

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 22, 2001**

REGULAR AGENDA X **CONSENT AGENDA** **EFFECTIVE DATE**

DATE: May 15, 2001

TO: Phil Nyegaard through Lee Sparling and Jack Breen III

FROM: Rebecca Hathhorn

SUBJECT: Approval of the Portfolio Bid Process for renewable resources pursuant to OAR 860-038-0220(6)

SUMMARY RECOMMENDATION:

Staff recommends that the bid process as outlined in this memo be approved with the reporting requirement conditions. Additionally, if affiliate bidding is permitted, the RFP must contain a statement notifying potential bidders that an affiliate of the utility may bid and is bound by OAR 860-038-0580(4)(a). Lastly, Staff requests that the Commission require PGE and PacifiCorp to submit a copy of the final RFP to Staff for review and comment two business days prior to public dissemination.

DISCUSSION:

Introduction

PacifiCorp and Portland General Electric (PGE) each filed proposals for the renewable resource bid process on May 1, 2001. The bid proposals are for certain renewable resource portfolio options that were approved by the Commission on March 20, 2001. The Commission approved, among other options, a blended renewable resource and an environmental mitigation option to go through a Commission-approved bid process.

Both utilities have decided to request proposals to supply tradable renewable credits (TRCs). A TRC consists of the non-energy attributes associated with and made available by the power generated from a qualified renewable resource.

Staff recommends that a utility and its affiliates may not bid to supply its own resource needs but may bid on the other utility's Request for Proposal (RFP). PacifiCorp opposes Staff's recommendation. Staff is cognizant of the potential lack of independent sellers of renewable resources in order for a successful competitive bid to occur. Therefore, although it is not Staff's preference, it could be argued that an affiliate should be allowed to bid on its regulated RFP. However, Staff notes that a utility's affiliate bidding on its own RFP would be subject to OAR 860-038-0580(4)(a), which states that the TRC would have to be priced at the lower of net book value or fair market value. That requirement, plus a perceived advantage the utility has, would discourage bidding by others. In the interest of fairness and full disclosure, if a utility's affiliate is

permitted to bid, there should be a statement in the RFP that an affiliate can set the ceiling of the bid by offering to transfer a TRC at book value.

PGE and PacifiCorp have each proposed different methods for acquiring the renewable resource supply. PacifiCorp is proposing to issue RFPs to supply TRCs sufficient to serve the electricity needs of customers who select the blended renewable and/or environmental mitigation options. PGE will be issuing RFPs for a fixed amount of power (4 –5 MW). Both RFPs will cover the period October 1, 2001 through December 31, 2002.

The following major components of the bid process reflect the submissions of the companies, as clarified by Staff. Staff has recommended reporting requirements regarding the process. Staff will not be involved in the bid evaluation or selection process.

Process

The anticipated timeline and process is as follows:

	<u>PGE</u>	<u>PacifiCorp</u>
RFP issued for renewable resources	May 29, 2001	May 25, 2001
Portfolio Tariffs filed (absent prices)	----- June 1, 2001 -----	-----
Proposal due date	June 19, 2001	June 11, 2001
Proposals reviewed and analyzed	June 20 - 26, 2001	June 12 – 29, 2001
Portfolio prices filed with Commission	----- July 2, 2001 -----	-----
Expected Commission Order	----- August 1, 2001 -----	-----

Content of Request for Proposals

The RFP must contain the following standards and requirements and responses must include the following information within the proposal:

1. Proposals may be submitted for either the blended renewable product or the environmental product or for both.
2. Demonstration of market experience in TRCs and energy from renewable resources, including actual penetration rates over specified periods, and client lists indicating the supply duration and amount where this information is not deemed proprietary or confidential by contracts.
3. Demonstration of a knowledge of the western wholesale and retail energy market with specific emphasis on renewable portfolio options in Oregon.
4. Information regarding creditworthiness including the name of the legal entity making the proposal, two years of audited financial statements (if available), and three credit references.
5. Proposals must state the source of the TRCs, whether from contracts, market purchases, or owned or shared generation resources. The resource must be specifically identified.
6. Proposals must describe the contract chain used to assist in documenting reporting rights for TRCs.
7. Proposals must meet the renewable resource standards for the blended and environmental mitigation options as adopted by the Commission on March 20, 2001.

8. Proposals must contain documented reporting rights for authenticity purposes by a third party mutually agreed to by the bidder and the utility.

Evaluation Criteria

Bid proposals will be evaluated with consideration given in the following order:

1. Low cost.
2. Ability to meet renewable resource standards for the options as adopted by the Commission on March 20, 2001.
3. Ability to provide adequate reporting to verify TRC authenticity or certification.
4. Supplier experience in renewable energy and ability to deliver the proposed product.
5. Appeal to consumers (sources of TRCs may impact marketability of product).
6. Risks associated with the proposal, including exposure to market prices.
7. Implementation costs.

Upon completion of the evaluation process, all bidders will be notified of the status of their bid.

Reporting Requirements

Within 45 days of bidder selection, the utilities must provide the Commission with documentation of the evaluation process, scoring procedures utilized and identification of any issues that could be valuable in improving the bid process in the future.

STAFF RECOMMENDATIONS:

Staff recommends that the bid process as outlined in this memo be approved with the reporting requirement conditions. Additionally, if affiliate bidding is permitted, the RFP must contain a statement notifying potential bidders that an affiliate of the utility may bid and is bound by OAR 860-038-0580(4)(a). Lastly, Staff requests that the Commission require PGE and PacifiCorp to submit a copy of the final RFP to Staff for review and comment two business days prior to public dissemination.