BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

Docket No. UM 2059

In the Matter of PACIFICORP, dba PACIFIC POWER, Application for Approval of 2020 All-Source Request for Proposal.	Staff's Comments

The Public Utility Commission of Oregon Staff (Staff) offers these comments on PacifiCorp's (Company) Application for Approval of the 2020 All-Source Request for Proposal.

BACKGROUND

On February 24, 2020, PacifiCorp filed an Application for Approval of the 2020 All-Source Request for Proposal (2020AS RFP).[1] In Order No. 20-114, the Commission adopted Staff's recommendation to approve selection of PA Consulting as the Independent Evaluator (IE) for the 2020AS RFP, and to waive the requirement contained in OAR 860-089-0250(2)(a) for Commission approval of a proposal for scoring and associated modeling prior to preparing a draft RFP.[2] Subsequently, PacifiCorp filed a draft RFP April 22, 2020, which included proposed processes for scoring, ranking, screening, and evaluating bids submitted in response to the RFP.[3] The company described these proposed processes to the Commission during a Special Public Meeting and workshop on April 27, 2020.[4] Further, during a Special Public Meeting May 7, 2020 in Docket No. LC 70, the Commission acknowledged PacifiCorp's

[1] Docket No. UM 2059, PacifiCorp's Application for Approval of 2020 All-Source Request for Proposals (2020AS RFP), filed February 24, 2020.
[2] Docket No. UM 2059, Order No. 20-114, April 7, 2020.
[3] Docket No. UM 2059, 2020AS RFP, Main Document, pp. 24-32, and Appendix H.
[4] Docket UM 2059, Notice of Special Public Meeting and Agenda, April 21, 2020. See also, Docket UM 2059, Presentation for the April 27, 2020 Commission workshop available at: https://edocs.puc.state.or.us/efdocs/HAH/um2059hah182226.pdf.

2019 Integrated Resource Plan (IRP) with several conditions relevant to the 2020AS RFP.[5]

COMMENTS ON DRAFT 2020AS RFP

Based on the information provided by PacifiCorp, regular conversations between, Staff, PacifiCorp, and PA Consulting; and periodic conversations with non-bidding interested parties in Docket No. UM 2059, Staff notes that the draft 2020AS RFP is generally well reasoned and generally includes appropriate objectives, technical elements, and proposed modeling methodologies, with a caveat regarding the proposed screening model. Because PacifiCorp presented the details of the confidential screening model to Staff and PA Consulting on May 13, 2020, Staff has not had sufficient time to analyze the model's function and provide detailed comments here. Staff communicated this to PacifiCorp, noting that Staff may offer detailed comments on the screening model to the Company and as part of the Staff memo filed prior to the July 2, 2020, Special Public Meeting in Docket No. UM 2059. Below, Staff offers comments on the general screening process as well as other elements of the draft 2020AS RFP.

Comments Regarding Market Price Risk

Pursuant to the Commission's decision acknowledging PacifiCorp's 2019 IRP with certain conditions, Staff looks forward to reviewing the company's sensitivity analysis of the risks associated with lower-than-forecast energy prices over time.[6] In particular, Staff anticipates discussing with PacifiCorp and PA Consulting how to provide at least two different scenarios to bookend the possible impacts of off-system sales on the company's revenue requirement under these conditions. Staff expects the results of this analysis will be presented to the Commission in August 2020.

Comments Regarding Other 2019 IRP Conditions

The Commission's decision acknowledging PacifiCorp's 2019 IRP includes several other conditions relevant to the 2020AS RFP, which Staff expects to discuss with PacifiCorp in greater detail over the coming weeks and months.[7] These conditions include:

- An assessment of the potential capacity need impacts of Oregon customer preference,
- A need to better align the timing of the 2020AS RFP Initial Short List selection with the cluster study that PacifiCorp proposed to the Federal Energy Regulatory Commission (FERC) as part of its queue reform[8],

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[5] Docket UM 2059, Commission Acknowledgment Decision, May 7, 2020 special public meeting, Audio File 2 beginning at 13:35, Audio File 3, audio available at: https://www.oregon.gov/puc/news-events/Pages/default.aspx.

[6] Docket UM 2059, Commission Acknowledgment Decision, May 7, 2020 special public meeting, Audio File 2 beginning at 13:35, Audio File 3, audio available at: https://www.oregon.gov/puc/news-events/Pages/default.aspx.

[7] Docket UM 2059, Commission Acknowledgment Decision, May 7, 2020 special public meeting, Audio File 2 at 13:35, Audio File 3, audio available at: https://www.oregon.gov/puc/news-events/Pages/default.aspx.

[8] FERC Docket No. ER20-924, PacifiCorp tariff filing: OATT Queue Reform, January 31, 2020.

- A need to present the Final Short List alongside a sensitivity analysis developed to assess the near-term and year-over-year revenue requirement, and
- An analysis of the anticipated greenhouse gas (GHG) emissions from the RFP portfolio and whether it risks producing increased (GHG) emissions compared to current operations and trends.

Comments Regarding the Screening Model
As stated previously, Staff may provide more detailed comments on the screening model in a future Staff memo as Staff and the IE have had very little to review it. However, Staff notes the following with regard to PacifiCorp's proposed screen by resource type and geography.

In the draft 2020AS RFP, PacifiCorp proposes to apply a screen to all valid bids, by which the Company will score and rank them to identify the highest-ranking set of bids in each resources type (i.e. solar, wind, hydropower, etc.) in each geographic "bubble" of proposed interconnection points, up to a specified maximum nameplate capacity.[9] PacifiCorp has set this maximum at 150 percent of the capacity identified in the 2019 IRP's Preferred Portfolio in each geographic bubble, or 150 percent of the assumed interconnection limit in that bubble, or (in the case of Eastern Wyoming) 100 percent of the interconnection limit. The capacity limit in the screen would apply separately to each resource type. For example, while the 2019 IRP Preferred portfolio does not select any new generation resources in the PDX / Coast (Oregon) interconnection bubble, the proposed 2020AS RFP screen would set a cap of 195 MW, or 150 percent of PacifiCorp's assumed interconnection limit in that geographic bubble. This means that, after scoring and ranking all valid bids, the highest-ranking 195 MW of bids for new solar resources in "PDX/Coast" could proceed to the next phase of modeling, plus 195 MW of bids for new hydropower, plus 195 MW of bids for new standalone batteries, and so forth. For convenience, Staff refer to this as the "150 percent screen" below.

The pool of potential bidders includes all generation or energy storage facilities that submitted an interconnection request by January 31, 2020, plus a small number of other facilities that already have a signed interconnection agreement, but exclude any facilities proposed to be constructed by PacifiCorp or an affiliate. Staff estimates, based upon data in OASIS regarding PacifiCorp's interconnection queue as of January 31, 2020, at least 263 facilities of various types, representing at least 38,446 MW of nameplate capacity, could be eligible to submit bids in response to the 2020AS RFP in one of the locational bubbles with interconnection capacity identified in Appendix H.[10]

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[9] Docket No. UM 2059, 2020AS RFP, Main Document, pp. 24-27, Appendix H, and Appendix H-1.
[10] PacifiCorp OASIS Generation Interconnection queue, Open Access Technology International, Inc. (OATI), https://www.oasis.oati.com/ppw/index.html accessed May 19, 2020. Note that PacifiCorp generally cites an interconnection queue totaling more than 43,000 MW as of January 31, 2020, but this appears to be a gross total. For the purpose of these comments, Staff have netted out: 1) resources in the queue to be constructed by PacifiCorp or its affiliates, as they would be ineligible to bid, 2) resources with a signed LGIA that has been suspended; and 3) resources in Montana. Although Montana resources might be eligible to bid and interconnect to the Colstrip transmission system, Appendix H does not identify any locational criteria for Montana, nor does the 2019 IRP Preferred Portfolio identify any Montana resource additions. These exclusions do not affect the concerns raised in Staff's comments herein.

Staff recognizes that this is a very large and diverse pool of potential bids, likely to lead to robust competition between bidders, which is the purpose of the RFP process. However, due to an uneven distribution by location and resource type of resources with pending interconnection requests, the 150 percent screen affects the pool of potential bidders unevenly. Staff questions whether some the most-competitive bids overall could be eliminated by the initial screen, while some less competitive bids could make it through simply because few competitors of the same resource type exist in one particular location.

For example, Appendix H of the draft 2020AS RFP identifies 923MW as the locational cap for the Willamette Valley bubble, but PacifiCorp's OASIS interconnection queue only has six (6) solar resources, representing 87 MW of nameplate capacity and two (2) hydropower resources representing slightly more than 5 MW, pending interconnection in the Willamette Valley bubble as of January 31. Although there could be a small number of other facilities in this location eligible to bid in response to the 2020AS RFP, PacifiCorp's proposed screen is unlikely to actually eliminate any resources in this location. Further, there are several different types of resources that could potentially submit bids in the Yakima (Washington) and Goshen (Idaho) locational bubbles, and the proposed screen would set a large enough capacity limit to eliminate few if any bids in the screening process.

The potential bids most likely to be eliminated are those in a location with many large bids of the same resource type. This tends to occur in a location where a particular resource type is generally very cost-competitive due to geographic factors (i.e. wind resources in Eastern Wyoming or solar resources in the Utah desert). For example, the Southern Oregon locational bubble is proposed to be capped at 750 MW per resource type. Based on the OASIS interconnection queue as of January 31, 2020, the pool of potential bids could include at least the following:

- 2,160 MW of solar resources (45 facilities),
- 1,870 MW of solar plus battery resources (11 facilities),
- 415 MW of pumped storage hydropower resources (1 facility),
- 400 MW of wind resources (1 facility),
- 10 MW of hydropower resources (3 facilities), and
- 8 MW of geothermal resources (1 facility).

Assuming all or most of the potential bidders actually submit valid bids, only the list of bids from solar and solar plus battery resources may be winnowed during the screen process. The hydropower, geothermal, pumped storage, and wind resources would not be affected by the screen. While Staff recognizes PacifiCorp's reasonable desire to keep a potentially unwieldy list of bids manageable, the potential results of the screen above seem counter-intuitive to Staff.

In its 2019 IRP Preferred Portfolio, PacifiCorp identified the preferred resource addition in Southern Oregon as 500MW of solar generation collocated with 125MW of battery energy storage. In other words, the IRP models expect the least-cost, least-risk resource in this location to be solar plus battery. However, the IRP models (System

Optimizer or "SO," and Planning and Risk or "PaR") might potentially never be used to evaluate many of the solar plus battery storage bids submitted in response to the 2020AS RFP. Instead, only the highest-ranking 750MW of solar plus battery bids would be evaluated using the IRP models. At the same time, the IRP models would be used to evaluate any of the bids from wind, geothermal, or hydropower resources in this location, even if they would have scored and ranked lower than every single one of the solar plus storage bids. Similarly, if all facilities comprising the 87MW of solar resources in the Willamette Valley bubble submit valid bids, SO and PaR will be used to evaluate all of them, even though the 2019 IRP Preferred Portfolio did not identify any new resources at all in the Willamette Valley bubble, nor the Goshen bubble, West Wyoming bubble, and so forth.

Staff questions why the RFP screen by resource type and location seems disconnected from the Preferred Portfolio in the 2019 IRP. Phrased another way, why should a 400MW wind resource in Southern Oregon automatically pass through the screening model, while another resource of a different type (i.e. solar plus battery) face likelihood of elimination by the initial screening, even though the IRP modeling indicated the second resource types is likely to be the best available option? Staff understands that SO and PaR could very well select solar plus battery resources as the best bids in Southern Oregon (or other resources, or no bids at all from Southern Oregon), but Staff questions whether thinning the competition could indirectly and arbitrarily increase the competitiveness of bids such as the only wind resource in this example, and decrease competitiveness of resources that are more likely to be least-cost, least-risk.

Separately, but not unrelated to the example above, Staff is concerned that the screening model could introduce utility bias into the RFP process. Past experience indicates that a utility like PacifiCorp is more likely to find a wind resource developed under a Build-Transfer Agreement (BTA), eventually generating Production Tax Credits (PTCs), as potentially beneficial to the utility and thus more attractive than a solar resource from which the utility purchases energy under a Power Purchase Agreement (PPA). In this example, a screening model that screens out solar resources but allows wind resources to proceed to the IRP models might not be arbitrary. It might benefit the utility, while it might or might not benefit ratepayers.

Staff recognizes that all of these scenarios are hypothetical, and none of them may come to pass. However Staff could have concerns if the resource portfolio in the Initial Short List and the Final Short List differ markedly from the 2019 IRP Preferred Portfolio or in a way that seems to favor utility-owned generation assets.

Comments Regarding Bidder Eligibility

PacifiCorp's draft 2020AS RFP requires documentation that a bidder submitted an interconnection request on or before January 31, 2020.[11] Staff discussed with the company and with PA Consulting whether this cut-off date is fair to potential bidders, as it was not publically announced until after PacifiCorp Transmission filed its queue reform application with FERC.[12] FERC agreed with PacifiCorp that this cut-off date is

[11] Docket No. UM 2059, 2020AS RFP, Main Document, p. 15.

[12] FERC Docket No. ER20-924, PacifiCorp tariff filing: OATT Queue Reform, January 31, 2020.

reasonable in its May 12, 2020 order, though a request for rehearing is pending on that issue.[13]

If PacifiCorp proceeds with the 2020AS RFP using the January 31, 2020, cut-off date, Staff does not perceive that as inherently unfair or uncompetitive. But a later cut-off date could allow a more diverse set of competitive bids to be submitted in each locational bubble. Staff notes that, if the cut-off date were to be revised to April 1, 2020, an additional 12 facilities representing 1,974 MW of nameplate generation capacity could be eligible to bid. If the cut-off date were revised to May 1, 2020, that could allow an additional 40 facilities representing 5,947MW of capacity to bid, compared with the January 31 cut-off. Many of these additional potential bidders would simply be screened out in locations with a significant oversupply of interconnection requests relative to the assumed interconnection capacity in that location. However, a different cut-off date could allow, for example, a second wind resource to bid in the Southern Oregon bubble, potentially providing some competition for that resource type in that location. A later cut-off date could also allow two solar plus battery resources to bid in the Goshen bubble, where there are no potential bidders of that type as of January 31.

SUMMARY

Staff notes that the draft 2020AS RFP generally appears to comply with the Commission's competitive bidding rules, with the waiver provided by Commission order noted above. Further, Staff expects to work with PacifiCorp to address the additional analyses specified by the Commission in its order acknowledging the 2019 IRP, as described above. Finally, Staff may provide additional comments on the screening model and other elements of the draft 2020AS RFP to the Company and as part of the Staff memo prior to the July 2, 2020 Special Public Meeting.

This concludes Staff's comments.

Dated at Salem, Oregon, this 22nd of May, 2020

/s/ Nicholas A. Colombo

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[13] FERC Docket No. ER20-924, 171 FERC 61, 112, Order on Tariff Revisions, May 12, 2020. Note that the Solar Energy Industries Association filed a request for a partial rehearing regarding the cut-off date, on which FERC has not yet ruled.