [END HIGHLY CONFIDENTIAL] The minimum requirements in the RFP explicitly stated that the lack of rollover rights would disqualify a project. [BEGIN HIGHLY CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[END HIGHLY CONFIDENTIAL]

PGE allowed bidders to provide alternative transmission plans to achieve the necessary rights to meet the minimum requirements of the RFP. Of 110 offers, only 47 passed the minimum requirement threshold for transmission rights. Another 37 offers were rejected for failing to clear this threshold and did not move on to be scored by PGE. Finally, 26 offers—or nearly one quarter—did not meet the 80 percent transmission minimum requirement but were not eliminated on that basis because they had provided a viable alternative transmission plan. Of those 26 projects, eight made it to the final shortlist with ‘viable transmission plans’ for transmission and thus presumably meeting the RFP transmission requirements. These results are shown below.

Table 2: Transmission constrained bid considerations

Total Offers	110	
Passed Transmission Min Req	47	
Failed Transmission Min Req	37	
Deemed "Viable Alternative"	26	23.6%
Deemed "Viable Alternative"	26	
Ultimately Rejected	18	
Made it to FSL	8	30.8%
Made it to FSL	8	
Joint Ownership	5	62.5%
PPA	3	37.5%

In its Final Report on Contract Negotiations, Bates White said the Clearwater transmission plan did “not quite meet the letter of the law from the RFP.” **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]











END HIGHLY CONFIDENTIAL] As already stated, the existing PGE transmission rights proposed for use in the alternate 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.

Bates White, nonetheless, describes the Clearwater project arrangements in its final report as “...acceptable given PGE’s renewable and capacity needs.” Bates White 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.

PROJECT DOWNSIZING

At the time Clearwater was selected and contracted, it still had not secured the long-term transmission rights required by the RFP. In the case of some other projects, PGE recommended that the projects reduce their total size to conform with the RFP’s transmission requirements based on the transmission rights that they had already secured. In the case of Clearwater, the project was allowed to proceed at its initial design size and was contracted at that level, despite the lack of transmission.

The **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** makes a useful point of comparison. **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** originally proposed a combined solar and wind project with total nameplate capacity of **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** for which it had only secured **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** of transmission capacity – 60 percent of its maximum interconnection limit just like Clearwater. The project 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. **[BEGIN HIGHLY CONFIDENTIAL]**   **[END HIGHLY CONFIDENTIAL]** withdrew from consideration at the initial screening stage, prior to even being scored, rather than drop its wind component or reduce the nameplate capacity of its bid to conform with its secure transmission rights. However, 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. In response to a question from Staff, the IE notes that, “In retrospect, we as the IE could have pushed harder for **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** 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 **[BEGIN HIGHLY CONFIDENTIAL]**  **[END HIGHLY CONFIDENTIAL]** offer the most competitive it could be.”² The IE also noted that based on the offered prices the bid was much less competitive than the Clearwater offer.

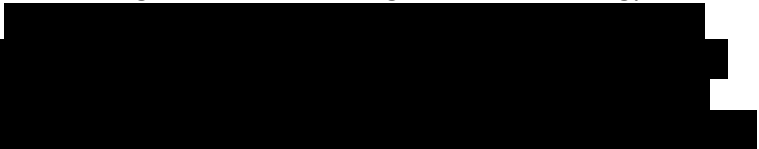
² Bates White Memo in Response to Staff Questions, September 1, 2023, page 10.

DISCLOSURE OF RESOURCES

PGE, and the IE, allowed Clearwater to continue for further evaluation and the project was eventually included by PGE on the final shortlist based on the alternative transmission plan, along with some other independent projects that provided alternative plans that PGE deemed viable.

OAR 860-089-0300(3) states that “If benchmark bid elements secured by the electric company are not made available to all bidders, it must provide analysis explaining that decision when seeking RFP acknowledgement and recovery of the costs of the resource in rates.” The RFP states that:

PGE’s Benchmark resources or affiliate bids will not rely on utility-controlled transmission rights to meet the 2021 All-Source RFP bid requirements. Should, through the course of this solicitation, additional certainty develop regarding the removal of Colstrip from PGE’s portfolio, PGE reserves its discretion to consider whether Colstrip associated transmission rights could become available across PGE’s planning horizon for the benefit of PGE’s customers. Should PGE make Colstrip associated transmission rights available to improve the long-term economics of a benchmark or other bid, those rights would also be made available for all bidders subject to the same constraints and limitations.

At the time of Bates White’s benchmark bid report in February 2022, the project was already considering multiple options that would use existing PGE transmission rights to deliver energy to PGE’s system. **[BEGIN HIGHLY CONFIDENTIAL]** 

[END HIGHLY CONFIDENTIAL] Ultimately, PGE advises that it did not accept the inclusion of these assets as part of Clearwater’s alternate transmission plan and did not score the bid using such assets.

Staff found the continued engagement of the IE to oversee the contract negotiation process to be a valuable complement to the competitive bidding process and anticipates recommending similar engagement in future RFPs. Further, Staff plans to carry lessons learned from this process to future RFP investigations. Staff intends to closely monitor the bid scoring and evaluation processes, particularly for benchmark bids, and encourage communication between bidders and the utility in future RFPs. Staff concludes that all activities that the Commission required in this docket have been completed.

Dated this 30 day of October, 2023, at Salem, Oregon.

/s/ Kim Herb

Kim Herb
Utility Strategy and Planning Manager
Kim.herb@puc.oregon.gov
503-428-3057

UM 2166 - CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **HIGHLY CONFIDENTIAL Errata to the October 30, 2023 Staff Memo, Staff Summary Upon Conclusion of RFP**, to be served by electronic mail to those parties whose e-mail addresses appear on the attached service list for OPUC Docket UM 2166. Confidential material in support of the filing will be provided to qualified parties under Modified Protective Order 22-025.

DATED this 5th day of February 2024.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

/s/ Johanna M. Riemenschneider

Johanna M. Riemenschneider, OSB No. 990083
Senior Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

OPUC Docket No. UM 2166
 Service List

ACTIONS	SERVICE LIST	SCHEDULE	Public Comments
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Confidential

**THE INDEPENDENT EVALUATOR'S
FINAL REPORT ON CONTRACT
NEGOTIATIONS FOR PORTLAND
GENERAL ELECTRIC'S
2021 ALL SOURCE REQUEST FOR PROPOSALS**

**Presented to:
OREGON PUBLIC UTILITY COMMISSION**

**Prepared by
Frank Mossburg**

June 29, 2023

2001 K Street NW, Suite 500
Washington, DC 20006
202-652-2194

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I. PURPOSE AND SUMMARY

A. PURPOSE

The purpose of this report is to document the negotiation process for contracts resulting from Portland General Electric (PGE)'s 2021 All Source Request for Proposals (RFP) and to provide a review of the signed final contracts resulting from the RFP.

The RFP was driven by the findings of PGE's 2019 Integrated Resource Plan (IRP). The IRP was acknowledged with conditions in May of 2020 and updated in January of 2021. Bates White was selected to be the Independent Evaluator (IE) for the RFP in July of 2021. As the IE we reviewed the draft RFP and provided comments. The RFP was approved by the Oregon Commission (Commission) with modifications in December of 2021 and issued to market the same month.

The RFP targeted an acquisition of approximately 375 MW of capacity split into two categories – dispatchable generation and renewables. An initial cap of 150 average megawatts (MWA) was set for the renewable category. Bids were received in January of 2022 and the final shortlist was filed with the Commission in May of 2022. The shortlist was acknowledged at a Special Public Meeting on July 14, 2022 and in Order 22-315 issued August 31, 2022. As part of that Order Bates White was to continue to serve as the IE through final resource selection, monitor contract negotiations and file a closing report no later than 30 days after final resource selection.

B. SUMMARY

The Company ultimately negotiated final contracts with four resources; (a) the 300 MW Clearwater wind facility, (b) the 200 MW Troutdale Battery Energy Storage (BESS) facility, (c) the 200 MW Seaside BESS facility and (d) the 75 MW Evergreen BESS facility. The Clearwater facility, and the Troutdale BESS facility, will be built by NextEra Energy Resources (NextEra), the Seaside BESS facility will be built under the direction of Eolian, and the Evergreen BESS facility will be built by M.A. Mortenson Construction.¹ All four resources were offered as benchmark bids in the RFP.

¹ The Troutdale facility was offered into the RFP by Eolian but subsequently acquired by NextEra.

We make the following findings:

The prices for the final contracts match the prices offered by the bidders in the most recent price update. For this RFP that update came in August of 2022 after the passage of the Inflation Reduction Act (IRA).

The non-price terms of the contracts generally match those offered by the bidders in their initial bid submission. While these do not always reflect the RFP's draft term sheets they still offer basic protections for ratepayers to protect against project delays, provide performance guarantees and more.

PGE did engage in negotiations with other bidders but ultimately was not able to reach agreement, in large part due to the fact that other bidders increased their offer prices from the August price update. We believe this was a reasonable outcome given rapidly increasing market prices as well as the prospect of another RFP.

The Clearwater facility has secured long-term transmission for a portion **[begin highly confidential]** [REDACTED] **[end highly confidential]** of its 300 MW output, **[begin highly confidential]** [REDACTED] **[end highly confidential]**. Under RFP rules renewable off-system bidders were to have a plan to secure 80% of their output under long term firm transmission agreements. While PGE does have some options to cover the shortfall none of these options were available to bidders in the RFP. While the arrangement is acceptable given PGE's renewable and capacity needs the point is that the offer does not quite meet the letter of the law from the RFP. This suggests that future RFPs should be more flexible with this requirement.

Due to permitting and project economics the Seaside project is larger (by 75 MW) than the largest offer originally bid into the RFP and has a scheduled commercial operation date (COD) that is a few months after the December 2024 deadline in the RFP. This is acceptable given that the terms and conditions of the offer are otherwise similar to what was offered, the price per kW matches what was offered in the August price update, and, even with this purchase, PGE still has capacity needs going forward. However, this reflects the need for more space in future RFP timelines to allow for less than perfect project timing.

II. POST FINAL SHORTLIST PRICE UPDATES

The RFP final shortlist was acknowledged in July of 2022. In August of 2022, the IRA was passed. Due to the new slate of benefits provided by the legislation PGE decided to return to bidders and ask if their prices could be improved. In addition, bidders had expressed concerns about the ability to hold their prices in the face of rising commodity costs and supply chain issues, so this provided them an opportunity to account for these factors. PGE received updated pricing from all shortlisted offers at the end of August. We provided the Commission with a memo at the end of September which examined the updated bid rankings.

The table below, from our September memo, shows the number of times a given bid was included in a top-performing (i.e. lowest cost) portfolio. PGE looked at three levels of renewable resource participation ranging from 180 MWa to 400 MWa. The top of the table shows the renewable offers and the bottom of the table shows dispatchable offers.

[begin highly confidential]

Table 1 Bids in Top Portfolios

Bid	Description	Size (Mwa/ELCC)	400 MWa	250 Mwa	180 Mwa	All Portfolios Total

[end highly confidential]

PGE looked at the cost of portfolios under many different scenarios, including variations in load, energy prices, construction costs, new entry, gas prices and more. They then looked for portfolios which were lower cost and less risk under a range of scenarios. In general, the top ranked bids above were also the top-performing bids under this analysis.

The top performing bids in the renewable category included;

- The Clearwater wind offer from NextEra (Bid 32.2.Base). This was a benchmark offer for a roughly 300 MW wind project with one third of the offer under a Power Purchase Agreement (PPA) and the rest under a Build Transfer Agreement (BTA).
- **[begin highly confidential]** [REDACTED] **[end highly confidential]** (43.2.Base, 43.1.Base). These were two solar projects (one 200 MW and the other 120 MW) offered as PPAs. The bidder also offered hybrid options with Battery Storage.
- **[begin highly confidential]** [REDACTED] **[end highly confidential]** (62.3 and 62.4). This was a small (41 MW) solar project from **[begin highly confidential]** [REDACTED] **[end highly confidential]** sold under a PPA, which included BESS options.

The top performing bids in the dispatchable category were three projects all from the same bidder. The Troutdale, Evergreen and Seaside standalone BESS offers were all submitted by Eolian as benchmark resources. The Troutdale project was a PPA while the others were BTA offers. All projects were four-hour batteries offered at several sizes.

Per these results, as well as considerations over in-service dates, PGE prioritized negotiations with the top projects on each list, starting with Clearwater and the Eolian battery projects.

III. RENEWABLE PROJECT CONTRACT NEGOTIATIONS

A. CLEARWATER NEGOTIATIONS

PGE commenced negotiations with Clearwater in May of 2022 once the final shortlist was filed with the Commission. Once the final shortlist was acknowledged we were added to the discussions between parties. While we were not active participants, we did receive redlines of contract documents and listened in to negotiation calls. In addition, parties were available if we had questions.

Because of the way in which the offer was structured the parties had to negotiate two major agreements, a PPA for 100 MW and a roughly 200 MW BTA.² [begin highly confidential]

[end highly confidential] Negotiations proceeded in a relatively smooth fashion and concluded in October of 2022.

Below we highlight some key features of the contracts. We start with the Clearwater PPA. This is a PPA between NextEra and PGE for 100 MW for a 30 year term.

[begin highly confidential]

² The PPA is for 103 MW and the BTA for 208 MW, but the project is limited to 300 MW total at the interconnection.

³ Wholesale Renewable Purchase Power Agreement between Portland General Electric Company and Clearwater Wind II, LLC, (Clearwater PPA), Article 1.1.68.

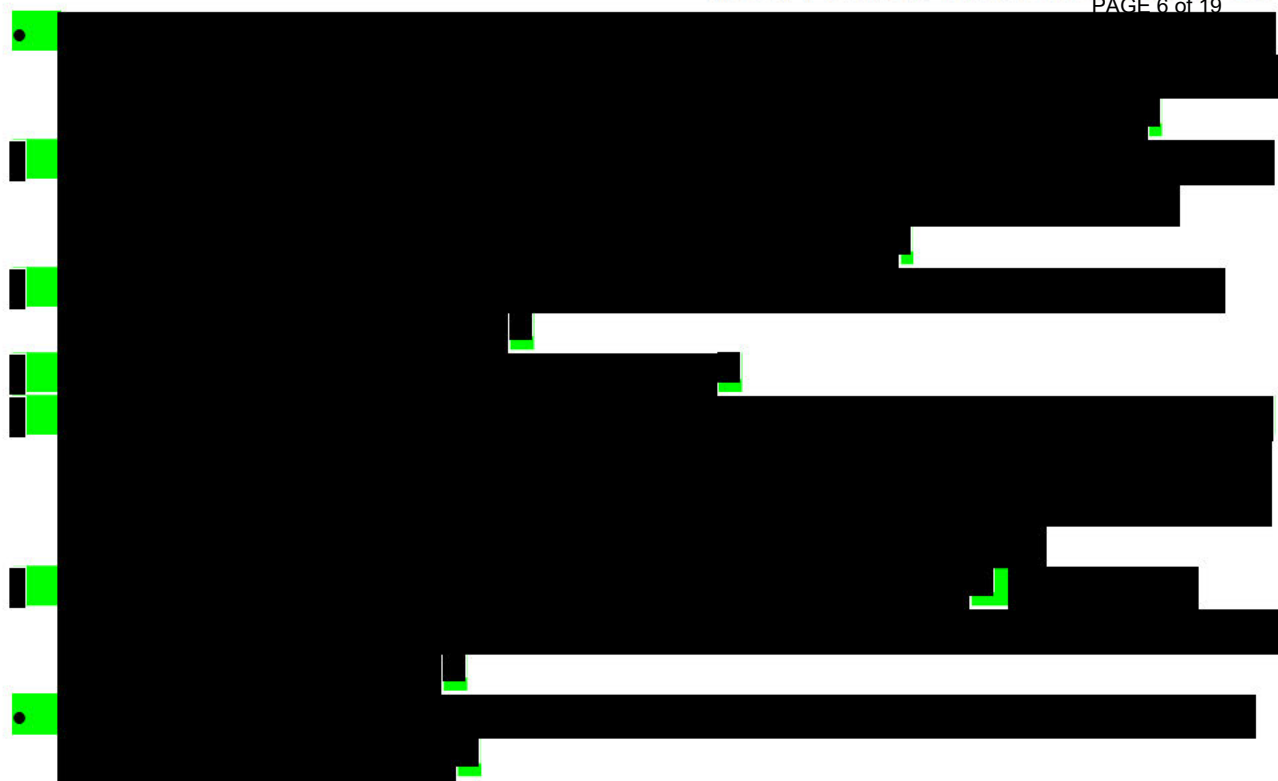
⁴ [begin highly confidential]

[end highly confidential]

⁵ Clearwater PPA Article 1.1.40.

⁶ Ibid, Article 1.1.144 and 1.1.77.

⁷ Ibid, Article 1.1.117.



[end highly confidential]

When looking back at the offer made in the RFP we see that, in addition to the contract price matching the August refresh the terms and conditions of the offer are fairly similar to those proposed by NextEra in their original offer. These are shown in Attachment One which is the bidder-provided redline to PGE's original term sheet. From this we can see that the delay damages and project timing, credit, excess and test energy and performance payments are in line with what was originally bid. It's also worth noting that, even as the benchmark offer, the bidder did not totally agree to PGE's standard terms and conditions.

We next review the BTA. This is for the construction of a roughly 200 MW facility which will be turned over to PGE ownership at completion. Below are some of the key provisions of the agreement.

[begin highly confidential]

⁸ Ibid, Article 1.1.37.

⁹ Ibid, Exhibit M, Section 3.

¹⁰ Ibid, Article 2.3.2.

¹¹ Ibid, Article 2.2.

¹² Ibid, Article 1.1.35.

¹³ Ibid, Article 9.1.1.

¹⁴ Ibid, Article 9.2.

¹⁵ Ibid, Article 2.5.

[REDACTED]

¹⁶ Build Transfer Agreement by and between Clearwater Wind East, LLC as Seller, and Portland General Electric Company as Purchaser, October 23, 2022 (Clearwater BTA), Article 2.2.1.

¹⁷ [begin highly confidential] [REDACTED] [end highly confidential]

¹⁸ Clearwater BTA Article 1.1.

¹⁹ Ibid. Article 1.

²⁰ Ibid, Article 5.9.2

²¹ Ibid, Article 5.9.1.

²² [begin highly confidential] [REDACTED] [end highly confidential]

²³ Ibid Article 1.1 (see Seller's Parent Guaranty and Seller's Closing Guaranty).

²⁴ Ibid, Article 5.9.3.

²⁵ Ibid, Exhibit O, Section 2.3.

²⁶ Ibid, Exhibit M, Section 6.1 and Appendix A.

[REDACTED]

[end highly confidential]

Again, if we refer to the original term sheets offered by the bidder (provided here as Attachment Two) we can see that the terms agreed to here are similar to what was offered by NextEra in the original bid. **[begin highly confidential]**

[REDACTED]

[end highly confidential]

Unlike the BESS units, the Clearwater project is not on PGE's system. The project itself is located near the Colstrip generating station in Montana. Bidders in the 2021 RFP had to provide a reasonable plan to transmit energy from off system to PGE. Renewable resources had to provide at least 80% of their project offer under firm, (or conditional firm) offer.³⁰

The plan for delivery of power includes several steps. **[begin highly confidential]**

[REDACTED]

[REDACTED]

[end highly confidential]

²⁷ Ibid, Exhibit M, Appendix F.

²⁸ Ibid, Exhibit M, Appendix C.

²⁹ Ibid, Exhibit M, Section 5.3.

³⁰ Bidders could also offer conditional firm bridge supply.

While this is reasonable we do think that it bears mentioning that the project plan here technically did not meet PGE’s RFP requirements. The RFP required renewable resource bidders to have a plan to secure long-term firm transmission for 80% of the project’s output. While the project falls slightly short of this goal even with **[begin highly confidential]** [REDACTED]

[end highly confidential]

Given PGE’s renewable needs it does not make sense to reduce the overall buy in this transmission to meet the 80% threshold. However, we think the lesson here is for more leniency to off-system bidders in future RFPs. As has been noted many times, transmission is a scarce resource. If PGE’s own bids can’t live up to the RFP standards it does not make sense to hold other parties to a higher standard.³¹

B. *[begin highly confidential]* [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³¹ It is worth stating that PGE did say in RFP Q&A that it would “consider alternative transmission plans provided bidders provide a clear and executable path to procuring transmission service” so the bid was evaluated under this standard and that PGE has exhibited some flexibility regarding transmission plans.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

		BAFO	January
Bid	Description	Score	Score
[REDACTED]			

[REDACTED]

[REDACTED]

[REDACTED]


[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[end highly confidential]

IV. DISPATCHABLE PROJECT CONTRACT NEGOTIATIONS

Eolian offered a suite of three BESS projects as benchmarks bid in this RFP under various transaction types. These were the top ranked offers in the dispatchable capacity category by a wide margin. In late August they offered the following prices as part of the BAFO update process.

[begin highly confidential]

Table 3 Updated Eolian BAFO Offers

Project Name	MW	MWh	COD	Updated Response
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[end highly confidential]

In late September, PGE restarted negotiations with Eolian for all three projects. One issue was the size of each project since the bidder had offered multiple sizes. The RFP needed a total target of 375 MW of capacity resources. Some of this could be provided by the acquired renewable resources. The Clearwater contracts were signed in October, providing approximately 108 MW of capacity, leaving a target of 267 MW. The three offered projects, at their largest sizes, would provide, per PGE analysis, about 259 MW of capacity. Therefore, it made sense to target the larger offers initially. In addition, as can be seen from the table above, the **[begin highly confidential]** [REDACTED] **[end highly confidential]** offers were comparatively better-priced.

Negotiations began to pick up steam in November, after the execution of the Clearwater contracts. Parties exchanged redlines of the contracts (which included a tolling/PPA agreement for the Troutdale project and BTA agreements for the Seaside and Evergreen projects). Issues included

[begin highly confidential] [REDACTED] [end highly confidential]

Another issue was [begin highly confidential] [REDACTED]

[end highly confidential]

Negotiations for Troutdale and Evergreen progressed through February of this year. In March, [begin highly confidential] [REDACTED]

[end highly confidential]

In April PGE officially communicated to the bidder that it would be open to such an arrangement. To us, this was acceptable for several reasons. First, PGE still needed the capacity, with just the Troutdale and Evergreen bids (and Clearwater) they would be acquiring about 250 MW of capacity per their own measurements, well short of the 375 MW target. Second, the price was already vetted in the RFP. Third, the delay would be short – ultimately 6 months.

We do believe that a key takeaway from this (and from the struggles of other renewable projects to meet the December 2024 COD) was that the RFP timelines were likely too restrictive. As noted in our initial report for the proposed 2023 RFP this RFP featured a shorter timeframe (i.e. time from bid submission and approval to required COD) than past RFPs. More time for bids to develop would a) potentially allow more bidders to participate and b) allow for delays such as this to occur without technically violating RFP rules.

Parties continued to negotiate and finalized contracts for Troutdale and Seaside in late April. The Evergreen contract took slightly longer to finish, wrapping negotiations at the end of May. In the following sections we review key terms of each agreement.

A. TROUTDALE

The Troutdale Storage Capacity Agreement (SCA) is for a 200 MW BESS system with a 4-hour storage capability. The price for the supply is [begin highly confidential] [REDACTED], [end highly confidential]

highly confidential] which matches the BAFO submitted in August.³² The contract has a 20-year term.³³

The scheduled COD for the project is 12/31/2024.³⁴ **[begin highly confidential]** [REDACTED]
[end highly confidential]
confidential]

The project can be subject to delay damages if the scheduled COD is not hit. Specifically,
[begin highly confidential] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

³² Storage Capacity Agreement between Portland General Electric Company and Troutdale Grid, LLC dated as of April 26, 2023. (Troutdale SCA) Article 1.1.

³³ Ibid Article 2.1.

³⁴ Ibid, Article 1.1.

³⁵ Ibid, Article 4.3.

³⁶ Ibid, Article 4.4.

³⁷ Ibid, Article 1.1.

³⁸ Ibid, Article 5.10.

³⁹ Ibid, Exhibit P.

⁴⁰ Ibid, Article 5.10.

⁴¹ Ibid, Article 11.1.

⁴² Ibid, Article 5.10.

⁴³ Ibid, Article 11.1.

⁴⁴ Ibid, Article 8.1.

[REDACTED]

[REDACTED]

[end highly confidential]

B. SEASIDE

The Seaside BTA was signed in late April. As noted above, there are some changes from the bid itself in terms of size and COD. In the contract the seller pledges to build a 200 MW BESS with four-hour storage capability. The purchase price [begin highly confidential]

[REDACTED]

[REDACTED]

⁴⁵ Ibid, Article 8.3.

⁴⁶ Build Transfer Agreement by and between Seaside Grid, LLC as seller, and Portland General Electric Company as Purchaser, April 26.2023. (Seaside BTA), Article 2.2.1.

⁴⁷ Ibid.

⁴⁸ Ibid, Article 5.9.3.

⁴⁹ Ibid, Article 5.15.

⁵⁰ Ibid, Article 1.1.

⁵¹ Ibid.

⁵² Ibid, Article 5.9.2.

⁵³ Ibid, Article 7.1.5.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[end highly confidential]

⁵⁴ Ibid, Exhibit Q.
⁵⁵ Ibid, Article 5.16.
⁵⁶ Ibid, Article 12.3.
⁵⁷ Ibid, Article 7.1.11.
⁵⁸ Ibid, Exhibit F, section 1.8.

C. EVERGREEN

The Evergreen contract was signed in late May. Because PGE owned the land it was decided that rather than sign a BTA with the project the contract would be Build-Deliver Agreement (BDA) with the main contractor (Mortenson). The contract is for a 75 MW BESS facility with a four hour storage capacity for a price of [begin highly confidential] [REDACTED], [end highly confidential] which matches the price offered in the Eolian BAFO in August.⁵⁹ [begin highly confidential] [REDACTED] [end highly confidential]

The guaranteed COD is December 31, 2024. [begin highly confidential] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁵⁹ Turnkey Build-Deliver Agreement for Evergreen Energy Storage Project by and between Portland General Electric Company and M.A. Mortenson Company, (Evergreen BDA), Article 1.1.

⁶⁰ Ibid, Article 1.

⁶¹ Ibid, Article 3.6.4.

⁶² Ibid, Article 3.4.1.

⁶³ Ibid, Article 7.1.2. [begin highly confidential] [REDACTED] [end highly confidential]

⁶⁴ Ibid, Article 7.8.

⁶⁵ Ibid, Article 10.5.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[end highly confidential]

⁶⁶ Ibid, Article 15.1.3.
⁶⁷ Ibid, Exhibit G.
⁶⁸ Ibid, Article 16.2.
⁶⁹ Ibid, Article 16.3.

Attachment One
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

Attachment Two
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

Attachment Three
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

Attachment Four
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

Attachment Five
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

Attachment Six
HIGHLY CONFIDENTIAL PURSUANT TO
MODIFIED PROTECTIVE ORDER NO. 22-025

CERTIFICATE OF SERVICE

I certify that I filed a true and correct copy of **Portland General Electric Company's Final Report on Contract Negotiations for Portland General Electric's 2021 All-Source Request for Proposals, prepared by Frank Mossburg** was served on the parties listed below via electronic mail and/or overnight delivery in compliance with OAR 860-001-0180.

Service List UM 2166

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Dated this 30th of June 2023.

Danielle McCain

Danielle McCain
Office Administrator

Date: April 12, 2024

TO: Portland General Electric Company

From:
Curtis Dlouhy
Economist
Utility Strategy & Integration Division
Curtis.dlouhy@puc.oregon.gov

From:
Anna Kim
Energy Costs Section Manager
Rates, Safety and Utility Performance Program
Anna.kim@puc.oregon.gov

OREGON PUBLIC UTILITY COMMISSION
Docket No. UE 427– PGE’s First Set of Data Request No 05.

Data Request No 05:

5. Please describe Staff’s understanding of and support for each of the following statements, including any specific examples and provide evidence for each of Staff’s perceptions and beliefs:
- a. That “the perception that a benchmark bid would receive preferential treatment may have led to some bidders choosing not to bid at all.” (Staff 200/5)
 - b. “Staff notes that some similarly situated bids may have been dissuaded from bidding into the RFP.” (Staff/200/13)
 - c. “Staff believes that the impression of an unfair RFP process or a selectively enforced transmission minimum requirement may have led to bidders choosing to not bid into the RFP, thus leading to a less competitive RFP to the detriment of customers.” (Staff 200/19, lines 3-7). For subpart c., please also provide the following:
 - i. Identify any and all bidders or potential bidders that Staff is aware of that Staff relied on to support Staff’s testimony. Describe any discussions Staff had with third parties, including bidders, potential bidders, and the IE about bidders or potential bidders choosing not to bid into the 2021 RFP due to the “impression of an unfair RFP process or a selectively enforced transmission minimum requirement.” Provide copies of any communication to or from Staff on this matter.
 - d. For each answer to DR 6, provide supporting documentation for Staff’s response.

Staff Response No 05:

Staff objects to this data request as being overly broad and not likely to lead to the discovery of relevant information in this proceeding. Without waiving this objection, Staff responds as follows:

- a) Staff notes that forming and submitting a bid into an RFP presents a non-trivial commitment of time and financial resources. It is Staff’s expectation that anything that makes winning a bid less likely would dissuade a potential participant from engaging in the RFP process.
- b) See Staff’s response to part a of this response.
- c) See Staff’s response to part a of this response and Staff’s discussion of the unequal enforcement of the transmission minimum bid requirements in Staff Exhibit 200.
 - i. Staff has not engaged in any conversations with any potential bidders in the context of this RFP. However, Staff notes that stakeholders have discussed the “chilling effect” of

an unfair RFP process in various workshops and public meetings, such as those done in relation to UI 461 and UI 489.

Date: April 12, 2024

TO: Portland General Electric Company

From:
Curtis Dlouhy
Economist
Utility Strategy & Integration Division
Curtis.dlouhy@puc.oregon.gov

From:
Anna Kim
Energy Costs Section Manager
Rates, Safety and Utility Performance Program
Anna.kim@puc.oregon.gov

OREGON PUBLIC UTILITY COMMISSION
Docket No. UE 427– PGE’s First Set of Data Request No 02.

Data Request No 02:

2. Provide all work paper support and calculations with formulae intact for Staff’s proposed adjustment of \$1.338 million in Staff Exhibit 300, page 6. Additionally, provide all work paper support and calculations with formulae intact for Staff’s capacity factor adjustment as proposed Staff Exhibit 300.

Staff Response No 02:

See Staff’s Highly Confidential Attachment 2a and Highly Confidential Attachment 2b. Highly Confidential Attachment 2a contains Staff’s MONET run with the adjustments to the capacity factor and the long-term transmission availability described in Staff Exhibit 300, Kim/6. Highly Confidential Attachment 2b contains modifications to PGE workpaper #11 that Staff used to calculate Clearwater’s capacity factor if Clearwater had indeed secured 240 MW of long-term firm transmission rights.

After filing testimony, it became clear that Staff made an unforeseen error in MONET that incorrectly calculated the change in forecasted costs to support its adjustment. When correcting for this error, Staff notes that the change in modeled NVPC increases by approximately \$212 thousand. It was not the intent of Staff that these incremental long-term firm transmission costs would be passed onto customers. However, Staff notes that the information contained in Highly Confidential Attachment 2a indicates that the Company saves approximately \$190 thousand on short term transmission costs and curtailed energy when the same Staff assumptions are used as in MONET.