ORDER NO. 24-425

ENTERED Nov 25 2024

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2274

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2023 All-Source Request for Proposals.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at our November 19, 2024 Special Public Meeting, to adopt Staff's recommendation in this matter with the clarification and additional discussion below. The Staff Report with the recommendation is attached as Appendix A.

In adopting Staff's condition that the company promptly issue its next request for proposals (RFP) using the design of the current RFP with limited modifications to facilitate a larger pool of actionable bids, we clarify that this process will include the opportunity for stakeholder input. Our expectation is that stakeholders may propose limited changes or conditions both on Staff's proposal for revised minimum transmission requirements and other priority issues, as appropriate within a streamlined process and limited timeframe. Our decision to acknowledge Portland General Electric's 2023 final short list recognizes the practical path forward set forth in Staff's conditions to promptly commence a new RFP designed to solicit a larger pool of bids than continuing with what the current RFP would offer. We acknowledge the short list for several reasons, including that we share PGE's concern about rate impacts, we observe the Independent Evaluator's corroboration of the relative value of the bids selected versus the bids not selected and the potential for additional bids once some projects have advanced through critical milestones, and we do not wish to undermine support for the projects included in the short list.

Despite this, we find it problematic that the sensitivity analysis with more current energy values requested by Staff was not provided in this RFP. We recognize the challenge PGE faces in managing rate pressure over time while making the necessary investments to meet its HB 2021 emissions reduction targets. We appreciated the articulation of the rate impact of different portfolio choices—recognizing of course that choosing not to procure now does not guarantee lower rates in the future. We expect PGE is internally analyzing the short list against more current energy market information, including performance in the Western Extended Day Ahead market in light of PGE's commitment to join that market. This analysis would be expected in order to support its future showing that delay in procurement of additional renewable resources was the least cost and least risk path. Providing that information now in the form of a sensitivity analysis would allow the Commission to have the relevant information on which to make an informed decision. A robust analysis is essential in planning and procurement processes, which carry implications for future rate making decisions.

Made, entered, and effective Nov 25 2024.

Megan W. Decker
Chair

Letha Tawney
Commissioner

Les Perkins
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720.

ITEM NO. RA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: November 19, 2024

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** ____N/A____

DATE: November 12, 2024

TO: Public Utility Commission

FROM: Sudeshna Pal

THROUGH: Caroline Moore, JP Batmale and Kim Herb **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY:
(Docket No. UM 2274)
2023 All Source Request for Proposals.

STAFF RECOMMENDTION:

Acknowledge Portland General Electric Company's (PGE or Company) 2023 All Source Request for Proposals (RFP) Final Shortlist (FSL), with Staff's proposed conditions.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission or OPUC) should acknowledge PGE's 2023 All Source RFP FSL, conditional on the Company promptly issuing its next RFP, using the design of the current RFP with the following limited number of modifications that facilitate a greater number of actionable energy resource bids:

1. Revise the minimum transmission requirements to enable more energy resource bids without firm transmission, or potentially without conditional firm transmission, to PGE's system;
2. Improve the energy valuation methodology by using updated price forecasts; and
3. Allow resource COD up to 2030.

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Applicable Rule or Law

The Commission's Competitive Bidding Rules (CBR) in OAR Chapter 860, Division 89 apply when an electric utility may acquire a resource or a contract for more than an aggregate of 80 megawatts and five years in length, as specified in OAR 860-089-0100(1). Resource acquisitions falling under the competitive bidding requirements require the use of a request for proposals (RFP) unless an exception applies, or the rules are waived.[1]

Upon request or its own motion, the Commission may waive any of the Division 089 rules for good cause shown.[2] If a request for waiver is made, it must be made in writing to the Commission prior to or concurrent with the initiation of a resource acquisition.[3,4]

OAR 860-089-0500(1) states that, in an RFP process:

> "Acknowledgment" is a finding by the Commission that an electric company's final shortlist of bid responses appears reasonable at the time of acknowledgment and was determined in a manner consistent with the rules in this division.

OAR 860-089-0500(2) provides:

> An electric company must request that the Commission acknowledge the electric company's final shortlist of bids before it may begin negotiations. Acknowledgment of a shortlist has the same legal force and effect as a Commission-acknowledged IRP in any future cost recovery proceeding.

Per OAR 860-089-0500(3), requests for acknowledgement must, at minimum, include the independent evaluator's (IE's) closing report, the electric company's FSL, all sensitivity analyses performed, and a discussion of the consistency between the FSL and the electric company's last-acknowledged IRP Action Plan.

The IE's closing report contains an evaluation of the applicable competitive bidding processes in selecting the least-cost, least-risk acquisition of resources and any additional analyses requested by the Commission, under OAR 860-089-0450(9). The IE participates in the final short list acknowledgment proceeding and may be required by the Commission to have expanded involvement through final resource selection.[5]

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[1] OAR 860-089-0250; OAR 860-089-0100; OAR 860-089-0010.
[2] OAR 860-089-0010(2).
[3] OAR 860-089-0010(2)(a).
[4] "Resource acquisition" is defined in OAR 860-089-0020(9) to refer "to a process for the purpose of acquiring energy, capacity, or storage resources that starts with… [c]ommunication of a final offer or receipt of a final offer in a two-party negotiation."
[5] OAR 860-089-0450(10).

Overview of Memo

PGE's Final Shortlist (FSL) selection addresses the Company's capacity needs but only includes 85 MWa of the 753 MWa of non-emitting resources the Company was aiming for between 2025-2028 to stay on its anticipated glidepath to meet HB 2021 2030 emission reduction goals. The FSL is intended, the Company explains, to mitigate near-term customer cost impacts by prioritizing capacity and limiting procurement with a cost impact metric. This leaves the Company to fill a gap of 668 MWa to be procured by 2028. PGE's delayed procurement strategy highlights tradeoffs between near- and long-term affordability and emissions reduction strategies while meeting system reliability needs. The Company has prioritized its capacity needs and near-term customer affordability, which Staff and parties recognize is a meaningful strategy. The key concerns regarding this strategy include: 1. Future cost and risk implications and 2. Undervaluation of benefits from non-emitting energy resources.

This Staff report captures the evolution of PGE's 2023 RFP process, the final outcomes, and assesses acknowledgement of the FSL and solutions to issues identified by Staff and other parties. Staff has used the insights from the Independent Evaluator (IE) report, participants' comments, PGE's analysis and responses to participants' concerns, and lessons learned throughout the RFP process to inform its final recommendation. Staff's final recommendation is aimed at balancing the need for urgent actions from PGE to address the issues around the FSL and improvements to RFP design that would lead to selection of a larger pool of bids, so customer value is maximized. Staff therefore recommends the Commission acknowledge PGE's FSL with conditions.

Background

PGE filed its Request for Acknowledgment of the FSL in PGE's All Source Request for Proposals (Request for Acknowledgement) on September 17, 2024. The IE Closing Report was included as an attachment to the filing. Staff filed comments on the Request for Acknowledgement on October 21, 2024. Other parties to the docket, including Green Energy Institute and Sierra Club (GEI & SC), Oregon Solar + Storage Industries Association (OSSIA), Citizens' Utility Board (CUB) and Alliance of Western Energy Consumers (AWEC) also filed comments. PGE filed reply comments on October 29, 2024.

Purpose of the 2023 RFP

PGE issued the 2023 RFP to procure non-emitting resources that must be online by the end of 2027 to meet energy and capacity needs that would be finalized through acknowledgment of its 2023 IRP/CEP Action Plan (action plan). PGE identified load growth, expiring non-emitting resource contracts, and decreasing retail sales from existing thermal resources as the primary drivers behind the need for more non-emitting resources throughout its planning horizon (2024-2045), in its 2023 IRP/CEP.[6] Additionally, PGE is obligated to meet HB 2021 goals of achieving emissions reduction by 80 percent of its baseline emissions level by 2030, 90 percent by 2035 and 100 percent by 2040. The action plan aimed to procure, using one or more RFPs, a total of 753 MWa of non-emitting energy resources over 2025-2028 (or 251 MWa annually) to contribute towards PGE's HB 2021 emissions reduction targets for 2030 and non-emitting capacity resources to address its identified 2028 deficit of 905 MW of summer capacity and 787 MW of winter capacity.[7] The 2023 RFP FSL, which is divided into two groups (A and B) represents the projects with which PGE may pursue contract negotiations. PGE has initiated contract negotiations with projects in Group A and reserves those in Group B to cover any capacity shortfalls or to consider pursuing if negotiations with projects in Group A fail to materialize.

Bid Eliminations

The FSL was built on several rounds of bid elimination in accordance with the scoring and modeling methodology described in PGE's 2023 RFP, Appendix N.[8] The first round of elimination constituted screening the bids for the minimum bid requirements (MBR) and was carried out in stages, first for the benchmark bids, followed by third-party solar Build Transfer Agreement (BTA) bids, and then for other third-party bids. Bids that largely met the MBRs[9] were considered for further evaluation of costs and benefits. As PGE narrowed down on eligible bid options (i.e., bids that met MBRs and had better price scores that other options or variants), it notifies the bidders to submit a best and final offer (BAFO). The price scores were recalculated after receiving the BAFOs, and projects were ranked based on the cost-benefit ratio (lowest to highest) to make the FSL selection. PGE ultimately used a "net price impact," which it calculated as the annual impact on customer rates from a project for the next five years, to generate the FSL for the purpose of requesting Commission acknowledgement.

Bids were generally eliminated due to transmission or interconnection issues, including non-conforming points of delivery (POD), interconnection status, or necessary transmission rights; net price impacts; or some combination of these factors. Table 1 summarizes when and why bids were eliminated.

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[6] LC 80. In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2023 Clean Energy Plan and Integrated Resource Plan. Chapter 6, p.101.

[7] UM 2274 – In the Matter of Portland General Electric Company, 2023 All-Source Request for Proposals – PGE Planning and Procurement Forecast, filed July 17, 2023, p.5.

[8] UM_2274_Appendix_N_-_Scoring_and_Modeling_Methodology__FINAL__02.02.2024.pdf

[9] PGE considered bids with unique values for further evaluation even if those did not strictly meet the MBRs at that stage. PGE provided additional time for these bidders to meet all the MBRs prior to the FSL selection.

Table 1: Stages and Reasons for Bid Eliminations

Source	Category	Owner - ship	COD	Elimination Stage	Reason for Elimination	POD	IX	TX	COD-2	$
Benchmark	Renewable	BTA+PPA	6/30/2028	1 - Minimum Req	COD					
Third Party	Renewable	Joint	12/1/2028	1 - Minimum Req	Interconnection		x	x	x	
Third Party Solar BTA	Renewable	BTA	12/31/2027	1 - Minimum Req	Interconnection	x	x			
Third Party Solar BTA	Renewable	BTA	12/31/2027	1 - Minimum Req	Interconnection	x	x			
Third Party	Renewable	PPA	12/31/2027	1 - Minimum Req	Multiple		x	x	x	
Third Party	Renewable	PPA	12/31/2027	1 - Minimum Req	Transmission	x		x		
Third Party Solar BTA	Renewable	BTA	12/31/2026	1 - Minimum Req	Transmission		x			
Third Party	Dispatchable	PPA	9/30/2027	2 - Initial Shortlist BAFO + Updates	Interconnection		x			
Third Party	Dispatchable	PPA	12/1/2027	2 - Initial Shortlist BAFO + Updates	Interconnection		x			
Third Party	Dispatchable	PPA	12/31/2027	2 - Initial Shortlist BAFO + Updates	Interconnection		x			
Benchmark	Renewable	BTA	12/31/2027	2 - Initial Shortlist BAFO + Updates	Other					
Third Party	Renewable	PPA	12/31/2027	2 - Initial Shortlist BAFO + Updates	Transmission	x		x		
Third Party	Dispatchable	PPA or BTA	12/15/2029	2 - Initial Shortlist BAFO + Updates	Transmission			x		
Third Party	Dispatchable	PPA	12/31/2029	2 - Initial Shortlist BAFO + Updates	Transmission			x		
Third Party	Renewable	PPA	6/30/2027	2 - Initial Shortlist BAFO + Updates	Withdrew					
Third Party	Dispatchable	PPA/Joint	12/31/2027	3 - Final Shortlist	Interconnection		x			
Benchmark	Renewable	BTA+PPA	12/31/2027	3 - Final Shortlist	Net Price Impact					x
Benchmark	Renewable	BTA+PPA	12/31/2027	3 - Final Shortlist	Net Price Impact					x
Third Party	Renewable	PPA	12/31/2027	4 - Not Eliminated	Selected - NA					
Third Party	Dispatchable	PPA	12/31/2027	4 - Not Eliminated	Selected - NA					
Third Party	Dispatchable	PPA	12/31/2027	4 - Not Eliminated	Selected - NA					
Third Party	Dispatchable	PPA or BTA	12/31/2027	4 - Not Eliminated	Selected - NA					
Benchmark	Dispatchable	BTA+PPA	12/31/2026	4 - Not Eliminated	Selected - NA					
Benchmark	Dispatchable	BTA+PPA	12/31/2026	4 - Not Eliminated	Selected - NA					
Benchmark	Dispatchable	BTA	12/31/2027	4 - Not Eliminated	Selected - NA					
Benchmark	Renewable	BTA	12/31/2027	4 - Not Eliminated	Selected - NA					
Third Party	Renewable	PPA	12/31/2026	4 - Not Eliminated	Withdrew					

The FSL has a total of nine projects divided into Groups A and B. Table 2 summarizes the shortlist by group.

Table 2: PGE 2023 RFP FSL

	Bidder	MW	Location	Technology	Ownership	COD
Group A	16	250	OR	Solar+Battery	PPA	12/31/2027
	~~71*~~	~~41~~	~~OR~~	~~Solar~~	~~PPA~~	~~12/31/2027~~
	88	400	OR	Li-Ion battery	BTA	12/31/2027
	150 (benchmark)	125	OR	Solar+Battery	BTA	12/31/2027
Group B	23.1	185	OR	Li-Ion Battery	PPA	12/31/2027
	23.2	200	OR	Li-Ion Battery	PPA	12/31/2027
	74.1 (benchmark)	200	OR	Li-Ion Battery	100 MW = BTA 100 MW = PPA	12/31/2026
	74.2 (benchmark)	200	OR	Li-Ion Battery	100 MW = BTA 100 MW = PPA	12/31/2027
	92 (benchmark)	100	OR	Li-Ion Battery	BTA	12/31/2026
	** PGE recently notified Staff and stakeholders that Bidder 71 has informed the Company that the project is no longer available to PGE.[10] Staff will therefore consider only the remaining three bids in Group A in its comments.*					

PGE has initiated commercial negotiations for the projects listed in Group A. Group B serves as a "reserve" of projects that PGE may draw from if Group A contracts fail to materialize or if PGE decides to procure from Group B to meet any remaining capacity needs.

The revised FSL Group A bids will provide about 85 MWa of energy and 343 MW of capacity contribution from the solar projects.[11] The dispatchable projects, comprising of lithium-ion batteries from both groups will provide an additional 695 MW of capacity contribution.

Of these nine projects, five have some form of Company ownership, either sole or joint, and four were selected from those provided by the Company's benchmark team.

<u>FSL Feedback from Other Parties</u>

Staff appreciates participation by AWEC, CUB, GEI & Sierra Club, and OSSIA and has considered insights provided by parties in its evaluation of the FSL for

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[10] See UM 2274, PGE Notification of Final Shortlist, October 7, 2024, https://edocs.puc.state.or.us/efdocs/HAH/um2274hah331901025.pdf.

[11] The energy and capacity contribution numbers for renewables reflect the updated FSL, after removal of Bid 71. Staff made these adjustments. Therefore, these numbers look different from what PGE has provided in its FSL acknowledgement filing on September 17, 2024. The FSL originally had 93 MWa of renewable energy with Bid 71.

acknowledgement and in its final recommendation and the associated conditions. Below is a brief overview of comments from each party.

AWEC

AWEC highlights PGE's consideration of customer affordability in the face of unprecedented and consecutive rate increases for Oregon utility customers. It notes that delaying the procurement of the additional renewable projects that would have an annual price impact of 5.2 percent[12] is a least-cost least-risk strategy and lowers the risk of PGE exceeding the HB 2021 compliance cost cap of six percent increase of net present value of revenue requirement in a year. AWEC is ensured by PGE's proposal of one more RFP prior to 2030 to meet the HB 2021 energy needs and recommends acknowledging PGE's FSL.

CUB

CUB expresses concern regarding the potential future risks of increased costs in meeting the energy resources gap for the purpose of HB 2021 compliance. CUB asks for a replacement plan from PGE to address the recent withdrawal of Bid 71 from its FSL. Additionally, CUB offers ideas to PGE of pursuing a Power Purchase Agreement (PPA) only RFP to address higher near-term rate impact associated with utility-owned projects. Finally, CUB recommends that PGE explore a cost-allocation mechanism that would assign new resource procurement costs to customer class based on their respective share of projected load growth, as PGE's load growth since 2013 has come almost entirely from the Company's industrial sector.[13]

GEI/Sierra Club

GEI and Sierra Club (GEI & SC) question PGE's ability to demonstrate continual progress to reduce greenhouse gas emissions as required for HB 2021 compliance. GEI & SC also point to the lack of evidence supporting PGE's risky strategy of betting on future lower prices for renewable projects and delaying procurement of a massive amount of new resources until 2028. GEI & SC assert that this strategy is very different from the strategy represented in the acknowledged IRP/CEP. As such, the disconnect between the IRP/CEP and actual levels of procurement does not support the PUC's previous determination of continual progress. Accordingly, GEI & SC recommend the Commission not acknowledge the FSL, since it does not look reasonable given PGE's goals and compliance requirements and under the likelihood that current market conditions will either continue or deteriorate. Going forward, the two groups also request the Commission consider near-term actions in PGE's IRP Update and in the IRP/RFP Modernization docket (UM 2348) that would create greater alignment between related

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[12] UM 2274- PGE Reply to FSL Comments, p.14.

[13] UM 2274, CUB's Comments on PGE Request for Acknowledgement of FSL, October 21, 2024, Figure 3, p. 5. This information came from PGE IRP roundtable presentation on July 24, 2024.

Action Plans and the RFP to maintain the integrity of HB 2021 planning and continual progress determinations.

OSSIA

OSSIA's comments reflect similar concerns raised by other parties regarding PGE's strategy of accepting future risks and costs associated with its large and growing gap between the energy contribution of the current FSL and PGE's projected need leading up to 2030. OSSIA shares GEI & SC's concern that such a large shortfall undermines the Commission's previous finding of continual progress. OSSIA suggests that PGE's current modeling inputs underestimate project benefits, and that these should be revised. The organization also expressed concerns about the integrity of the RFP process for two reasons. First and most immediately, this RFP FSL represents a departure from the 2023 IRP/CEP action plan, as it backloads most of PGE's resource need for HB 2021 compliance to 2028. Second, this RFP FSL represents the fifth RFP since 2012 where PGE-owned projects have secured either all or a majority of the RFP capacity. OSSIA recommends that the Commission not acknowledge the FSL and offers several remedies. Regarding PGE's concerns around customer affordability, OSSIA argues that by securing a price refresh for the projects in its initial shortlist and updating the inputs used in the scoring methodology affordability could result in improved project economics. The organization also recommends the Commission direct PGE to issue its next RFP immediately and conclude it by 2025 using updated inputs and scoring methodology, along with a CBRE RFP. OSSIA further discusses leveraging other programs like the Community Solar Program and PURPA implementation to make PGE fill the procurement gap and recommending that the IE conduct a survey of potential re-bidders from this RFP as to their top issues with the UM 2274 process.

Goldfinch

Goldfinch Energy Storage II LLC (Goldfinch) supports acknowledgement of PGE's FSL Group A and Group B, with no modifications. Goldfinch points out that Commission acknowledgement would send out positive signals to developers who have already made significant expenses towards meeting the minimum bid requirements. Not acknowledging the FSL would put PGE in the risk of not meeting its obligations to serve customers reliably and affordably.

FSL Acknowledgement Assessment

Staff presents its assessment of PGE's 2023 RFP leading up to the recommendation for acknowledgement of the FSL. Staff assessment includes an evaluation of

- Compliance with the CBR in OAR 860 Division 89 Rules.

- Whether the FSL provides a least-cost least-risk means to procure resources to serve PGE's customers.

Staff finds that while PGE has complied with the technical requirements of the CBRs and has accounted for customer affordability in its FSL selection, outstanding questions remain around the FSL's ability to address PGE's capacity and energy needs in a least-cost least-risk manner. Staff recommends the Commission acknowledge PGE's FSL but also consider conditions on PGE's future procurement actions.

Staff acknowledges that during the shortlist selection process, PGE showed considerable flexibility in maintaining a robust "proposed" initial shortlist by allowing several projects, including a solar and storage; several standalone battery projects; and two pumped hydro storage projects, to stay for further evaluation due to high performance.[14] PGE made some time allowance for these projects to work on meeting the MBRs. These projects, however, were not included in the "actual" initial shortlist that received the notification for best and final offer, due to not meeting the MBRs prior to PGE finalizing selection.

Competitive Bidding Rules Compliance
Staff finds that PGE has complied with the technical requirements of the CBRs throughout the 2023 RFP process. This included getting a waiver to retain Bates White to act as the IE for the 2023 RFP and engagement with the IE in a contract that outlines the IE duties as described in OAR 860-089-0450. The Company followed the CBRs or was granted waivers to develop, review, and approval of the draft RFP and the scoring and modeling methodology. The Commission approved PGE's 2023 All-Source RFP on January 4, 2024, with multiple conditions in Order No. 24-011.[15] Staff and the IE reviewed the Conditions and determined that the Company has complied with all of them.[16]

PGE issued its RFP on February 2, 2024. Consistent with the competitive bidding rules, benchmark bids were due before third-party bids. The IE and IPC worked together on scoring the benchmark bids and submitted the required report before opening and scoring the third-party bids. In this RFP, there was an intermediate step in which third-party solar bids with a build-transfer agreement (BTA) type of commercial structure were scored and sealed prior to all other third-party bids. This step was needed as PGE had contemplated creating an affiliate titled PGE Renewable Resource LLC (PRR) that

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[14] UM 2274 Portland General Electric Initial Shortlist Compliance Filing.
[15] Order No. 24-011.
[16] A detailed description of PGE's compliance with the conditions in Order No. 24-011 can be found in UM 2274, PGE Request for Acknowledgement of Final Shortlist, September 17, 2024, pp.42-51. https://edocs.puc.state.or.us/efdocs/HAH/um2274hah331901025.pdf.

would potentially own these projects, although later in the process the need for an affiliate was removed.

As part of its Request for Acknowledgement, PGE included the IE's Closing Report, the Company's FSL, all sensitivity analyses performed, and a discussion of the consistency between the FSL and the Company's last-acknowledged IRP Action Plan. PGE submitted nine unique benchmark projects, (in total, 37 project variants) into the RFP, four of which were included in the FSL. The IE Closing Report observed that the RFP process was run in accordance with the rules laid out in the RFP document. The IE found that bidders were treated fairly under the rules of the RFP, and PGE's price scoring was reasonable.

Is the FSL least-cost least-risk?
Commission Order 18-324 states that "the ultimate goal of a competitive bidding process is the identification of the lowest cost, lowest risk resource".[17] Staff evaluated whether the FSL achieved this goal.

According to PGE, it evaluated the RFP in compliance with the assessment of the minimum criteria designed to evaluate risk and the approved scoring and modeling methodology, and the FSL represents the least-cost least-risk resources offered from the market. The FSL is intended, the Company explains, to mitigate near-term customer cost impacts by prioritizing capacity and limiting procurement with a net price impact metric. The current FSL contributes to PGE's capacity need but leaves the Company to fill a gap of 668 MWa to be procured by 2028.

Capacity Resources
Staff finds that given PGE's selection criteria coupled with the sufficiency of its capacity resources in meeting its projected capacity needs, the projects selected are least-cost least-risk for PGE customers insofar as they meet the Company's capacity needs.

Energy Resources
In the absence of additional analysis or evidence that shows that the current delayed procurement of renewable projects is in the best interest of customers, Staff is less certain about the FSL energy resources being least-cost least-risk for two overarching reasons:

a. *The potential for future rate shock:*

PGE's delayed procurement strategy to protect customers from near-term net price impacts raised concerns around the potentially higher rate shocks customers are now exposed to given PGE must compensate for the current delay with higher and faster

[17] Commission Order No. 18-324, p.10.

procurement in the next few years. PGE continues to express optimism that projects will be available for a lower price but does not provide any evidence in support of its belief.

PGE's expectations about future renewables prices are currently not supported by its own experience in the market between the past and current RFPs or by observed market trends of rising prices for renewable generation projects from other sources. Staff agrees with OSSIA, GEI, CUB, and Sierra Club that the current decision leaves PGE vulnerable to even higher price quotes from bidders in the future, and that projected increases in transmission constraints, interconnection time and costs and critical equipment cost will most likely result in higher prices of these projects in the next few years.

b. *The use of dated energy values to calculate net benefits (cost-benefit ratios) and the net price impact of projects:*

Low benefit values for renewable energy projects resulted in a higher cost-benefit ratio (net benefit) and a higher net price impact for several of these projects leading to their elimination from the FSL.

PGE's calculation of energy values relied on forward market price forecasts from its 2023 IRP/CEP. The low-price forecasts are triggered by the assumption of high buildout of non-emitting generators in the western U.S. in the long run and are not reflective of the current market dynamics. Staff, IE, and other parties note that the average energy values of renewable resources used in the price scoring in this RFP are less than half of energy values used in PGE's 2021 RFP. Staff is aware of forward market price curves approved and used in other PGE filings which seem to capture the short-term trends in market prices.

Staff expected PGE to share its perspective on the apparent discord between long-term price forecasts it uses in calculating energy values and current market dynamics. Further, Staff requested a sensitivity analysis with revised energy values based on the alternative price forecast (from Docket No. 1893 and UE 435) that is currently being used in PGE's IRP Update to understand whether the renewable resources have higher benefits in the shorter term than what PGE's scoring shows.

PGE agrees that re-estimating the energy values using the price forecast recommended by Staff would drive up energy values for the renewables while lowering the estimated net price impact on customers. PGE, however, sees significant risk in using a methodology that it currently plans to use in its IRP update but has not been vetted by parties, even for the purpose of a sensitivity analysis.

Staff believes limiting analyses to only acknowledged inputs, metrics, and methods — especially when valuable insight can be obtained from additional analyses — is not in the best interest of ratepayers.[18] PGE's position on not updating its final RFP FSL analysis also stands in opposition to direction given by the Commission in UM 2166. Specifically, the Commission stated:

> We determine that it is not contrary to our IRP process to incorporate updated analysis and circumstances prior to an actual resource acquisition, and that providing for such flexibility is an important part of ensuring that customer interests are best served.[19]

In this case, Staff and stakeholders are left wondering to what extent the use of the net price impact, which did not incorporate updated inputs from new analyses, reflects the optimal tradeoff between new non-emitting energy resources and affordability concerns.

While PGE makes a case that its FSL provides "a reasonable path forward based on what is known now"[20] (in terms of market prices), its price scoring analysis fails to appropriately account for known information on the energy values. Accordingly, Staff finds it difficult to conclude whether the lack of significant energy resources in the FSL constitutes least-cost least-risk procurement.

Staff Analyses of Options for Recommendation

Staff considered various approaches to addressing concerns about delaying energy resource procurement and identified the following spectrum of approaches:

A. Focus on highlighting the Company's future cost recovery and continual progress risks.
B. Focus on ensuring there are actionable energy resource bids in the next procurement.
C. Focus on pushing the Company reevaluate its current bid selection.

Approach A: Focus on highlighting the Company's future cost recovery and continual progress risks.

The lightest touch path to address the risks of delayed energy procurement is to defer to the ratemaking and planning process to hold PGE accountable for any negative outcomes. From a ratemaking perspective, Staff will monitor the impact of delayed

[18] Staff would note that removing all requirements for other dockets (e.g., RFPs, PURPA avoided costs, etc.) to use only acknowledged IRP data is a key underpinning to Staff's IRP/RFP Modernization efforts (UM 2348).
[19] UM 2166, Final Order 22-315, Aug. 31, 2022, p. 6.
[20] UM 2274- Request for Acknowledgement of Final Shortlist, p.3.

energy procurement on power costs and when the Company brings future energy resources into rates. In planning, Staff will monitor the Company's continual progress toward its HB 2021 goals and identify the need for course correction if the Company's actions with this RFP result in worse conditions for energy resource options moving forward. This approach is the most focused on minimizing near-term costs (net price impact) and places the onus on PGE to decide how it will address procurement shortfalls while maintaining customer affordability and reliability, but it provides less certainty that PGE will have time and viable future options to make up for its limited procurement.

Approach B: Focus on ensuring there are actionable energy resource bids in the next procurement.

A more proactive option available to the Commission is to push PGE to issue an RFP in the near-term that reuses the current RFP design with a limited number of critical improvements. The goal is to reuse the current RFP design for speed, but make sure the Company is not back in the same position with limited energy resource options. This approach provides a path forward that would efficiently and effectively address the concerns with the current procurement while addressing the overall size of the bid pool and specifically so for non-emitting energy projects, in a relatively shorter time, as opposed to a completely new RFP process.

Taking this path could rely on CUB's suggestion for a PPA-only RFP that would reduce the time required for IE review and the multi-step process for benchmark bids. A PPA-only RFP could also smooth near-term rate impacts and could boost bidder confidence resulting in a bigger bid pool. However, key barriers in PGE's RFP design may still prevent a meaningful pool of energy resource bids under a PPA-only RFP. Rather than restricting ownership bids and spending time unpacking the implications of that Commission decision, PGE could focus on making targeted adjustments to its RFP design that will facilitate actionable energy resource options, particularly more viable PPA options.

Based on Staff, IE and parties' analyses, Staff believes that addressing transmission restrictions and revisiting energy valuation inputs in the RFP design would be vital towards increasing the pool of bids. Staff also notes that an RFP that prioritizes non-emitting energy resources to meet the HB 2021 2030 targets does not need to be as constrained by commercial operation dates prior to 2030, firm-transmission, or points of delivery, all of which were reasons for bid elimination in this RFP.

Therefore, this approach would focus on placing conditions on PGE's next RFP that include:

1. Revising the minimum transmission requirements to enable more energy resource bids without firm transmission, or potentially without conditional firm transmission, to PGE's system,
2. Improving the energy valuation methodology by using updated price forecasts as discussed above; and
3. Allowing COD up to 2030.

Approach C: Focus on pushing the Company reevaluate its current bid selection.

On the furthest end of the spectrum, the Commission could decline to acknowledge PGE's FSL and direct the Company to obtain a price refresh for the resources in its initial shortlist and reevaluate its FSL selection.

This approach directly targets the energy procurement shortfall and attempts to capture bids that might not be available in the next RFP. Moving to this end of the spectrum is most likely to increase near-term costs and may slow progress on procuring the resources on PGE's current FSL. Further, it is unclear that holding off on acknowledging the FSL will result in additional viable energy resource options given the barriers to energy resources discussed above.

Staff also notes that the Company indicated a willingness to be creative in making up for its shortfall and, if the Commission chooses to acknowledge the current FSL, Staff believes that the Company would still have the option to ask non-shortlisted bidders for a price refresh or otherwise pursue additional bids if it believes that it faces a time-limited opportunity to acquire resources of unique value to its customers.[21]

Table 3 summarizes the spectrum of recommendations and associated outcomes for Commission consideration.

[21] See OAR 860-089-0100(3)(b).

Table 3: Analysis of Commission Options

	A. Focus on highlighting the Company's future cost recovery and continual progress risks.	B. Focus on ensuring there are actionable energy resource bids in the next procurement.	C. Focus on pushing the Company reevaluate its current bid selection.
Focuses on limiting near-term costs	x	x	
Focuses on limiting long-term costs and future rate shock		x	x
Focuses on moving forward with procurement quickly	x	x	
Focuses on preventing future energy resource shortfalls		x	
Captures projects that may not return in future RFPs			x

Staff Recommendation
Given the trade-offs, Staff proposes that the best balance of near- and long-term costs and risks is to move forward with Approach B. This approach allows consideration of affordability while providing the Company the ability to act promptly to address a few of the biggest concerns around low energy values and current RFP bid eligibility requirements that could potentially expand the pool of bids, Staff hopes that a prompt action by the Company would enable participation and selection of a greater number of bids with diverse ownership structures.

In addition, Staff proposes that the Commission allow Staff 60 days to develop recommendations for minimum transmission requirements that will enable third-party energy resource bids without firm or conditional firm transmission to PGE's system. If the Commission adopts Staff recommendations, these changes in transmission requirements will become conditions for the acknowledgement of PGE's next RFP.

Therefore, Staff recommends that the Commission acknowledge PGE's 2023 RFP FSL, conditional on the Company promptly issuing its next RFP, using the design of the current RFP with the following limited number of modifications that facilitate a greater number of actionable energy resource bids:

1. Revise the minimum transmission requirements to enable more energy resource bids without firm transmission, or potentially without conditional firm transmission, to PGE's system,
2. Improve the energy valuation methodology by using updated price forecasts; and
3. Allow resource COD up to 2030.

Staff believes that the minimum transmission requirements for energy resources are at the root of this procurement's energy resource shortfall. To ensure that parties are not back in the same situation at the end of PGE's next RFP, Staff recommends taking a small amount of time to develop a transmission strategy before issuing the next RFP. Staff commits to returning in 60 days with more specific improvements to the RFPs' transmission requirements that the Commission could chose to adopt as conditions on PGE's next RFP.

Conclusion
Staff appreciates parties' participation in this docket and providing valuable insights and potential remedies to the key concerns with this RFP that informed Staff's analysis leading to its final recommendation. Staff has attempted to take a balanced approach that addresses the urgency of needed action from PGE to address procurement shortfalls and near-term rate impacts, while allowing time for the development of better RFP designs that would appropriately capture resource benefits and build in flexibility to allow for a robust participation of bids in future RFPs.

PROPOSED COMMISSION MOTION:

Acknowledge PGE's 2023 RFP FSL with Staff's conditions.