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March 29, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
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Attn: Filing Center

RE: UM 1845—PacifiCorp's Reply Comments

PacifiCorp d/b/a Pacific Power submits these comments in support of acknowledgment of the final shortlist in its 2017R Request for Proposals (RFP) and in response to comments filed March 19, 2018, by Staff of the Public Utility Commission of Oregon (Staff), the Industrial Customers of Northwest Utilities (ICNU), Avangrid, and Caithness Beavercreek, LLC (Caithness).[1]

I. INTRODUCTION

PacifiCorp respectfully requests the Public Utility Commission of Oregon (Commission) acknowledge the company's final shortlist of bidders in PacifiCorp's 2017R RFP.[2] The solicitation process complied with the Commission's Competitive Bidding Guidelines (Guidelines) and was transparent and fair to all bidders. The Commission approved the 2017R RFP[3] and PacifiCorp conducted the solicitation process in accordance with the Commission's approval.

The 2017R RFP was a fair, unbiased, and transparent process that included rigorous analysis of net benefits to customers and extensive oversight by two *independent* evaluators throughout the entire process. One independent evaluator was retained by PacifiCorp and appointed by the Commission (Independent Evaluator), and one was retained by the Public Service Commission of Utah. The Independent Evaluator recommends that the Commission acknowledge the final shortlist in part because it found that the 2017R RFP was a competitive process and the final shortlist represents "the best viable options."[4] The

[1] PacifiCorp focuses these reply comments on replying to arguments that are relevant to acknowledgment of the final shortlist. Declining to address irrelevant arguments does not indicate agreement with those arguments.
[2] *In the Matter of the Pub. Util. Comm'n of Or., Investigation Regarding Competitive Bidding*, Docket No. UM 1182, Order No. 14-149 at 14 (Apr. 30, 2014) (adopting mandatory acknowledgement of final shortlists to "promote transparency in the utility procurement process").
[3] *In the Matter of PacifiCorp dba Pacific Power, Request for Proposals of an Independent Evaluator to Oversee the Request for Proposal Process*, Docket No. UM 1845, Order No. 17-345 (Sept. 14, 2017); *In the Matter of PacifiCorp dba Pacific Power, Request for Proposals of an Independent Evaluator to Oversee the Request for Proposal Process*, Docket No. UM 1845, Order No. 17-367 (Sept. 27, 2017).
[4] Independent Evaluator Report at 1.

Independent Evaluator also found that the PacifiCorp was transparent throughout the process, providing all information requested.[5] The Utah independent evaluator's final report, issued in February 2018, generally reached the same conclusions as the Oregon Independent Evaluator.[6]

The Commission-approved 2017R RFP produced a robust market response that resulted in a final shortlist consisting of four projects:

- The TB Flats I and II project providing 500 MW of capacity in Carbon and Albany Counties, Wyoming;
- The Cedar Springs project providing 400 MW of capacity in Converse County, Wyoming;
- The Ekola Flats project providing 250 MW of capacity in Carbon County, Wyoming; and
- The Uinta project providing 161 MW of capacity in Uinta County, Wyoming.

Together, this least-cost, least-risk portfolio of bids will provide 1,311 MW of zero-fuel-cost, emission-free generation to serve PacifiCorp's customers consistent with the 2017 Integrated Resource Plan (IRP). Approximately 1,150 MW of this capacity (TB Flats I and II, Cedar Springs, and Ekola Flats) is located within the transmission-constrained area of PacifiCorp's transmission system in eastern Wyoming and is enabled by the Aeolus-to-Bridger/Anticline transmission line. The remaining 161 MW of capacity (Uinta) is located in western Wyoming, outside of the transmission constraint.

In reviewing the RFP final shortlist, the Commission must determine whether the final shortlist "seems reasonable, based on the information provided to the Commission at that time."[7] The shortlist acknowledgment proceeding is not a prudence determination—"any ratemaking determinations would occur at a later time."[8]

Staff purports to agree with and rely on many findings in the Independent Evaluator's report, yet somehow reaches a conclusion that completely departs from the Independent Evaluator's recommendation.[9] Based on the same analysis that led the Independent Evaluator to conclude that the final shortlist was reasonable and should be approved, Staff contrarily concludes that: (1) the RFP process did not result in the selection of the best resources for customers; (2) key decisions near the end of the RFP process challenge the fairness and transparency for a competitive RFP; and (3) the size of the portfolio and the types of projects do not best reflect the IRP analysis that formed the basis of the RFP.[10] Staff and ICNU

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[5] *Id.* at 4.
[6] The public version of the Utah independent evaluator's final report can be found at https://pscdocs.utah.gov/electric/17docs/1703523/300621IERedacFinRep2-27-2018.pdf.
[7] *Pub. Util. Comm'n of Or., Internal Operating Guidelines,* UM 1709, Order No. 14-358, Appendix A at 16 (Oct. 17, 2014).
[8] Order No. 14-358, Appendix A at 16.
[9] *See* Staff Comments on the Independent Evaluator's Closing Report (Staff Comments) at 5.
[10] *Id.* at 5-6.

selectively rely on excerpts from the Independent Evaluator's report, but Staff's and ICNU's conclusions are completely undermined by the conclusions and analysis in both the Oregon and Utah independent evaluator reports.

Contrary to assertions made by Avangrid, Staff, and ICNU, PacifiCorp's interconnection requirements did not harm competition. Avangrid bases its assertions on misguided theories about how PacifiCorp transmission should process its interconnection requests, which PacifiCorp clarifies in these comments.

PacifiCorp again responds to Caithness's assertions and explains that Caithness was not inappropriately excluded, a decision supported by the Independent Evaluator.

II. REPLY

A. The Independent Evaluator Recommends that the Commission Acknowledge the Final Shortlist.

After actively participating in the 2017R RFP process, the Independent Evaluator recommends that the Commission acknowledge the company's final shortlist as presented, based on the following conclusions:

- The selected bids represent the top offers that are viable under current transmission planning assumptions and provide the greatest benefits to customers.
- The selected bids represent the best viable options from a competitive perspective, based on the 59 bid options presented.
- The Independent Evaluator's independent analysis confirmed that the selected bids in the final shortlisted portfolio were reasonably priced and, while not the lowest-cost offers, were the lowest-cost offers that were viable under current transmission planning assumptions. The Independent Evaluator's independent analysis included its own cost models for each bid option and a review of PacifiCorp's models.
- The Independent Evaluator took special care to confirm the selection of PacifiCorp's benchmark resources and confirmed the accuracy of the benchmark costs and scoring. The Independent Evaluator noted that the benchmark bids were disciplined by the fact that a third-party bidder submitted a competing offer for a build-transfer agreement (BTA) for benchmark projects.
- The Independent Evaluator confirmed that the 2017R RFP aligns with the 2017 IRP. [11]

While stakeholders rely on the Independent Evaluator's report to support their arguments, Staff and ICNU reach a conclusion that completely departs from that report. Staff and ICNU

[11] Independent Evaluator's Final Report on PacifiCorp's 2017R Request for Proposals (Independent Evaluator Report) at 2-3.

seem to give very little weight to the Independent Evaluator's ultimate recommendation to the Commission.

The Independent Evaluator is an independent expert appointed and managed by the Commission—not PacifiCorp—to ensure that the RFP process was conducted in a fair and unbiased manner and to ensure that the final shortlist projects are reasonable and consistent with the modeling results used to evaluate bids. The Independent Evaluator participated "in the entire RFP process from design, through bid receipt and analysis to selection of the Initial and Final Shortlists."[12] Many of the Independent Evaluator's comments in the 2017R RFP approval process ultimately shaped the final 2017R RFP, including bid requirements, minimum thresholds, and deliverables. The primary purpose of the Independent Evaluator's closing report is to provide a recommendation regarding acknowledgment of the Final Shortlist.

In the closing report, the Independent Evaluator outlined its active involvement throughout each step of the RFP process. The Independent Evaluator was involved with the bidder conference and reviewed all responses to bidder questions before posting.[13] The Independent Evaluator also "participated in calls with the bidders to make sure that all parties understood the terms and conditions of the bid and any deficiencies encountered."[14] The Independent Evaluator reviewed assumptions used by PacifiCorp in bid evaluation such as cost of capital, asset lives, and forward market values, and confirmed that the numbers were consistent with the most recent IRP process or the company's forecasts.[15] For its part, PacifiCorp ensured that both independent evaluators had complete and unrestricted access to all information and communication related to the 2017R RFP bids and evaluations and kept both informed of developments as they occurred.

In reviewing and ranking the bids, the Independent Evaluator verified the rankings in several ways: (1) reviewed each screening model for initial shortlist selection to make sure that the details of the bids were properly input and that all bids used the same default assumptions; (2) reviewed the terms and conditions of the bids and compiled its own non-price scores to compare against PacifiCorp's non-price scores; (3) tested PacifiCorp's screening models by inputting key costs of each bid option into the Independent Evaluator's own cost model, which determined an annual $/megawatt-hour (MWh) annuity cost for the bid option[16]; (4) conducted their own ranking of bids based on price and non-price scores; and (5) requested specific/unique sensitivity analysis by PacifiCorp using its final shortlist production cost models regarding a range of topics used to help formulate their conclusions.

[12] *Id.* at 3.
[13] *Id.* at 8.
[14] *Id.* at 12.
[15] *Id.* at 8.
[16] *Id.* at 16.

Despite both independent evaluators supporting PacifiCorp's selection of bids to the final shortlist, and the Oregon Independent Evaluator's recommendation to acknowledge the final shortlist, Staff suggests "it may be worth weighing the costs associated with the loss of some production tax credit (PTC) value versus the value of a more competitive and better designed RFP."[17] Such an action would needlessly result in the forfeiture of millions of dollars in PTC benefits for customers to implement the 2017 IRP action plan that has been acknowledged by the Commission. Staff seems to suggest that customers should lose out on significant PTC benefits to address Staff's perceived deficiencies in the 2017R RFP process, despite the fact that two independent evaluators found that the process was fair and unbiased, and the Oregon Independent Evaluator recommends that the Commission acknowledge the final shortlist. The independent evaluators, unlike Staff and ICNU, participated in the entire RFP process and are in the best position to judge the process and its outcome.

B. The Solicitation Process Conformed to the Commission-approved 2017R RFP, and Parties had an Opportunity to Engage Throughout the Process.

The Commission conditionally approved PacifiCorp's 2017R RFP on September 14, 2017, and required the company to adopt multiple changes as recommended by the Independent Evaluator and stakeholders and to align the RFP with changes proposed in the Utah docket.[18] The company agreed to the modifications as required by Order Nos. 17-345 and 17-367, and issued the RFP September 27, 2017. Throughout the RFP process, the Independent Evaluator was in constant contact with PacifiCorp and Staff discuss and address issues as they arose, as well as to coordinate with the Utah independent evaluator to ensure the 2017R RFP was being implemented consistently with competitive bidding guidelines and rules in both states. The solicitation process conformed to the Commission-approved RFP.

Staff claims that parties did not have adequate time to review the acknowledgment materials.[19] Staff even claims that the process "undercuts some of the purpose and intent" behind the Guidelines because of the treatment of highly confidential materials in this proceeding.[20] But Staff's claim is unfounded.

Parties have had the opportunity to actively participate in the acknowledgment process and have been provided additional time to file comments if they chose to do so. Staff fails to acknowledge that it made multiple requests to amend the procedural schedule to provide stakeholders with additional time to review. PacifiCorp did not object to those requests,[21]

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[17] Staff Comments at 15.
[18] *See* PacifiCorp's Status Update filed in this docket on September 25, 2017, which detailed the modifications from the Public Service Commission of Utah's order in its docket 17-035-23.
[19] *See* Staff Comments at 11.
[20] *Id.* at 14.
[21] PacifiCorp filed a response to Staff's February 22, 2018 request to amend the procedural schedule because Staff filed its request the same day that it contacted PacifiCorp—and without giving PacifiCorp an opportunity to respond with its availability to the proposed dates. PacifiCorp was neither consulted with nor notified regarding Staff's second request to change the schedule filed March 6, 2018.

and those schedule changes were granted, which provided parties with additional time to engage in this process.[22]

Although certain parties contested the modified protective order, Staff and parties' comments were ultimately filed over one month after PacifiCorp made its initial request for acknowledgment. Certain parties simply elected to not engage in this proceeding after the Commission issued its order largely upholding PacifiCorp's requested modified protective order.[23] In its surresponse, the Northwest and Intermountain Power Producers' Coalition (NIPPC) stated that it would not execute PacifiCorp's modified protective order.[24] But NIPPC ultimately did execute the modified protective order March 12, 2018, and sent a representative to review the highly confidential materials March 20, 2018. ICNU elected to review the highly confidential materials March 15, 2018, and file comments informed by that review. Therefore, there was ample time to participate in this proceeding if parties chose to do so.

C. Acknowledgment of the Final Shortlist is not the Proper Forum to Determine Ratemaking Treatment.

In addition to recommending acknowledgment of the final shortlist, the Independent Evaluator expanded the scope of the report to include recommendations for ratemaking treatment. These recommendations regarding ratemaking treatment are not properly within the scope of the acknowledgment process. The Guidelines state that acknowledgment of a final shortlist in the RFP process "will have the same legal force and effect as IRP acknowledgment in any future cost recovery proceeding."[25] It is neither a prudence determination nor a type of pre-approval for ratemaking purposes.

The Independent Evaluator's three recommendations for ratemaking treatment include: (1) that all company-owned resources should be held to their capital and operations and maintenance (O&M) projections as provided in the bids in the form of a "hard cap"; (2) that PacifiCorp should provide an unconditional guarantee that ratepayers receive the full projected value of the PTC; and (3) that the company should be held to the cost projections for the Aeolus-to-Bridger/Anticline transmission line (a/k/a Segment D.2).[26] The Independent Evaluator also notes that the Commission may choose to consider future rate mitigation to address cost increases in 2031.[27]

[22] Staff's proposed schedule, filed March 6, 2018, does not comply with the competitive bidding guidelines because it does not result in the Commission's consideration of the final shortlist within 60 days of filing. PacifiCorp did not object, however, to allow Staff and other parties additional time to review.
[23] Order No. 18-080 at 4.
[24] NIPPC's Surresponse in Opposition to Motion for Modified Protective Order at 1.
[25] Order No. 14-149, Appendix A at 5.
[26] Independent Evaluator Report at 4-5.
[27] *Id.* at 6.

The Independent Evaluator's recommendation regarding future ratemaking treatment is very similar to recommendations made by the independent evaluator during the 2009R RFP, which Staff rejected as inappropriate in the acknowledgement process and appropriate for future rate proceedings. In the 2009R RFP, the independent evaluator recommended, among other things, that at the time of ratemaking treatment, the Commission hold the company to its cost estimates. In response, Staff noted that "the ratemaking treatment for the prudently incurred costs of the PacifiCorp benchmark resource is the proper subject of a future rate proceeding."[28]

Staff claims that the Independent Evaluator's recommendations regarding ratemaking treatment "seems to make its shortlist acknowledgment recommendation contingent upon adopting specific risk mitigation efforts."[29] The Independent Evaluator did not make this assertion. The Independent Evaluator instead finds that the bids represent the top viable offers and are projected to provide net benefits.[30] The Independent Evaluator further notes that "with proper risk mitigation the offers can provide value to ratepayers."[31] As Staff points out, the Commission already requested that the Independent Evaluator monitor benchmark bid terms and contract negotiations in accordance with Oregon's Guidelines so that issues of cost overruns are monitored throughout the RFP process and not just in subsequent ratemaking.[32]

Staff seems to argue that the Commission cannot accept the Independent Evaluator's recommendation regarding acknowledgment without accepting the recommendation regarding ratemaking treatment. Staff then seems to claim that because the Commission will not (or should not) make such a prudence determination here, acknowledgment is inappropriate. This logic does not withstand scrutiny. Merely following the process for what is appropriately considered in an acknowledgment proceeding versus a subsequent ratemaking proceeding does not "call [the Independent Evaluator's] ultimate recommendation for acknowledgment into question."[33]

ICNU argues that "the Commission should not adopt the [Independent Evaluator's] recommended conditions at this time."[34] Instead, ICNU states that it would likely support these conditions in a future prudency review if the Commission ultimately determines that PacifiCorp acted prudently in a subsequent rate review.[35] ICNU points out that the question

[28] *In the Matter of PacifiCorp dba Pacific Power Request for Approval of Draft 2009R Request for Proposals for New Renewable Resources*, UM 1429, Order No. 09-492, Appendix A at 6.
[29] Staff Comments at 8.
[30] Independent Evaluator Report at 37.
[31] *Id*.
[32] Order No. 17-345 at 4. The Commission noted that it "did not commit to holding PacifiCorp accountable for benchmark bids' cost and performance assumptions."
[33] Staff Comments at 13.
[34] ICNU Comments at 13.
[35] *Id.* at 14.

for the Commission in this acknowledgment proceeding is about the reasonableness of the final shortlist.[36]

Acknowledgment does not "provide a guarantee of favorable ratemaking treatment,"[37] and the Commission "does not become directly involved in bid evaluation and selection."[38] Instead, acknowledgment is a determination that a final shortlist "seems reasonable, based on the information provided to the Commission at that time."[39] Similar to its pre-prudence recommendations in the 2017 IRP proceeding, Staff once again discounts the Commission's ability to review the prudence of utility resource decisions in future ratemaking proceedings.

D. PacifiCorp's Interconnection Requirements Did Not Harm Competition.

Staff, ICNU, and Avangrid raise concerns with when and how PacifiCorp considered the interconnection requirements associated with the RFP bids. Before addressing any specific commenter concerns, below PacifiCorp reviews the federal interconnection requirements that govern how PacifiCorp transmission processes generator interconnection requests, as well as an application of those requirements in the constrained area of PacifiCorp's Wyoming transmission system. With that overarching federal structure in mind, PacifiCorp then explains why Avangrid's misguided theories about how PacifiCorp transmission should process its interconnection requests would ignore these federal requirements and effectively render PacifiCorp transmission's interconnection queue meaningless. Next, PacifiCorp responds to comments questioning the value of the RFP process in light of the interconnection restrictions, noting, importantly, that interconnection considerations resulted in PacifiCorp increasing interconnection capacity, which allowed the company to replace one bid with another—more economic—bid, with all other bids remaining unchanged. Finally, PacifiCorp addresses suggestions that it should have considered the interconnection limitations earlier in the process, explaining that doing so would have ignored commenter and independent evaluator requests that PacifiCorp eliminate the interconnection study requirement from the minimum bid eligibility screen, limited participation, and reduced competitive forces that drive least-cost bidding.

1. Overview of federal interconnection requirements and their application to PacifiCorp's Wyoming interconnection queue.

Staff expressed concern that the risks associated with "the nature and impact of the interconnection queue issues"[40] have not been fully explored. Staff observes that many interconnection customers in PacifiCorp's interconnection queue are not ultimately viable,

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[36] *Id.*
[37] *In the Matter of the Pub. Util. Comm'n of Or., Investigation Regarding Competitive Bidding*, Docket No. UM 1182, Order No. 06-446 at 15 (Apr. 30, 2014).
[38] Order No 14-358, Appendix A at 16.
[39] *Id.*
[40] Staff comments at 9.

and that PacifiCorp has provided no evidence that this same problem will not plague the projects at the top of the current interconnection queue. In response to Staff's interest in learning more about PacifiCorp's interconnection queue, PacifiCorp briefly describes its federal interconnection requirements.[41]

PacifiCorp transmission must process its interconnection queue in accordance with its open access transmission tariff (OATT) and the policies and precedent established by the Federal Energy Regulatory Commission (FERC), which include the following key requirements:

- PacifiCorp transmission assigns each generator requesting interconnection service a queue number based on the date and time of the request relative to other interconnection requests;[42]
- PacifiCorp transmission must study the facilities required to grant each generator interconnection request in serial queue order;[43] and
- Each interconnection study must include a baseline assumption that higher-queued generator interconnection requests (or requests earlier in the queue)[44] and generators with executed interconnection agreements are interconnected and that any facilities required to interconnect those other generators are in service.[45]

As Staff accurately observes, this FERC-required first-come, first-served approach to studying interconnection requests is a black-and-white approach that prioritizes open access to PacifiCorp's transmission system over limiting considerations that might increase

[41] After reviewing Staff's comments, PacifiCorp also offered to set up a meeting to explain interconnection queue issues, but Staff stated that it would not participate unless all parties in the docket were involved. Since several parties are bidders in this RFP process and are likely bidders in future processes, PacifiCorp was not comfortable with an all-party meeting.

[42] *See, e.g.*, PacifiCorp OATT, Section 36 (Definitions) (defining "Queue Position" as "the order of a valid Interconnection Request, relative to all other pending valid Interconnection Requests, that is established based upon the date and time of receipt of the valid Interconnection Request by the Transmission Provider."); Section 39.1 ("Transmission Provider shall assign a Queue Position based upon the date and time of receipt of the valid Interconnection Request").

[43] *See, e.g.*, PacifiCorp OATT, Section 39.1 ("The Queue Position of each Interconnection Request will be used to determine the order of performing the Interconnection Studies and determination of cost responsibility for the facilities necessary to accommodate the Interconnection Request.").

[44] PacifiCorp's OATT states that a "higher queued Interconnection Request is one that has been placed 'earlier' in the queue in relation to another Interconnection Request that is lower queued." PacifiCorp OATT, Section 39.1.

[45] *See, e.g.*, PacifiCorp OATT, Section 42.3, Scope of Interconnection System Impact Study ("The Interconnection System Impact Study shall evaluate the impact of the proposed interconnection on the reliability of the Transmission System. The Interconnection System Impact Study will consider the Base Case as well as all generating facilities (and with respect to (iii) below, any identified Network Upgrades associated with such higher queued interconnection) that, on the date the Interconnection System Impact Study is commenced: (i) are directly interconnected to the Transmission System; (ii) are interconnected to Affected Systems and may have an impact on the Interconnection Request; (iii) *have a pending higher queued Interconnection Request to interconnect to the Transmission System; and (iv) have no Queue Position but have executed an LGIA* or requested that an unexecuted LGIA be filed with FERC.") (emphasis added).

efficiency, such as an assessment of project viability. Importantly, this interconnection study approach places a heavy emphasis on queue position, and it does not allow lower-queued projects to "jump" or "cut ahead" of higher-queued projects.

FERC itself has recognized that this approach is imperfect. For example, when projects at the top of the queue drop out, lower-queued projects must be restudied because, as noted above, each study builds on the baseline assumption that projects at the top of the queue are in service.[46] FERC has also recognized that this study approach can be especially challenging where a transmission provider is evaluating multiple requests competing for the same limited interconnection capability,[47] specifically noting that there can be drastic differences in the interconnection requirements of a lower-queued interconnection request that "happens to trigger the need for a network upgrade" as opposed to higher-queued requests.[48]

This is precisely the case here. Currently there are over 25,000 megawatts (MW) in PacifiCorp's generator interconnection queue, including over 9,000 MW seeking interconnection in a constrained area of PacifiCorp's transmission system in Wyoming. Gateway West (including Segment D.2) and Gateway South, which have been part of PacifiCorp's long-term transmission plan since 2007 and are currently estimated to be in-service in 2024, will relieve constraints in that area. As a result, PacifiCorp transmission has previously issued interconnection studies identifying that portions of its long-term transmission plan (*e.g.*, Gateway West, or Gateway West *and* South) must be in-service for PacifiCorp to grant additional interconnection requests in that constrained area, meaning that the interconnection study concludes that the generator cannot reliably interconnect before 2024.

PacifiCorp is accelerating the construction of a portion of its long-term transmission plan (*i.e.*, Segment D.2 of Gateway West) to 2020, however, PacifiCorp transmission performed interconnection restudies, in the OATT-required, serial-queue order, to reflect that revised assumption. While this restudy resulted in some projects at the top of the queue receiving restudy reports stating that they could reliably interconnect in 2020 (with just Segment D.2) instead of in 2024,[49] the construction of significant additional transmission improvements is

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[46] *See, e.g.*, *Interconnection Queuing Practices*, 122 FERC ¶ 61,252 at P 15 (2008) (noting that the ease with which a developer can secure a position in the queue, even for projects that may not be commercially viable, "can result in large numbers of interconnection requests being ultimately withdrawn, which in turn slows down the process by necessitating more study and restudy.").
[47] *Id.* (observing that, although the first-come, first-served approach "made good sense at the time Order No. 2003 [*i.e.*, FERC's landmark interconnection policy] was issued and still works well in many situations, it has led to some unexpected consequences, particularly in transmission systems with numerous interconnection customers and limited excess transmission capacity.").
[48] *Id*.
[49] The restudies also indicated that PacifiCorp transmission could interconnect more MW of generation behind the transmission constraint in southeastern Wyoming than originally anticipated (*i.e.*, 1,510 MW instead of 1,270 MW).

still necessary for projects with queue positions that are relatively near the top of the queue (*i.e.*, Q0713).[50] This is because, as noted above, FERC's interconnection study methodology requires PacifiCorp to assume all higher-queued projects are in-service when studying lower-queued projects.

The Independent Evaluator report recognized these federal interconnection rules,[51] as well as the fact that, applied here, significant transmission improvements are required for all projects with queue numbers greater than Q0712—improvements that are not planned to be in service by the end of 2020. Consequently, any bid proposing a project in the constrained area of PacifiCorp's transmission system with an interconnection-queue position greater than Q0712 cannot receive interconnection service and achieve commercial operation by the end of 2020 as required in the 2017R RFP. The Independent Evaluator concluded that it "understand[s] and appreciate[s] PacifiCorp's position and do[es] not disagree with their transmission department's findings (beyond noting the obvious fact that many projects will likely drop out of the queue and that actual interconnection costs will differ from projected)."[52] According to the Independent Evaluator, "[t]o go forward with projects that cannot meet the proposed online date without major accelerated transmission investment would not seem to be the wisest course of action."[53]

PacifiCorp would need to seek FERC approval to deviate from these basic interconnection queue processing rules, including to study projects in the manner suggested by Avangrid, as discussed next.

2. Avangrid misunderstands FERC interconnection policy.

PacifiCorp has not "conflated" priority to interconnection service with priority access to transmission service as Avangrid claims.[54] Avangrid's comments display a fundamental misunderstanding of FERC interconnection policies, highlighting select interconnection agreement provisions and select quotes from FERC orders but omitting the broader federal framework within which those provisions and statements operate.

PacifiCorp agrees with Avangrid that FERC policies require interconnection service and transmission service to be requested, studied, and granted separately, and that granting

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[50] For example, the Q0713 interconnection study identified multiple 230 kilovolt ("kV") line overloads for loss of the 500 kV elements, even after employing a generation dropping scheme. The study therefore requires significant transmission improvements, such as a new transmission line from Aeolus to Clover.
[51] The Independent Evaluator explained that PacifiCorp's "transmission arm, which assesses interconnection costs, must, by law, assume that each queue project is interconnected in order received so each project assumes that all projects ahead of it in the queue are interconnected." Independent Evaluator Report at 32. Thus, "[a]s more projects in the Wyoming area are interconnected it puts more strain on the transmission system until eventually major upgrades such as the Gateway West and South projects are needed." *Id.*
[52] Independent Evaluator Report at 35.
[53] *Id.*
[54] Avangrid Comments at 3.

interconnection service does not convey transmission delivery rights.[55] Indeed, PacifiCorp's interconnection studies assess interconnection capability, not transfer (or transmission delivery) capability as Avangrid inaccurately suggests.[56]

Avangrid makes two additional assertions that have no support in PacifiCorp's OATT rules: (1) that transmission system constraints should simply be ignored when a transmission provider studies interconnection requests;[57] and (2) a viability-based assessment should be factored into the interconnection request study process.[58] While it is not clear precisely how this would work, it seems Avangrid would have PacifiCorp transmission study each generator interconnection request as if it is the only one, ignoring any higher-queued generators and effectively rendering PacifiCorp's (and FERC's) interconnection queue meaningless. In addition to being inconsistent with OATT requirements, Avangrid's suggested study approach would result in deficient facility requirements and expose PacifiCorp and its customers to considerable costs for infrastructure upgrades that are required to operate in a safe and reliable manner because studying projects in sequential order is critical in identifying the proper amperage and fault duty required for circuit breakers, circuit switches, etc., as well as amperage requirements for substation bus work and transmission lines.

As described in detail in above, FERC's first-come, first-served interconnection rules require PacifiCorp transmission to study interconnection requests in serial queue order, with each interconnection study including as a baseline assumption that higher-queued generator interconnection requests and generators with executed interconnection agreements are interconnected and that any facilities required to interconnect those other generators are in service.

Avangrid's misguided theories about how PacifiCorp transmission should process its interconnection requests should be disregarded because they ignore federal interconnection policy and precedent and PacifiCorp's OATT requirements.

3. Interconnection considerations did not impact the value of PacifiCorp's competitive solicitation process.

Staff and ICNU question the value of the RFP process in light of the interconnection considerations, primarily quoting from the Independent Evaluator's report but drawing an opposite conclusion. For example, Staff concluded that the RFP "cannot be characterized as

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[55] *See, e.g.*, *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 104 FERC ¶ 61,103 at P 778 (2003) (explaining that interconnection service does not convey "a reservation of transmission capacity or the right to begin taking firm or non-firm transmission service" on the transmission provider's transmission system.).
[56] Avangrid Comments at 4 (inaccurately describing the generators at the top of PacifiCorp's interconnection queue as having "reserved all of the available transmission capability to load").
[57] *Id.* at 5.
[58] *Id.* at 6.

competitive."[59] Staff cites PacifiCorp's interconnection restudy reports as forming the basis for this assertion and alleges that the restudies eliminated 74 percent of the competition for Wyoming wind projects.[60] In addition, while ICNU concedes that the 2017R RFP did "yield a substantial quantity of potential resources—nearly 4,900 MW of eligible bids and approximately 3,100 MW selected to the initial shortlist,"[61] it then takes issue with the selection of the final shortlist, claiming that the interconnection restudy process significantly altered the selection process.[62]

These comments ignore the fact that PacifiCorp initially evaluated bids for selection to the final shortlist before considering results from the interconnection-restudy process. At that time, the only interconnection-related constraint was the assumption that total interconnection capability with the addition of Segment D.2 would be 1,270 MW. The restudies performed after the original final shortlist was determined accomplished the following:

(1) Determined that the TB Flats I and II and Cedar Springs projects could interconnect with the addition of Segment D.2 and no other elements of the company's long-term plan;
(2) Determined that McFadden Ridge II could not interconnect without additional elements of the company's long-term transmission plan, namely Gateway West and Gateway South; and
(3) Determined that additional interconnection capability would be created with the addition of Segment D.2, which allowed McFadden Ridge II to be replaced with Ekola Flats.

Rather than limiting the outcome of the 2017R RFP, the restudies allowed the inclusion of a more economic project by increasing the interconnection capability. The only thing that was preventing the models from choosing Ekola Flats over McFadden Ridge II in development of the original final shortlist was the 1,270-MW limit on interconnection capability.

Staff and ICNU also ignore the fact that the interconnection considerations resulted in PacifiCorp proposing to replace only one shortlist bid, with all other shortlist bids remaining unchanged. More specifically, the interconnection considerations caused PacifiCorp to exclude bids that are located in the constrained area of PacifiCorp's transmission system in southeastern Wyoming and that have an interconnection-queue position greater than Q0712. This is because, as described above, that point in the interconnection queue triggers the need for significant additional transmission improvements that are not planned to be in service by the end of 2020, which means the project cannot receive interconnection service and achieve commercial operation by the end of 2020 as required in the 2017R RFP. This resulted in a

[59] Staff Comments at 6.
[60] *Id*.
[61] ICNU Comments at 4.
[62] *Id.* at 5.

single change to the shortlist: the McFadden Ridge II benchmark bid was replaced by the Ekola Flats benchmark bid.[63] All other winning bids selected to the final shortlist can secure interconnection service either because they hold an interconnection-queue position that does not require significant transmission improvements beyond Segment D.2 (Ekola Flats, TB Flats I and II, and Cedar Springs) or because the project is not located in the constrained area of the company's eastern Wyoming transmission system (Uinta). On a related note, ICNU claims that "the Company had secured positions for its own resources in its transmission queue early enough to ensure they remained eligible under its updated transmission plan."[64] This is incorrect. As shown on PacifiCorp's OASIS, the Ekola Flats, TB Flats I and II, and Cedar Springs interconnection requests were submitted by third parties in 2015.

This single shortlist change resulting from interconnection restudies can hardly be described as interfering with the value of the company's entire competitive solicitation process. As discussed further in the next section, allowing participation without regard to interconnection queue position or study status resulted in a robust competitive solicitation, including numerous bids that were not dependent on the construction of Segment D.2. Interconnection considerations causing one project replacement did not unravel those benefits. What Staff and ICNU really appear to be arguing is that the original (pre-interconnection considerations) shortlist should have included lower-queued projects for other, non-interconnection-related reasons, not that interconnection queue considerations *caused* those projects to be eliminated from the shortlist in the first place. These arguments should be disregarded because they are inconsistent with federal requirements for processing interconnection requests and because they are inconsistent with the results of the economic evaluation of the bids.

4. *PacifiCorp did not err by considering the interconnection limitations at the end of the process.*

Finally, Staff and ICNU appear to suggest that PacifiCorp should have considered the interconnection limitations earlier in the process rather than as an alleged "surprise" step at the end. Staff claims that the issue of the interconnection queue was a threshold issue that was not identified to bidders at all, and was not disclosed to the Independent Evaluator until over three months after the close of bid receipts.[65] ICNU seems to insinuate that PacifiCorp was hiding this restudy process from the Independent Evaluator.[66] Staff and ICNU are incorrect.

[63] The increased interconnection capability (from 1,270 MW to 1,510 MW) identified in the interconnection restudies also enabled the selection of the Ekola Flats benchmark resource. In particular, while the Ekola Flats interconnection queue position and requirements met the interconnection requirements noted above, there would not have been sufficient interconnection capability to accommodate the Ekola Flats benchmark along with the TB Flats I and II and Cedar Springs bids without the increase.
[64] ICNU comments at 11.
[65] Staff Comments at 6.
[66] *See* ICNU Comments at 6.

Staff and ICNU comments ignore that the importance of a bidder's interconnection queue position and interconnection requirements was raised at the *very beginning* of the 2017R RFP process, with commenters and independent evaluators requesting that the minimum bid eligibility screen not include an interconnection system impact study (SIS) requirement (as proposed by PacifiCorp) to allow the broadest possible participation. And contrary to ICNU's claims, this issue was not only raised in Utah.[67] Renewable Northwest filed comments stating that it was "unreasonable" for PacifiCorp's to require that bidders submit a completed SIS for later shortlist evaluation.[68] PacifiCorp ultimately tried to strike a balance between where it started (*i.e.*, proposing that initial participation be limited to generators with completed interconnection feasibility or SISs) and Renewable Northwest's position by allowing participation by generators who had submitted an interconnection request in PacifiCorp transmission's interconnection queue and had begun the interconnection study process by executing a study agreement, but that did not have study results at the time of bid submittal.

In addition, while the restudies were performed independent of the 2017R RFP process, performing restudies close-in-time to the selection of the final shortlist allowed the company's transmission function to incorporate the most current queue-based assumptions into the restudies as well. More specifically, the interconnection queue can change over time as generator-interconnection customers change project details, request extensions to the commercial operation date or construction suspensions, or even withdraw from the queue altogether. Thus, had the interconnection SIS minimum eligibility requirement been retained, the pool of eligible bidders would have been limited to those who could secure interconnection under outdated long-term transmission plan and queue assumptions, which would have limited participation and reduced competitive forces that drive least-cost bidding.

Finally, PacifiCorp routinely communicated about interconnection queue issues with both the independent evaluators and bidders. Contrary to ICNU's inaccurate claim that PacifiCorp never held a transmission workshop with bidders despite the Utah independent evaluator's encouragement,[69] PacifiCorp identified in its released RFP that it would reserve a specific time in its October 2, 2017 bidder workshop to cover interconnection and transmission service issues[70] and followed through with specific discussions on the topic, as noted in its bidder workshop presentation deck.[71] PacifiCorp also responded to multiple bidder questions on interconnection and transmission service, reviewed those with the independent evaluators, and posted the responses to the RFP website. PacifiCorp also discussed the potential impacts of the interconnection-restudy process with the Utah and Oregon independent evaluators, explaining as early as January 2018 that certain bids with a relatively high interconnection

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[67] ICNU Comments at 9.
[68] Renewable Northwest Comments at 2 (Aug 18, 2017).
[69] ICNU Comments at 10.
[70] PacifiCorp's 2017R RFP Main Document at 6.
[71] PacifiCorp's 2017R RFP – Bidder Workshop October 2 2017 at 9. Available in the Documents section of the 2017R RFP website at http://www.pacificorp.com/sup/rfps/2017-rfp.html.

queue number located in eastern Wyoming, including the McFadden Ridge II benchmark, may not be viable.

Staff claims that the lack of competition in this RFP undercuts one of the main mitigation features of an RFP, which is to control cost overruns. Staff is therefore concerned that despite the benefits of the final shortlist, the lack of competition leaves ratepayers exposed to the risk of cost overruns.

Contrary to Staff's claim, the 2017R RFP was competitive, and as noted by the Independent Evaluator, the response to this solicitation was robust. Moreover, consideration of the interconnection queue did not limit competition in any way and has no bearing on cost overruns. PacifiCorp initially established a final shortlist of bids without consideration of the interconnection-restudy process. This original final shortlist was based on the bid-evaluation process outlined in the Commission-approved RFP and based entirely on the selection of bids that maximize customer benefits without any consideration of interconnection queue position. The interconnection-restudy process showed that the interconnection capacity in eastern Wyoming was greater than originally assumed, which allowed Ekola Flats to displace McFadden Ridge II and deliver greater customer benefits.

E. The Analysis of the Benchmark Bids was Appropriate and the Benefits Are Not Overstated.

1. The Independent Evaluator properly reviewed the benchmark bids.

Because the 2017R RFP included benchmark resources, the Independent Evaluator reviewed PacifiCorp's evaluation of the benchmark bids and provided a detailed independent assessment of the benchmark bids to ensure that they were reasonable and would not bias the solicitation in favor of utility-owned resources. The benchmark review process occurred before any market bids were received and the results of both PacifiCorp and the Independent Evaluator's evaluation were locked down before market bid packages were opened to provide additional assurance that the benchmarks were not provided an unfair advantage.

The Independent Evaluator conducted a thorough assessment of the benchmarks, noting that when "assessing a utility's own bids in response to the RFP, our greatest concern is that the utility will incorporate cost estimates that have been aggressively estimated and do not characterize the costs of the project accurately."[72] To make its assessment, the Independent Evaluator "looked at a detailed breakdown of each of the benchmarks costs to determine if any items have been improperly omitted from the cost calculation, and at overall capital cost levels by comparing them to publicly-available data on recent wind generation capital costs."[73] This "comparison provided a measure of the overall reasonableness of the Benchmark capital costs and capacity factors."[74]

[72] Independent Evaluator Report at 10.
[73] *Id*.
[74] *Id*.

The Independent Evaluator ultimately found that the benchmarks bids were acceptable based on three key components:

- The benchmarks were not deliberately underpriced through omission of any capital cost components.
- The benchmark capital and operating costs appeared reasonable when compared with public data on U.S. wind projects.
- The capacity factors of the benchmarks were reasonable when compared with public data and were supported by credible third-party analysis.[75]

The Independent Evaluator also noted that Invenergy offered third-party bids for three of the four Benchmark sites, which the Independent Evaluator viewed as a "positive sign because it provides a transparent and above-board market to compare with the Benchmarks."[76]

2. The benchmark bid benefits were appropriately analyzed.

Staff notes that the Independent Evaluator questioned PacifiCorp's approach to cost-benefit analysis, specifically, that "all costs and benefits for bids were levelized in the Company's analysis except for the PTC benefits."[77] Staff pointed out that the Independent Evaluator noted that this could produce a suboptimal offer in the form of a company-owned asset over a power purchase agreement (PPA).[78] Staff notes that by not levelizing the PTC benefits, their full value appears in the net present value analysis used for bid selection, which is not the case for PPA contracts that retain the PTCs for their own use.[79] According to the Independent Evaluator, "this means that any offers earning PTCs would look more attractive than a levelized cost model would otherwise indicate."[80] Staff noted that this "analytic skew" has the potential to lead to an unfair burden on future ratepayers in the form of an increase of $125 million in 2031.[81]

Avangrid argues that PacifiCorp's methodological change "had the effect of skewing the bid evaluation, resulting in a preference for resources that would ultimately [be] more expensive for customers than other options available to PacifiCorp."[82] Avangrid also notes that in PacifiCorp's 2017 IRP, "the preferred methodology for the treatment of capital costs for capital-intensive resources is to levelize them."[83]

[75] *Id.* at 10-11.
[76] *Id.* at 12.
[77] Staff Comments at 7.
[78] *Id.*, citing Independent Evaluator Report at 40.
[79] *Id.*
[80] *Id.*, citing Independent Evaluator Report at 29.
[81] *Id.* at 7-8.
[82] Avangrid comments at 9.
[83] *Id.* at 7, citing PacifiCorp's 2017 IRP at 150.

When comparing bids in the 2017R RFP portfolio development phase, for benchmark and BTA bids, PTC benefits were applied on a nominal basis rather than a levelized basis to better reflect how the PTC benefits flow through customer rates. Unlike revenue requirement associated with capital that is spread out over the 30-year life of a wind facility, PTC benefits generated from benchmark and BTA bids will flow through to customers during the first 10 years of operation. Consequently, the timing of these benefits should be appropriately weighted and accounted for in the present-value calculation of net benefits for these types of proposals. In contrast, for a PPA proposals where the bidder retains PTCs for its own use, customers incur the cost of the PPA as offered in the bid. Nothing in the RFP prohibited PPA bidders from offering price proposals that reflect the timing of PTCs retained for the bidders' own use (*i.e.*, PPA pricing that is lower in the first 10-years than the remaining contract term). Nominal treatment of PTCs for benchmark and BTA bids does not analytically skew present-value results as claimed by staff. Rather, nominal treatment of PTCs appropriately accounts for inherent differences in the net cost profiles between eligible bid structures.

When the company has historically conducted economic analysis of specific resource decisions, it treats costs that are not spread over the life of the asset on a nominal basis. Typically, this means that capital costs are levelized, while other costs, such as O&M costs, are nominal. The refined modeling used here simply conforms the treatment of PTCs to the treatment of other costs and benefits that are not spread over the life of the asset. PacifiCorp intends to model PTCs in this manner in future IRPs because modeling PTCs on a nominal basis better reflects how they are treated in rates.

3. *The terminal value that PacifiCorp included was appropriate.*

PacifiCorp's treatment of terminal value is consistent with the Commission-approved RFP, which states that terminal value would be considered when evaluating bids. The terminal value benefit recognizes the fact that at end of a utility-owned resource's life, there is residual value that accrues to customers. For a PPA, the terminal value accrues to the project owner, not customers. That terminal value includes the facilities supporting the resources, like transmission facilities, that have longer useful lives and, in the case of generation tied to natural resources such as wind resources, there is inherent value in the site itself—particularly resources located in high-capacity-factor geographic areas like eastern Wyoming. These high-value renewable-resource locations are often scarce or unique in their suitability for generation permitting and construction, as well as proximity to transmission.

The Independent Evaluator noted that the terminal value was included to account for the fact that the company would own the site at the end of the project's useful life.[84] The Independent Evaluator found that the terminal value adders were fairly small—about $1.18/MWh on average.[85] ICNU noted that "PacifiCorp applied a terminal value to its

[84] Independent Evaluator Report at 15.
[85] *Id.* at 17.

owned resources, which made Company-owned resources appear competitive over the period through 2050."[86] ICNU referenced the Independent Evaluator's report stating that "the only reason the PacifiCorp portfolio was even close in net benefits over the entire time period was due to [this] large terminal value applied to company-owned bids totaling about $374 million in 2050. Without the terminal value the PPA portfolio produced a net cumulative benefit of $219 million versus $185 million for PacifiCorp's chosen portfolio."[87] Avangrid notes that PacifiCorp did not assign any terminal value to PPA bids even if the bid included a purchase option.[88]

It is reasonable to include a terminal value benefit for projects where the company retains control of the site at the end of the asset life. PacifiCorp did not assign a terminal value to any PPA bids that included a purchase option because it is not possible to determine at this time whether it might be in the interest of customers to exercise that option at some point in the future and, consequently, it is not known today whether the company will retain control of the site through the PPA term and at the end of the asset life. As it relates to PPA bids that include a purchase option, it would be appropriate to consider terminal-value benefits at the time the economic analysis is performed to decide whether the purchase option should be exercised.

Even if the terminal value were completely eliminated, which would not be appropriate, the combined projects would still produce $124 million in net customer benefits before accounting for the conservative extrapolation methodology used by the company to estimate net benefits through 2050, conservative carbon dioxide (CO_2) emissions cost savings, potential upside in O&M cost savings, and potential upside from renewable energy credit revenue.

F. Transmission Construction Risks have Decreased over the Course of the RFP Process.

As discussed above, the Independent Evaluator makes certain recommendations regarding rate treatment in this acknowledgment proceeding. Specifically, the Independent Evaluator notes that the company should be held to its cost projection for Segment D.2.[89] Staff references the Independent Evaluator's statements in their comments, calling this one of the "important risks that should have been more fully explored."[90] While this statement addresses future ratemaking considerations that are not relevant to acknowledgment of the final shortlist, PacifiCorp will explain how many of the transmission project risks have decreased over the course of this RFP process.

[86] ICNU Comments at 5.
[87] ICNU Comments at 5, citing Independent Evaluator Report at 32.
[88] Avangrid Comments at 10.
[89] Independent Evaluator Report at 39.
[90] Staff Comments at 8.

Transmission project costs are now more certain, and final contracting and construction is on-schedule; the company has made substantial progress scoping, developing, and preparing the projects to submit the next round of permit applications necessary for construction and operation; and the ongoing study process continues to affirm that the transmission project will deliver the expected benefits.

PacifiCorp has validated the cost estimate for the Aeolus-to-Bridger/Anticline transmission line, representing the majority of the Segment D.2 scope, through an ongoing competitive solicitation. And based on its extensive experience developing comparable transmission resources, the company is confident that it can deliver the transmission projects on-time and at the cost estimates used in its economic analysis.

Additionally, PacifiCorp is steadily progressing through the process to acquire necessary easements and rights-of-way in parallel with the regulatory-approvals process. Based on the progress to date, PacifiCorp remains on track to secure the necessary easements and rights-of-way to support the construction schedule. Moreover, PacifiCorp's ongoing transmission studies continue to affirm that the construction of the transmission projects will allow the interconnection of all of the wind projects.

Finally, PacifiCorp has made significant progress towards obtaining its remaining permits and authorizations including the following:

- The company received notice to proceed from the Bureau of Land Management (BLM) for 30 percent of the Plan of Development appendices required for construction, and will be submitting an additional 50 percent of required appendices in first quarter 2018. Preparation and approval of the final appendices remain on track to secure the Plan of Development in accordance with the project schedule.
- The company submitted the Class III Cultural report to the BLM. This requirement is on track for completion in accordance with the project schedule.
- The company received confirmation of the Aquatic Resources Inventory from the U.S. Army Corps of Engineers regarding acquisition of the required wetlands permits. This significant progress, in accordance with the project schedule, mitigates most of the project permitting risk.

G. Carbon Policy Risk

Staff believes that PacifiCorp or the Independent Evaluator should conduct an analysis to determine how Wyoming wind could be claimed in Oregon under a first-jurisdictional approach under a "Cap-and-Trade" model for a CO_2 market.[91] Alternatively, Staff states that PacifiCorp and the Independent Evaluator should explain how the cost of new transmission in Oregon would influence the results of the current analysis.[92] Additionally, Staff notes that

[91] *Id.* at 9.
[92] *Id.*

Idaho Power Company's 2017 IRP includes a request to acknowledge the Boardman-to-Hemmingway transmission line (B2H), which is dependent on co-owner commitment to the project.[93] Staff is concerned that PacifiCorp's omission of B2H in the underlying analysis justifying these Wyoming wind investments did not contemplate 55 percent of the cost of B2H needed to deliver these Wyoming wind resources to Oregon.[94]

PacifiCorp's economic analysis does not consider how Wyoming wind might be claimed in a hypothetical and undefined first-jurisdictional cap-and-trade model for a CO_2 market in Oregon. At worst, if the proposed new wind resources could not be claimed in this hypothetical market, the company's economic analysis would be unchanged. At best, if the proposed new wind facilities could be claimed in this hypothetical market, the economic benefits could improve. Nevertheless, hypothetical state cap-and-trade policy scenarios were not included in the acknowledged IRP and should not be a condition for acknowledgment of the 2017R RFP final shortlist.

Staff's concerns that PacifiCorp did not include B2H in its bid-evaluation process is misplaced. B2H was not included in PacifiCorp's 2017 IRP preferred portfolio, is not required to enable interconnection of the proposed new wind projects, and was not identified as an element of the bid evaluation and selection process described within the Commission-approved RFP. If B2H were considered in the bid evaluation and selection process, it would be included in both system simulations—a simulation with and one without the new wind and the Aeolus-to-Bridger/Anticline transmission line. Consequently, the cost implications of a B2H line would net to zero, and the additional transfer capability associated with the B2H line would only provide additional opportunity to improve the net benefits reported in the company's economic analysis.

H. The Wind Resources Selected Outside the Constrained Area Comply with the 2017 IRP and Provide Benefits to Customers.

Staff argues that the composition of the final shortlist "needs to be reconsidered."[95] Staff points out that the size of the overall portfolio is "greater than what the OPUC was willing to commit ratepayers to at the outset of the RFP process."[96] Staff notes that "after the revised interconnection study report in January 2018, PacifiCorp increased the amount of possible new supply on the D2 Segment to 1,270 MW"[97] and that the final shortlist is above what was included in the IRP that was voted for acknowledgment by the Commission on December 11, 2017.

[93] *Id*.
[94] *Id.* at 8-9.
[95] *Id.* at 11.
[96] *Id*.
[97] *Id*.

1. *The results of the RFP process and selection of the Uinta project align with the 2017 IRP.*

Staff asserts that selection of the Uinta project does not align with the 2017 IRP because it would not interconnect with the new transmission line.[98] This assertion is incorrect. The 2017 IRP Action Plan provided for the development of "*at least* 1,100 MW of Wyoming wind resources that will qualify for federal wind PTCs and achieve commercial operation by December 31, 2020," (emphasis added) and the development of the Aeolus-to-Bridger/Anticline transmission line, also to be completed by December 31, 2020.

Staff's assertions are also contrary to what PacifiCorp presented throughout the 2017 IRP public input process. Portfolios developed without the Aeolus-to-Bridger/Anticline transmission line or other elements of the Energy Gateway project that were presented in the 2017 IRP public input process routinely included between approximately 200 MW and 300 MW of new wind in Wyoming. These resource portfolios suggested that there was a transmission constraint limiting the amount of otherwise-economic new wind. PacifiCorp ran four sensitivities with different permutations of Energy Gateway West and found positive benefits with the addition of Segment D.2 when compared to the 2017 IRP draft preferred portfolio. This information was presented to stakeholders at the March 2017 IRP public input meeting. The 2017 IRP Action Plan item of "*at least* 1,100 MW" (emphasis added) was based on proxy resources studied in the 2017 IRP process and not a restrictive limit should other wind projects be found to be more cost-effective as a combination of resources in a given portfolio following more accurate cost information resulting from the request for proposals. PacifiCorp has consistently stated that the ultimate amount of new wind resources would be based on levels that maximize customer benefits, and that this would be determined through the bid-evaluation process in the 2017R RFP.

2. *All of the final shortlist projects provide more than just marginal net benefits to customers.*

ICNU argues that one of the final shortlist projects only provides marginal net benefits to customers over its life.[99] Staff similarly makes the assertion that the final assessment of net benefits for this project is "extremely marginal," and that any cost overruns or over-estimation of project performance could result in negative net benefits.[100]

It appears that ICNU's conclusions were based on a review of the highly confidential materials that included financial results from the screening model that PacifiCorp used to develop price scores when establishing the 2017R RFP initial shortlist. As used in this phase of the 2017R RFP, the screening model was loaded with initial estimates of system benefits that were derived from proxy resources located in different parts of PacifiCorp's system. As communicated in the 2017R RFP, this same screening tool was used to process best-and-final

[98] *Id.* at 12.
[99] ICNU Comments at 7.
[100] Staff Comments at 12.

pricing from initial shortlist bids for use in the IRP models, which are used to establish the final shortlist. The original estimates for system benefits were not deleted from the screening model when it was used to process bid costs for the final shortlist bid-evaluation process, but these data were not used to establish the final shortlist. Consequently, ICNU's conclusions appear to be based on erroneous information that does not provide an accurate representation of the benefits from this project. In fact, this bid was selected in every bid-portfolio among all price-policy scenarios and in the bid portfolio requested by the independent evaluators to assess the impact of levelizing PTCs. The basis for Staff's assertion that the net benefits from this project are marginal are not clear from Staff's comments.

I. The Results from the 2017S Solar RFP Will Not Impact the 2017R RFP Final Shortlist.

ICNU asserts that lower cost and lower risk solar resources may still be available through the solar RFP. ICNU further states that "PacifiCorp has not yet identified a final shortlist from the solar RFP, but…purports to show lower net benefits to customers if solar resources are selected in lieu of its wind bids, but greater net benefits if the solar resources are combined with its wind bids."[101] ICNU also argues that the solar RFP would be less risky because it does not require new transmission to deliver onto PacifiCorp's system.[102]

PacifiCorp completed its analysis of the 2017S RFP and found that while solar resources may provide customer benefits, contrary to ICNU's suggestions, solar resource bids submitted into the 2017S RFP are not a superior resource alternative to the final shortlist from the 2017R RFP. Solar resources are best viewed as an incremental opportunity, not as an alternative to the final shortlist from the 2017R RFP. During the evaluation of bids in the 2017S RFP, PacifiCorp analyzed valuation risks that are unique to the procurement of solar resources and determined that solar resource costs are likely to continue to fall. Given these solar resource-valuation risks, expected cost declines, and availability of the 30-percent investment tax credit (ITC) for solar projects coming online as late as 2021, PacifiCorp does not need to act now and has decided not to select any of the solar PPA bids to the 2017S RFP final shortlist.

PacifiCorp will continue to assess potential economic benefits from solar-resource opportunities in the 2019 IRP, including a thorough review of valuation risks with full stakeholder engagement, to determine whether a new competitive solicitation process for projects capable of achieving commercial operation by the end of 2021 will provide customer benefits. In contrast, the phase-out of PTC benefits that are available for qualifying wind projects occurs sooner than the ramp down of ITC benefits that are available for solar resources, which requires that PacifiCorp act now to deliver the new wind and needed transmission investments that will produce both near-term and long-term benefits for customers.

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[101] INCU Comments at 7.
[102] *Id.* at 13.

J. The Independent Evaluator Found that PacifiCorp Appropriately Excluded Caithness's Bid.

Despite the Independent Evaluator's recommendations and conclusions, Caithness reiterates its request that the Commission modify the conditional approval of the 2017R RFP.[103] Contrary to the Independent Evaluator's findings, Caithness maintains that its bids met the qualifications of the RFP.[104]

The Independent Evaluator participated in the determination to disqualify four bidders and agreed with the decision to remove each bidder.[105] Specifically, for the disqualification of Caithness, the Independent Evaluator noted that the project was not a wind-only project and would not match the 2017 IRP.[106] The Independent Evaluator pointed out that had these non-conforming bids been allowed, other developers may have claimed (based on the plain terms of the RFP) that such offers were not permitted.[107] Furthermore, the Independent Evaluator noted that in their experience, dispatchable wind offers typically are not cost-competitive and likely only succeed if there is a high value on the storage component during evaluation.[108] In fact, Caithness's bid "would likely not have proven to be very valuable when compared with the prices offered by other resources."[109] PacifiCorp's actions regarding Caithness's bid were therefore appropriate.

III. CONCLUSION

PacifiCorp requests the Commission's acknowledgement of the company's final shortlist of bidders in PacifiCorp's 2017R RFP. The results of the 2017R RFP confirmed that the final shortlist projects are the least-cost, least-risk resources to implement the 2017 IRP Action Plan. The 2017R RFP was well received by the market and resulted in robust competition among bidders. The results of the 2017R RFP allowed PacifiCorp to obtain greater generating capacity for lower overall wind project capital costs. The final shortlist projects show net customer benefits under all scenarios through 2036 and in seven of nine scenarios through 2050. PacifiCorp's updated sensitivities further demonstrate that the final-shortlist projects are not displaced by solar resources that bid into the 2017S RFP, and that they remain economic when combined with repowering.

Commission acknowledgement of the 2017R RFP final shortlist will enable PacifiCorp to effectively negotiate with final-shortlist bidders for the lowest price and acceptable terms to maximize customer benefits.

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[103] Caithness Comments at 1.
[104] *Id.* at 2.
[105] Independent Evaluator Report at 13.
[106] *Id.* at 14.
[107] *Id.*
[108] *Id.*
[109] *Id.*

If you have questions about this filing, please contact Natasha Siores, Manager, Regulatory Affairs, at (503) 813-6583.

Sincerely,

Scott Bolton
Senior Vice President, External Affairs and Customer Solutions

cc: Service lists for UM 1845, UE 263, LC 67 and UM 1540

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's **Reply Comments** on the parties listed below via electronic mail and/or overnight delivery in compliance with OAR 860-001-0180.

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Dated March 29, 2018.

Jennifer Angell

Jennifer Angell
Supervisor, Regulatory Operations

CERTIFICATE OF SERVICE

I certify that I electronically filed a true and correct copy of PacifiCorp's **Reply Comments** on the parties listed below via electronic mail and/or overnight delivery in compliance with OAR 860-001-0180.

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Service List
LC 67

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Service List
UM 1540

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