



825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232

May 25, 2023

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: UM 2163—PacifiCorp’s Informational Filing Providing Notice of Contract Execution

PacifiCorp d/b/a Pacific Power hereby submits for filing its informational filing providing notice of contract execution. PacifiCorp is filing this Informational Filing concurrently with its Motion for a Modified Protective Order. A modified protective order is necessary for docket UM 2163 because PacifiCorp’s Informational Filing contains information designated as highly protected.

Please direct any inquiries about this filing to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,

A handwritten signature in black ink, appearing to read "Matthew McVee".

Matthew McVee
Vice President, Regulatory Policy and Operations

Enclosure

Notice of Contract Execution

Hornshadow I & II Solar Project

May 25, 2023



Introduction

Pursuant to the requirements outlined in Order 21-146 within docket UM 2163, PacifiCorp, operating as Pacific Power (PacifiCorp or Company), hereby submits this notice of contract execution pertaining to the Hornshadow I and II solar generation projects located in Emery County, Utah (Hornshadow I & II).

Pursuant to Order 21-146, the Oregon Public Utilities Commission (Commission) has adopted the recommendations put forth by Staff for the duration of their investigation into Oregon Schedule 272 — Renewable Energy Rider Optional Bulk Purchase Option (Oregon Schedule 272). Among the adopted recommendations, PacifiCorp is required to issue a notice of contract execution in docket UM 2163 within 30 days following the execution of a Schedule 272 Purchase Power Agreement (PPA). This notice will contain the following information: (1) a description of the resources acquired including location, size, anticipated renewable energy certificate (REC) per megawatt-hour (MWh) productions, and expected online dates; (2) the REC price and supporting analysis; (3) analysis supporting the cost and benefits of the resource to all customers; and (4) a description of the administrative costs and how those are recovered. Following the filing of the notice of contract execution, PacifiCorp will organize a workshop within 30 days to address any inquiries or comments from Staff and stakeholders. PacifiCorp hereby complies with the provisions outlined in Order 21-146 by providing the following information:

A. Description of Hornshadow I & II

Hornshadow I and II, located in Emery County, Utah, were among the final projects vetted and shortlisted in the 2020 All-Source Request for Proposals (RFP). On April 25, 2023, PacifiCorp executed two separate PPAs with D.E. Shaw Renewable Investments, LLC (DESRI) associated with the renewable generation from Hornshadow I & II. The effectiveness of the PPAs is contingent upon the Commission granting the waiver of the competitive bidding rules filed in docket UE 2283. The Hornshadow PPAs are expected to generate more than **[Begin Highly Confidential]** [REDACTED] **[End Highly Confidential]** (MWh) in energy and RECs on a unit contingent basis in their first full year of operation starting in June 2025, at an energy price of **[Begin Highly Confidential]** [REDACTED] **[End Highly Confidential]** per MWh for a 25-year term.

B. REC price under the Schedule 272 Agreement and supporting analysis

Following the execution of the Hornshadow PPAs and on the same day, PacifiCorp and Vitesse, LLC, a wholly owned subsidiary of Meta Platforms, Inc. (Meta) executed an agreement on April 25, 2023, for the purchase of RECs generated by Hornshadow I & II under the Oregon Schedule 272 Agreement. The Oregon Schedule 272 Agreement outlines pricing, terms, and conditions for purchase of the RECs by Meta over a 25-year period. In particular, once the PPAs are effective, and pursuant to the Oregon Schedule 272 Agreement, PacifiCorp would sell to Meta 100% of the RECs from the Hornshadow PPAs through 2029, and thereafter 90% of the RECs from the Hornshadow PPAs for the duration of their terms.¹ The agreed-upon sales price for the RECs associated with the Hornshadow PPAs is **[Begin Highly Confidential]** [REDACTED] **[End Highly Confidential]**

¹ The 10% retention reflects PacifiCorp's compliance strategy for Washington's Clean Energy Transformation Act, which requires compliance through RECs.

PACIFICORP – NOTICE OF CONTRACT EXECUTION

Confidential per REC, which results in net a delivered energy price of **[Begin Highly Confidential]** **[End Highly Confidential]** per MWh.

The REC price derivation for the Oregon Schedule 272 Agreement was based on **[Begin Highly Confidential]** **[End Highly Confidential]** Although several additional solar proposals were selected for the final shortlist of the 2020 All-Source RFP, **[Begin Highly Confidential]** **[End Highly Confidential]** However, there were contracting issues with the remaining shortlisted solar bidders, which led PacifiCorp to cease further negotiations. As a result, PacifiCorp suggested that all remaining bidders “re-submit” their bids, if they were still eligible, into the current 2022 All-Source RFP process. Many of the relevant developers have chosen to re-submit their bid(s) into the 2022 All-Source RFP process.

Leading up to the derivation of this Oregon Schedule 272 Agreement REC price (during late 2022), PacifiCorp and DESRI sought **[Begin Highly Confidential]** **[End Highly Confidential]**

PacifiCorp considered three (3) **[Begin Highly Confidential]** **[End Highly Confidential]** pricing scenarios, using the **[Begin Highly Confidential]** **[End Highly Confidential]** executed solar PPAs from the 2020 All-Source RFP, along with DESRI’s offered Hornshadow I &II PPAs **[Begin Highly Confidential]** **[End Highly Confidential]**

Scenario 1. [Begin Highly Confidential] **[End Highly Confidential]**

[Begin Highly Confidential] **[End Highly Confidential]**

Scenario 2. [Begin Highly Confidential] **[End Highly Confidential]**

PACIFICORP – NOTICE OF CONTRACT EXECUTION

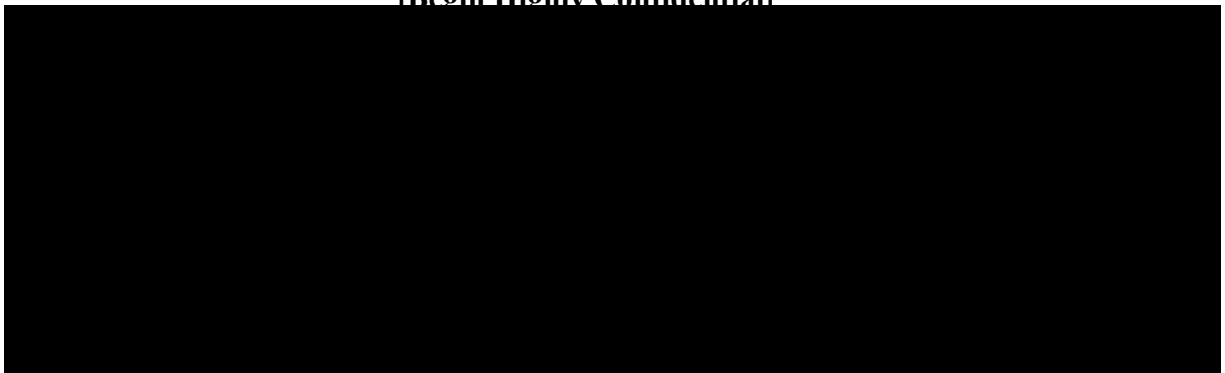
contemplated herein. Furthermore, from the 2023 IRP preferred portfolio, the net present value of total resource cost of Utah South proxy resources with a commercial operation date (COD) of June 2025, term of 25 years, and assuming 100 percent PTC, is **[Begin Highly Confidential]** **[End Highly Confidential]** than the net delivered energy price contemplated herein. This comparison illustrates that the Hornshadow PPAs provide substantial value to customers that would **[Begin Highly Confidential]** **[End Highly Confidential]** net power costs.

The methodology used to perform the economic analysis of the Hornshadow PPAs is consistent with the methodology used to perform the economic analysis of bids submitted into the 2020 All-Source RFP. In that proceeding, PacifiCorp performed its economic analysis under a range of price-policy scenarios to quantify how net benefits or net costs change with changes in natural-gas prices and carbon dioxide (CO₂) price assumptions. These studies showed that net benefits for new renewable projects are lowest when low natural gas price assumptions are paired with no CO₂ price and that net benefits are greatest when high natural gas price assumptions are paired with high CO₂ price assumptions.

The economic analysis of the Hornshadow PPAs relies on an assessment of system value based on two PLEXOS (PacifiCorp’s current stochastic modeling tool) model runs with a simulation period covering the 2025–2042-time frame. This is the same modeling tool used to perform cost and risk analysis in PacifiCorp’s 2023 IRP. These simulations were performed considering two different price-policy scenarios—one assuming medium natural gas price and medium CO₂ price assumptions (the “MM” price-policy scenario) and one assuming medium natural gas price and no CO₂ price assumptions (the “MN” price-policy scenario). This economic analysis shows a present-value revenue requirements net-system benefit of **[Begin Highly Confidential]** **[End Highly Confidential]** respectively.

Highly Confidential Figure 1. System Value Used in the Economic Analysis of Hornshadow PPAs

[Begin Highly Confidential]



[End Highly Confidential]

The Hornshadow PPAs are expected to provide significant net benefits for customers. Table 1 summarizes present-value revenue-requirement differential (PVRR(d)) benefits calculated from changes in system costs through 2055. This table also presents the same information on a levelized dollar-per-megawatt-hour basis. Under the MM price-policy scenario, net benefits range between **[Begin Highly Confidential]** **[End Highly Confidential]**. Under

PACIFICORP – NOTICE OF CONTRACT EXECUTION

the MN price-policy scenario, the PVRR(d) varies between a [Begin Highly Confidential] [Redacted] [End Highly Confidential] cost, depending upon the period used to extrapolate benefits beyond 2042. The execution of the Schedule 272 Agreement with Meta was a necessary milestone to ensure the Hornshadow PPAs could move forward and mitigates the risk of deteriorating value under a variety of price and policy scenarios. Additionally, while not explicitly analyzed, customer benefits would increase significantly with high natural-gas price and/or high CO₂ price assumptions.

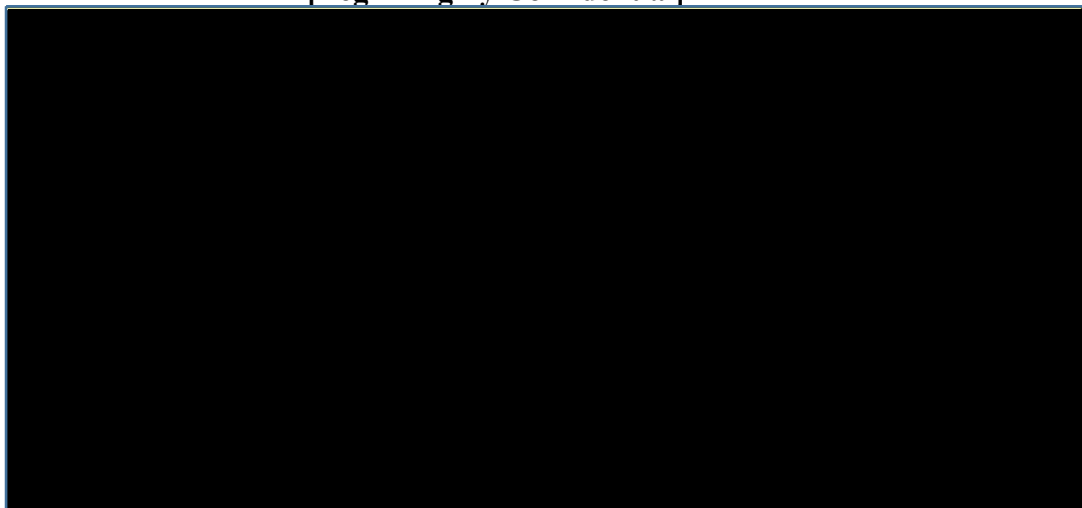
Highly Confidential Table 1. Net Benefits from the Hornshadow PPAs
[Begin Highly Confidential]

	PVRR(d) Net (Benefit)/Cost (\$million)	Nom. Lev. Net Benefit (\$/MWh of Incremental Energy)	
Medium Natural Gas, Medium CO ₂	(\$ [Redacted])	\$ [Redacted]/MWh	
Medium Natural Gas, No CO ₂	(\$ [Redacted])	\$ [Redacted]/MWh	

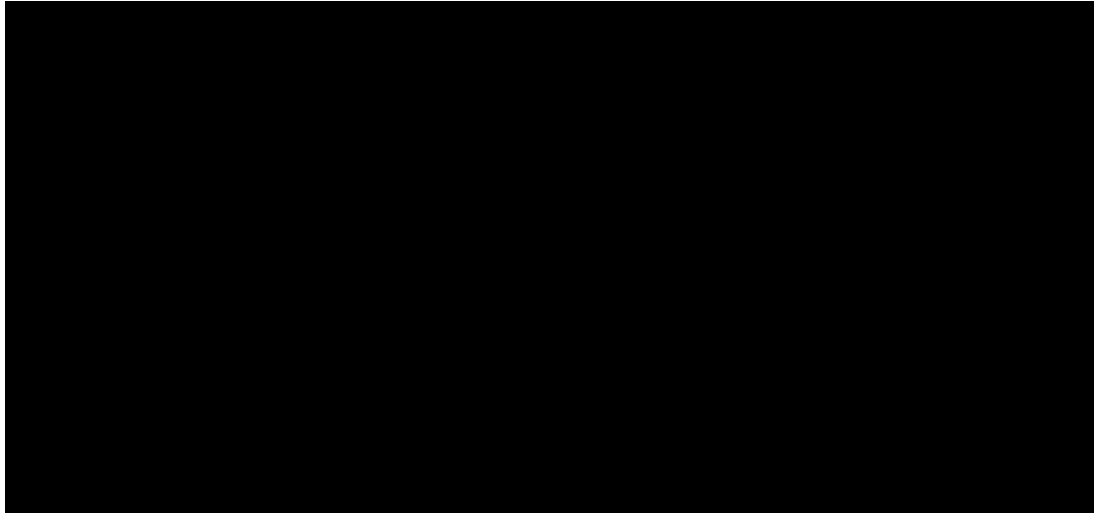
[End Highly Confidential]

Highly Confidential Figure 2 shows the estimated change in nominal annual revenue requirement due to the Hornshadow PPAs for the MM price-policy scenario. This figure reflects the change in nominal revenue requirement associated with Hornshadow PPAs netted against system benefits, which were calculated as described above. Considering both the MN and MM case (illustrated below), the Hornshadow PPAs reduce nominal revenue requirement during a majority of its depreciable life.

Highly Confidential Figure 2. (Reduction)/Increase in Total-System Annual Revenue Requirement from the Hornshadow PPAs
[Begin Highly Confidential]



PACIFICORP – NOTICE OF CONTRACT EXECUTION



[End Highly Confidential]

D. Description of administrative costs and how those are recovered.

The administrative costs associated with the Oregon Schedule 272 Agreement are recovered via two administration fees to be paid by Meta, a one-time New Resource Administration Fee and an Annual Administration Fee.

The New Resource Administration Fee is due from Meta within 30 days of the Oregon Schedule 272 Agreement effective date. The amount of this fee is [Begin Highly Confidential] [Redacted] [End Highly Confidential] for each renewable resource PPA (Hornshadow I PPA and Hornshadow II PPA). The basis of this fee was derived from the following assumptions:

[Begin Highly Confidential]

New Resource Administration - Upon Contract Execution	Total Hours (Hours per Facility)	Hourly Charge	Total
Admin (Program Manager)/ Green-e exemption	[Redacted]	[Redacted]	[Redacted]
REC purchase agreements developed/Attestations	[Redacted]	[Redacted]	[Redacted]
			[Redacted]

[End Highly Confidential]

The Annual Administration Fee is due annually from Meta, beginning on the actual commercial operation date of each of the two renewable resource PPAs. The amount of this fee is [Begin Highly Confidential] [Redacted] [End Highly Confidential] This fee escalates annually at 2% beginning PPA contract year 2. The basis of this fee was derived from the following assumptions:

PACIFICORP – NOTICE OF CONTRACT EXECUTION

[Begin Highly Confidential]

Annual Administration - Upon Facility COD	Hours (both facilities)	Hourly Charge	Total
Admin/Billing	█	█	█
REC Management/Retirement	█	█	█
			█

[End Highly Confidential]

E. Notice of Workshop

Consistent with Order 21-146 under docket UM 2163, PacifiCorp will submit a notice of workshop to this docket to schedule a workshop within 30 days of the submission of this notice of contract execution.