



April 20, 2020

Oregon Public Utilities Commission

Docket: UM 2059

Subject: PA Consulting's Independent Evaluator Comments on PacifiCorp's draft 2020 All-Source RFP

This document contains the initial comments of the Independent Evaluator (IE), PA Consulting Group, Inc. (PA) on PacifiCorp's 2020 All-Source Request for Proposals (2020AS RFP). PA is filing these comments with the Oregon Public Utilities Commission (OPUC) according to a schedule received from OPUC Staff on April 13.

1. Procedural Background and Expectation

On April 7, 2020, the OPUC approved the selection of PA as the IE for the 2020AS RFP. On April 10, PacifiCorp sent an initial draft RFP to PA and to the service lists for OPUC docket UM 2059 and several other dockets, although it is PA's understanding that the initial draft RFP was not a formal filing with the OPUC. PA participated in three relevant teleconferences the following week: an introductory call with OPUC staff on April 10, PacifiCorp's bidder conference on the RFP on April 17, and a call with OPUC staff and Merrimack Energy (the Utah Public Service Commission's IE).

According to OPUC Staff, the final draft RFP is to be filed April 22 and there will be a workshop discussion on April 27. Parties are to file written comments on May 22, with PacifiCorp reply comments (which PA understands may include a final draft of the RFP) to be filed June 1. PA will file a report on its assessment of the final draft on June 10 in UM 2059. OPUC Staff will post its own report on the final draft RFP on June 22, and parties to the proceeding will file their comments on June 26. The OPUC will meet on July 2 to consider approval of the RFP.

Given this context, PA believes that the appropriate role of this document is to raise issues for consideration by the parties and for clarification by PacifiCorp. While PA may provide some initial suggestions and opinions, these comments should not be read as PA's final judgement on any aspect of the RFP, as PA's opinions may change due to the evolution of the RFP or PA's understanding of it.

At this point, PA is not prioritizing the issues or presenting them in any specific order.

2. Purpose and Scope of the RFP

2.1. The initial draft RFP references resources to be acquired by 2023 in the preferred portfolio from PacifiCorp's 2019 Integrated Resource Plan (IRP). As PA understands it, the 2020AS RFP will not explicitly seek to achieve those targets through this RFP but will use the same objective as the IRP did – meeting projected load at lowest cost. The phrasing of the RFP may not make that clear.

2.2. The 2019 IRP states "Oregon RPS compliance is achieved through 2038 with the addition of new renewable resources and transmission in the 2019 IRP preferred portfolio."¹ The large amount of solar resources included in the 2019 IRP preferred portfolio is presumably part of that RPS compliance, although it was selected economically and not specifically for RPS compliance. PacifiCorp has made clear they do not intend to apply any quota or preference for RPS in the 2020AS RFP. It may be useful to make explicit in the RFP any expectation of RPS compliance support – or the lack of such.

2.3. The initial draft RFP notes that bids from renewable resources with expected CODs through Dec. 31, 2024 will be considered – even though the ITC requires operation by 2023 and the 60% PTC can only be achieved if construction begins by the end of 2020. These requirements are difficult to square with the 2024 deadline and with the RFP schedule that provides for even the initial shortlist to be communicated only in October 2020 and contracts to not be executed until sometime in 2021.

¹ Vol. 1, p. 14.



2.4. The initial draft RFP allows for PPAs up to 25 years in length. Is there a minimum term length? A preferred term length?

3. Evaluation Criteria

3.1. During the teleconferences it became apparent that section 6.A.2 of the initial draft RFP is confusing. It states both that “PacifiCorp will limit the capacity in a given location to 150% of the capacity chosen by company’s 2019 IRP preferred portfolio ... on a resource basis” and “For locations where the IRP preferred portfolio did not include any new resources in the 2023-2024 timeframe, PacifiCorp will limit the total capacity by resource type to be no greater than 150% of the capacity available via enabling transmission upgrades.” These imply that the IRP used transmission limits as part of its choice of the preferred portfolio, but further restricted the choice based on economic or resource availability assumptions.

3.1.1. The purpose of an RFP would be, in part, to avoid having to make such assumptions by collecting market data. If possible, the values from the preferred portfolio should be replaced by “the capacity available via enabling transmission upgrades”. With the additional flexibility provided by the application of the limits to each resource type separately, PA thinks Staff’s proposed expansion of 150% to 300% is unnecessary.

3.1.2. However, the list of resource types should be clear; it should not be necessary to change the list based on bids received. In particular, the categories to be used for non-battery storage should be predetermined.

3.2. The initial draft RFP states, “bids are to be evaluated based on Customer Cost.” How will Customer Cost be defined? Average system cost, or revenue requirements?

3.3. If the evaluation criterion is based on revenue requirements, are there significant differences in the computation of allowed revenue requirement from state to state – including the allowed rate of return – and how will those be accounted for?

3.4. How will proposals of differing terms be treated in the initial scoring? Will they be put on a levelized value per kW basis, or will shorter proposals (or those with later online dates) be adjusted in some way?

3.5. A similar issue arises with the portfolio evaluation although in this case value per kW is not an appropriate metric.

4. Resource Types to be Considered

4.1. The initial draft RFP states that energy storage will be broadly considered; however, the RFP considers in detail only battery storage and pumped storage (e.g., in tables 1 and 2 and the technical specifications produced so far). Are other types of storage also acceptable, such as CAES, gravity-based, hydrogen fuel cells, molten salt thermal storage, etc.?

4.2. Will Table 2 be revised to include duration requirements for storage technologies other than BESS and pumped storage? Furthermore, it may make sense to have separate requirements for flow batteries.

4.3. The initial draft RFP contains requirements for “biogas” bids that appear specific to on-site landfill gas. Will biodiesel or piped biogas proposals be considered?

4.4. It may be helpful if the state standard avoided cost schedule threshold capacities are explicitly identified in the RFP.

5. Interconnection and Transmission Expansion / Reinforcement Costs

5.1. What deadlines will be associated with the serial queue studies? If a study is not available to be included with the bid, and the interconnection cluster proposal is not accepted, will the bid be considered nonconforming?



5.2. If the interconnection cluster proposal is not accepted PacifiCorp will revise the RFP. Will the decision to do be made prior to submission of the final draft RFP, and reflected in that filing?

5.3. If a proposal in the serial queue triggers a “lumpy” transmission expansion or reinforcement, will PacifiCorp attribute that entire cost to the bid?

5.4. If there are proposals in the Wyoming East zone triggering the Gateway East project, how will its cost be allocated among them, and will part of that cost be allocated elsewhere?

5.5. For proposals that deliver through third-party transmission systems, will the ability of the bidder to pay the delivery costs be part of the viability evaluation of bids? Will they have to be made explicit in the pricing of the proposal?

6. Utility Ownership

6.1. Ratepayers will not be at risk for construction costs overruns associated with a BTA. Presumably, change orders involving significant price increases would be subject to Commission review. Ratepayers are, however, exposed to operating cost risk and some or all of the following may be considered as ways to reduce or price those risks:

6.1.1. The BTA term sheet does not appear to include a performance warranty that survives the sale, with or without exceptions based on the way PacifiCorp operates and maintains the resource.

6.1.2. The price offer in the O&M contract should be used in bid evaluation, even if PacifiCorp decides to reject that part of the offer. If PacifiCorp rejects the O&M offer, it is reasonable to think that price would be used as a prudence standard for the O&M revenue requirement in PacifiCorp’s rate cases.

6.1.3. BTA offers for renewable and renewable + BESS offers should be required to assign all tax credits to PacifiCorp, and it may be reasonable to require bidders to design renewable + BESS offers to be non-importing (so that the BESS is charged only from renewable energy). The normalized tax credit should be included in the revenue requirements used for evaluation.

6.1.4. An offeror may choose to provide a price offer for continued augmentation of a BESS to maintain its bid capacity level. If not, and if it is not possible for PacifiCorp to provide an upper bound on augmentation or cell replacement costs, BESS offers and the BESS components of hybrid offers should be evaluated with no augmentation (this would not preclude PacifiCorp from following an augmentation strategy after the purchase closes and justifying the augmentation costs separately in ratemaking).

6.2. Prior to bid receipt, PacifiCorp should determine the life of each resource type which will be used to evaluate the offer. This may include a determination that for evaluation purposes, BESS augmentation may be discontinued at some reasonable point prior to the designated useful life. It can be more or less than that the economic life in the asset’s depreciation schedule and could exceed the 25-year maximum for contracts subject to a reasonable limit (e.g., 30 years).

7. Resource - Specific Requirements

7.1. The initial draft RFP contains language (for example in the introductory paragraph of section 1.E) that appears to imply that PacifiCorp requires control of the BESS in a proposal for collocated renewable and storage resource. The RFP and the PPA should both make it clear that grid control does not extend to the renewable and BESS components separately, in order to preserve the ITC by ensuring that the battery is charged only with renewable energy.

7.2. “Collocation” should be more precisely defined – must the systems be on the same land parcels? Can they be on adjacent parcels? Can they be separated by a Right-of-Way?



7.3. Section 1.E.1 of the initial draft RFP contains a list of information to requested about BESS, referencing "Appendix C-tab 4". The information is not present in tab 4 of what has been provided (Appendix C-2); most appear on tab 1, but not a cost per cycle or any limitation on cycling. The RFP appears to give bidders great freedom in defining cycling limitations, which could make the evaluation difficult; for example, a bid could define a cycling metric that is not measurable or controllable by PacifiCorp. The RFP should provide a limited palette of possible cycling constraints.

7.4. Along with site control, will pumped storage hydro have to demonstrate water rights?

7.5. Will resources other than battery storage be required to provide an emergency response and remediation plan (including, of course, nuclear, but also hydrogen fuel cells, and probably others)?

8. Administrative requirements

8.1. PA recommends a general statement emphasizing that ALL communications emailed to PacifiCorp, whether they are questions, responses, bids, etc. include both IE addresses. Will proposals whose emailed versions do not address both IEs be rejected? If not, will PacifiCorp take the responsibility of identifying and forwarding them?

8.2. Proposals must be binding for 310 days. Is this number of days subject to revision for any reason, if, for example, the interconnection studies get delayed? The RFP also states that "All bid proposals shall have a bid validity date through 5:00 pm PPT, Thursday April 22, 2021," which is only 255 days from August 10.

8.3. Wire instructions will be provided to bidders who provide NOI five business days before July 6, 2020. However, NOIs are not due until July 20th.

Dated this 20th day of April, 2020.

Respectfully submitted,

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