

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: April 14, 2022**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: April 5, 2022

TO: Public Utility Commission

FROM: Kimberly Herb

THROUGH: Bryan Conway, JP Batmale **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2193)
Application for Approval of PacifiCorp's 2022 All-Source Request for Proposal.

STAFF RECOMMENDATION:

Approve PacifiCorp's Final Draft 2022 All-Source Request for Proposals (2022 AS RFP), with the RFP Conditions recommended by Staff.

Additionally, direct PacifiCorp to take the steps in Staff's General Recommendations as part of the RFP process.

RFP Conditions:

RFP Condition 1: Remove numbered item three (3) in Appendix M or modify it to be compliant with Oregon Competitive Bidding Rules (CBRs).

RFP Condition 2: PacifiCorp may not change the benchmark bid modeling inputs and assumptions after filing the benchmark bid scores prior to receiving market bids.

RFP Condition 3: PacifiCorp shall allow bids with Conditional Firm transmission rights to participate and may mitigate the risk of conditional firm transmission by modeling curtailment of the maximum number of hours possible for a given contract. These curtailment events should be modeled as taking place at peak hours to reduce the reliability risk to the greatest extent possible.

RFP Condition 4: PacifiCorp shall allow the submission of one free alternative bid for a project at the same location and with the same technology type but with moderately different project attributes from the 'base.'

RFP Condition 5: PacifiCorp shall change the COD for RFP resources to before December 31, 2027, consistent with recent Order 02 PacifiCorp's IRP docket in Washington.

RFP Condition 6: Amending Appendix P to include, under Facility Job Creation, total employment of fossil fuel construction workers.

RFP Condition 7: Except where Staff has suggested modifications otherwise in the body of this report, PacifiCorp must reflect the commitments it made in response to stakeholder feedback on the Draft RFP.

General Recommendations

General Recommendation 1: Before benchmark bids are due, PacifiCorp shall provide the IE with full access to the PLEXOS model, including all data, assumptions, output, and associated external spreadsheets used by PacifiCorp for both the 2021 IRP and 2022AS RFP modeling. Model access could be provided either through PacifiCorp providing the IE with a fulsome and functional copy of its complete database as well as (one or more) working sessions between PacifiCorp and IE modeling staff to describe how PacifiCorp executes the model, or by the IE having facilitated access to the model at PacifiCorp's offices or remotely.

General Recommendation 2: PacifiCorp should revisit the option of including DC-coupled co-located energy storage bids in its next RFP.

General Recommendation 3: With the FSL, Staff would like to see a list of non-emitting resources that could be procured in addition to the RFP FSL that meet future non-emitting generation need for HB 2021 compliance.

General Recommendation 4: PacifiCorp, as part of the final shortlist selection, to provide a summary of what projects were ultimately prohibited from selection due to failure to comply with various state mandates

General Recommendation 5: PacifiCorp to forecast the emissions impact of the final shortlist selection by 2030 using operating assumptions from the 2021 IRP (LC 77).

General Recommendation 6: PacifiCorp update Appendix P to request that all projects complete the Oregon attestation on labor practices

General Recommendation 7: PacifiCorp to provide a project summary regarding compliance with various state mandates and laws.

General Recommendation 8: PacifiCorp to report the bids and then selected resources in the FSL that complete (a) a survey comparable to the Washington Equity Survey and (b) that have proforma contract terms with Responsible Contractor Labor Standards and apprenticeship and workforce requirements comparable to those required by Oregon's HB 2021.

General Recommendation 9: Quarterly reporting post-RFP on the number of local and state workers, number of workers from temporary staffing agencies employed by bidders or sub-contractors during the construction phase of winning bids.

General Recommendation 10: Staff will work with PAC in its next RFP and the 2023 IRP to provide both a list and detailed map of all publicly available OASIS and 2021 and 2022 AS RFP (UM 2059 and UM 2193) data and information regarding LGIAs on its system. This should at a minimum include the location, associated interconnection costs and commercial operation dates of all LGIAs on its system.

General Recommendation 11: The 2022AS RFP Final Shortlist is expected to be selected by March 24, 2023. Staff and PacifiCorp should work together in advance of FSL selection to define the FSL sensitivities and additional data that will be provided with the filing of the Final Shortlist. By November 14, 2022, the resulting detailed list of expected FSL sensitivities and recommended reporting data should be brought to the Commission at a public meeting for approval.

General Recommendation 12: PacifiCorp must file the FSL, sensitivities, additional data, and all workpapers in the UM 2193 docket at least two weeks in advance of the IE Closing Report on the FSL.

DISCUSSION:

Issue

1. Whether the Public Utility Commission of Oregon (Commission) should approve PacifiCorp's Final Draft 2022AS RFP to be issued, with or without any necessary conditions.
2. Whether the Commission should direct PacifiCorp to take the additional actions surrounding the RFP process in this docket and future procurements.

Applicable Rule

The Commission's competitive bidding requirements in OAR Chapter 860, Division 89 apply when an electric utility may acquire a resource or a contract for more than an aggregate of 80 megawatts and five years in length, as specified in OAR 860-089-0100(1).

Under OAR 860-089-0200(1), when an electric utility is subject to competitive bidding requirements, it must engage the services of an independent evaluator (IE) to oversee the RFP process. The duties of an IE are set forth in OAR 860-089-0450. In fulfilling its duties, the IE must be provided with full access to the utility's production cost and risk models and sensitivity analyses.¹

Requirements for RFPs are set forth in OAR 860-089-0250. Under OAR 860-089-0250(5), the Commission may approve an RFP with any necessary conditions if the Commission finds the RFP meets the requirements of the competitive bidding rules and will result in a fair and competitive bidding process.

Analysis

Background

PacifiCorp filed its 2021 Integrated Resource Plan (IRP) on September 1, 2021. The next day, PacifiCorp requested that the Commission open a docket for its 2022 all-source (AS) RFP. The RFP filing contained two related action items:

- A request for approval of an independent evaluator (IE) to oversee the RFP process;

¹ OAR 860-089-0400(6).

- A request for approval of the scoring and modeling for the RFP.

PacifiCorp requested that the approval of the IE selection **and** the approval of the RFP's scoring and modeling methodology occur at the October 5, 2021, Public Meeting. However, parties had determined that more time was needed to evaluate PacifiCorp's bid scoring and associated modeling methodologies as it was outside of an IRP. As a result, on October 1, 2021, about a month after filing its RFP, PacifiCorp submitted a new RFP schedule that separated the IE approval and the scoring methodologies into different Public Meetings. Staff supported separating these actions to allow more time for review and stakeholder feedback of the RFP design and scoring and modeling methodology.² At the October 21, 2021, Public Meeting, the Commission approved PA Consulting as the IE for this docket, and the approval for the scoring and modeling methodology was later set to the December 14, 2021, Public Meeting.

Since October 21, the Company has made changes to bid scoring and associated modeling methodology. In particular, the Company provided a presentation slide deck³ and hosted a workshop on bid scoring in conjunction with a storage workshop on November 15, 2021, in accordance with Staff's Recommendation and subsequent Commission Order. The information shared at the November 15 workshop revealed that PacifiCorp had restructured the RFP process and had made substantive changes to what it had originally filed on September 2.

On November 29, 2021, two weeks before the proposed December 14 Public Meeting date to consider approval of PacifiCorp's modeling methodology, the Company filed Reply Comments that included an appendix explaining revisions to the scoring and associated modeling methodology for the 2022 RFP based on the revisions from the November 15 Workshop. While PacifiCorp's filing was in accordance with the docket schedule, up until this point, PacifiCorp had not yet made an official filing outlining details of proposed changes to its methodology. PacifiCorp requested and received a waiver of the requirement in OAR 860-089-0250(2)(a) to receive advance approval of the scoring and modeling methodology before drafting an RFP. See Commission Order No. 21-469. Thus, scoring and modeling issues are reviewed concurrently with the draft RFP.

On January 14, PacifiCorp filed its final draft RFP with the Commission. On February 18, Staff, Swan Lake and Goldendale, The Oregon & Southern Idaho District Council of Laborers (OSIDCL), Northwest & Intermountain Power Producers Coalition (NIPPC), Renewable Northwest (RNW), and NewSun filed comments on the final draft RFP. On

² See Staff Report for the October 21, 2021 Public Meeting.

³ See Staff's Attachment A of Staff's Comments on Bid Scoring and Associated Modeling Methodology filed November 22, 2022.

March 4, 2018, PacifiCorp filed its comments in response to parties. Finally, on March 11, the Independent Evaluator (IE), PA Consulting, filed comments with its recommendations in the RFP.

On March 29, the Commission held a public meeting to consider acknowledgement of PacifiCorp's 2021 IRP, from which the Company received direction applicable to its 2022 AS RFP.

Below is Staff's Analysis and associated recommendations for conditions for issuance of the Draft RFP, as well as recommendations associated with a filing of a final short list and future RFPs.

Staff Analysis

Staff finds that PacifiCorp's Draft 2022AS RFP, with the conditions recommended herein by Staff, complies with the Commission's competitive bidding rules (CBR) in OAR Chapter 860, Division 89 that are applicable to this RFP, except as otherwise waived by the Commission. Further, Staff believes that PacifiCorp's Draft RFP, and the associated scoring and modeling methodologies, can be employed in a generally fair and open competitive procurement process that could identify least-cost, least-risk assets, which in turn might confer benefits to ratepayers. In recommending that the Commission approve the RFP Draft, Staff is also recommending approval of the scoring and associated modeling methodologies included in the RFP Draft, with the conditions described throughout this report. Significantly, Staff believes the Company's strategy for providing access to PLEXOS for the Independent Evaluator to perform independent evaluation of benchmark and third-party bids, as required by the competitive bidding rules, is not compliant as proposed.⁴ Staff recommends the Commission not approve the Final Draft RFP unless the IE can independently evaluate benchmark and third-party bids by either using or observing the Company's use of PLEXOS to select bids. This is addressed in RFP Condition 1 with further elaboration for direction in General Recommendation 1. If this RFP Condition 1 can be resolved, Staff recommends the Commission approve the Final Draft RFP with the additional seven (7) specific conditions described in the document.

⁴ PLEXOS is a simulation engine used by utilities forecast market prices and variability, conduct operational planning, explore zonal and nodal energy pricing, and conduct medium- to long- term planning. See <https://www.energyexemplar.com/plexos#:~:text=PLEXOS%20is%20a%20unified%20energy,and%20intra%2Dhourly%20market%20simulations>.

Staff also uses this report to capture recommendations from the 2021 IRP acknowledgement, those related to activities and reports associated with the filing of the Final Shortlist (FSL), and general recommendations for future RFPs.

Staff thanks PacifiCorp for its responsiveness to concerns expressed by commenters, and recommended improvements from the IE and Staff. In Staff's view, PacifiCorp has made many significant improvements requested by Staff, the IEs, or commenters, and these are reflected in the January 14, 2022 version of the RFP. Staff will not discuss all comments submitted in this docket. In particular, this analysis will not focus on many of the items identified by stakeholders that Staff believes were adequately addressed by PacifiCorp before the January 14 filing.

This report contains two primary sections: one that addresses recommendations for conditions of RFP approval and issuance, and one that encapsulates other issues pertaining to the 2022AS RFP that have been raised to date and that Staff believes need to be addressed after the RFP is issued.

However, the issues in each section are arranged by topic and some recommendations relate to activities that take place after the RFP has been issued. Recommendations are hence labeled as "CBR Compliance" or "RFP Conditions," if Commission decisions are sought prior to issuing the RFP, or "General Recommendations," where Staff believes additional steps that Staff plans to pursue with Company and stakeholders as part of the overall process once the RFP is issued.

Category of Recommendation	Topic	Count	Commission Action Required in this Memo?
RFP Approval & Issuance	RFP Condition	7	Yes
RFP Docket Improvements	General Recommendation	12	No

Recommendations for RFP Approval and Issuance

Independent Evaluation by IE and Compliance with CBRs

The IE raised two issues regarding whether the bid price scoring methodology is compliant with the CBRs, namely: the ability of the IE to independently score both Benchmark and third-party bids and the use of PLEXOS to generate and provide benchmark bid scores.

Independent Evaluation of Bids by IE

OAR 860-089-0450 requires that the IE independently score all benchmark bids and all or a sample of market bids to validate PacifiCorp's modeling and shortlist selections. Under OAR 860-089-0400(6), PacifiCorp "must provide the IE and Commission with full access to its production cost and risk models and sensitivity analyses." To satisfy this requirement, PacifiCorp has proposed to provide the IE with comprehensive input and output summaries from its PLEXOS modeling for the IE to review.

As the 2022AS RFP states "The IEs will be involved in development of the RFP and provide oversight to ensure the RFP process is conducted in a fair and reasonable manner." In order to do this, Staff believes the IEs need deeper access to PLEXOS than the Company has said it is willing to provide. In Appendix M, the Company describes the role of the IE and describes the level of access to PLEXOS it is willing to provide. Specifically, item 3 in Appendix M reads:

"Because the PLEXOS portfolio optimization tool is a proprietary model, PacifiCorp is not able to provide the IE with full access; however, PacifiCorp will provide the IE with the Bid Preparation excel file prior to input into PLEXOS, and all other inputs and assumptions in order for the IE to analyze, and validate all important modeling assumptions and inputs utilized by PacifiCorp to perform its portfolio selection, price scoring and ranking of market and benchmark bids. PacifiCorp will similarly provide the IE with any additional assumptions and inputs used in the sensitivity analyses."⁵

Staff raised concerns about the lack of full access to PLEXOS in its February 18 comments. PacifiCorp argued,

"The IE will be able to review all PLEXOS input files used by PacifiCorp to run the optimization model as well as PLEXOS output files showing the resulting marginal benefits used by PacifiCorp to calculate the price score...PacifiCorp will provide the IE with all supporting cost information, any transmission arrangements, and all other information being input to PLEXOS to score the benchmark resource. PacifiCorp will provide supporting files to confirm that it has applied the same assumptions and bid scoring and evaluation criteria to the benchmark bid that are used to score other bids."⁶

In the IE Assessment of the Final Draft RFP, the IE states that PacifiCorp's proposed method will not allow the company to independently score each Benchmark Bid or

⁵ See 2022AS RFP Appendix M

⁶ See PacifiCorp Reply Comments. Page 9

samples of third-party bids because the IE would need to obtain the PLEXOS model and PacifiCorp's system information.

Staff believes that PacifiCorp's proposal does not satisfy the OAR requirements, and more so will not provide Staff and the IE with sufficient ability to validate PacifiCorp's modeling. The PLEXOS model is a complex model with hundreds different inputs and settings that govern each modeling run and it is infeasible to validate shortlisting selections by merely reviewing inputs and associated outputs. To provide Staff and the IE with the ability to truly validate PacifiCorp's modeling, the IE must have the ability to independently execute the model and test certain modeling assumptions and parameters.

Staff, PacifiCorp, and the IE have discussed ways in which the IE may accomplish this, and PacifiCorp proposed two options. In what can be characterized as the "shadowing" option, IE staff would visit PacifiCorp's offices and sit alongside the PacifiCorp modeling team as they conduct the optimization modeling. This option would allow IE staff to observe the modeling in real-time, ask clarification questions as needed, and get comfort with the final shortlist selection.

Staff and the IE believe the shadowing option may be sufficient but may be challenging and inefficient. Typically, modeling processes such as optimizing a portfolio of resources is a multi-day, perhaps multi-week process with many iterations of reviewing results, identifying issues, revising inputs, and executing new runs for further review. The shadowing option would require the IE to be onsite at PAC's offices for a significant amount of time, with some portion of that time being unproductive during extensive modeling runs.

Staff and the IE prefer a second option, in which the IE would execute the PLEXOS model independently from PacifiCorp's modeling, at the IE's own offices. This option would require PacifiCorp providing the IE with its complete, execution-ready PLEXOS database representing the PAC system and all its characteristics. This option would require the IE staff to visit PacifiCorp's offices for 1-2 days to have a working session to overview the PLEXOS database, PacifiCorp's parameters for executing the model, and each bid's representation in the model. After this initial visit, the IE would have the ability to independently execute the model and work toward validating the Company's final shortlisting selections. This option will require close collaboration between PacifiCorp and the IE as PacifiCorp goes through the iterative process of finalizing the optimization, with the Company and the IE advising each other of issues identified and corrected. In this way, the IE would be able to validate as far as possible PacifiCorp's final shortlisting selections fully and independently.

Staff believes the approach in the 2022AS RFP draft for independent evaluation by the IE of benchmark bids using only Company provided inputs and outputs and select market bids is not sufficient. The Company must provide the IE with the required level of access to PLEXOS such that the IE can conduct independent evaluation of both the benchmark and market bids to be compliant with the PUC's CBR subsections -0400 and -0450. This effectively serves as a threshold issue to RFP approval. Failure to comply with this aspect of the competitive bidding rules should result in non-approval of the Final Draft RFP because the IE would be unable to validate PacifiCorp's modeling and conduct independent evaluation as required in the CBRs.

To approve this RFP, with Appendix M as is, Staff believes it would be approving a scoring and modeling methodology that does not appear to be compliant with CBRs. Staff recommends that Appendix M be revised to either remove the current language referencing limited access to PLEXOS (item 3) or replace it with language reflecting the access level described in General Recommendation 1 below.

Staff Recommendations

RFP Condition 1: Remove numbered item three (3) in Appendix M or modify it to be compliant with Oregon Competitive Bidding Rules (CBRs).

General Recommendation 1: Before benchmark bids are due, PacifiCorp shall provide the IE with full access to the PLEXOS model, including all data, assumptions, output, and associated external spreadsheets used by PacifiCorp for both the 2021 IRP and 2022AS RFP modeling. Model access could be provided either through PacifiCorp providing the IE with a fulsome and functional copy of its complete database as well as (one or more) working sessions between PacifiCorp and IE modeling staff to describe how PacifiCorp executes the model, or by the IE having facilitated access to the model at PacifiCorp's offices or remotely.

Bid score for Benchmark Resources with PLEXOS

PacifiCorp's use of PLEXOS to generate bid scores complicates how benchmark resources are scored and the IE and Staff had concerns about whether the scoring method complies with the CBRs. OAR 860-089-0350(1) states:

Prior to the opening of bidding on an approved RFP, the electric company must file with the Commission and submit to the IE, for review and comment, a detailed score for any benchmark resource with supporting cost information, any transmission arrangements, and all other information necessary to score the benchmark resource. The

electric company must apply the same assumptions and bid scoring and evaluation criteria to the benchmark bid that are used to score other bids.

It further states that if an update needs to be made to any bids, that equivalent updates must be made to the benchmark resource and that before the company has an opportunity to score the other bids it "...must file with the Commission...the final benchmark resource score developed in consultation with the IE...".⁷

The IE noted that the RFP may not be in compliance with Oregon's competitive bidding rules requiring benchmark bids to be scored in advance of opening third-party market bidding, with final scores filed before the scoring of other bids. Staff indicated in its February 18, 2022 comments that it believes the process for using proxy resources as stand-ins to score the benchmark process may be consistent with the intent of the rules, but the Commission may find this approach will not produce a benchmark "score" because PacifiCorp will not have access to "all other information necessary" at the time of scoring the benchmark (i.e., market bid inputs) to assign an accurate benchmark score.

Staff believes PacifiCorp's approach will produce a benchmark score that meets the intent of the competitive bidding rules without jeopardizing the fairness of the process. PLEXOS allows the Company to consider how a resource performs in relation to a portfolio of other resources and score them accordingly. To use PLEXOS to generate benchmark resource scores prior to receiving third-party bids, PacifiCorp must use proxy bids for the portfolio. While the scores will not have a lot of meaning in the context of proxy bids, they may provide guideposts, and more importantly, will signal that the inputs and the benchmark bid characteristics themselves have been established, which Staff believes accomplishes the spirit of the rule. Using the same modeling assumptions for benchmark bids, PacifiCorp will later be able to calculate the actual scores once it gets the market bids in. To the extent possible with PLEXOS, once the benchmark bid scores are established, it will be important for PacifiCorp to keep the same modeling inputs and assumptions for the benchmark bids throughout the RFP in order to mitigate the potential for bias once third-party bids are known.

⁷ OAR 860-089-0350 (2) – 350(3).

Staff Recommendation:

RFP Condition 2: PacifiCorp may not change the benchmark bid modeling inputs and assumptions after filing the benchmark bid scores prior to receiving market bids.

RFP Bidder Requirements

Firm vs. Conditional Firm Transmission

PacifiCorp's Final Draft 2022AS RFP requires that bids must have Long-term firm transmission rights. NewSun, Renewable Northwest, and NIPPC filed comments throughout this docket indicating that PacifiCorp should allow conditional firm transmission products, and to clarify how such products would impact a bid's score. Conditional firm service is "is a type of Long-Term Firm transmission service for which there is a specified Number of Hours per year or specified System Condition in which the Transmission Provider can curtail the reservation prior to curtailing other Long-Term Firm service."

In PGE's 2021 AS RFP docket, Staff has taken the position that conditional firm rights are an acceptable option when the associated curtailment risk is accounted for in modeling and potentially in scoring. In PacifiCorp's RFP Docket, Staff has again expressed that it is open to alternative transmission rights configurations, and would support a similar configuration to what PGE utilized in its 2021 AS RFP.⁸ In its response comments regarding RFP scoring and modeling, filed on November 29, 2021, PacifiCorp indicates that it should not be required to allow conditional firm transmission, explaining that transmission is most needed when the system is constrained, and a conditional firm product would create more risk for PacifiCorp's customers. In its comments filed March 4, 2022, PacifiCorp stated that while conditional firm may be an acceptable solution for short-term transactions, it is not appropriate for long-term PPAs or tolling agreements.⁹

In its report, PA concurs with PacifiCorp that Conditional Firm transmission rights are fundamentally "interruptible." They state that, "The purpose of this procurement is for PacifiCorp to obtain reliable generation to meet its capacity needs, and the very times that congestion occurs, and curtailment may occur are likely to be during periods of peak demand, precisely when PacifiCorp is relying on those deliveries." However, in conversations with Staff about the approach used with PGE, the IE indicated that the

⁹ PAC March 4, 2022 Reply Comments, Page 7.

conservative nature of how to consider capacity associated with projects with conditional firm transmission rights alleviated their discomfort.¹⁰

Specifically, PGE's approach mitigated the reliability risks of allowing bidders to use Long-Term Conditional Firm transmission by reducing the modeled capacity contribution of these resources. Conditional Firm Bridge transmission rights were required to be modeled as being curtailed for the maximum number of hours allowable under contract, with 50 percent of those hours taking place at the time of PGE's greatest need.¹¹ For the portion of a resource utilizing Conditional Firm Reassessment service, PGE assigned zero capacity value, citing uncertainty about how these contracts will be utilized by BPA.¹²

Staff is open to alternative transmission rights configurations. Staff would support a similar configuration as PGE, where Long-Term Conditional Firm rights could be accepted but modeled differently and scored lower. Staff recommends that PacifiCorp allow bids with Conditional Firm transmission rights to participate and mitigate the risk of conditional firm transmission by modeling curtailment of the maximum number of hours possible for a given contract. These curtailment events should be modeled as taking place at peak hours to reduce the reliability risk to the greatest extent possible. While this is different than PGE's requirement to model curtailments as occurring only 50 percent during peak hours. Moving toward a model that is more conservative on reliability, especially in this instance where any increased cost to customers from being more cautious is likely to be minimal, would benefit the competitiveness of the RFP without negatively impacting customers.

Staff Recommendation:

RFP Condition 3: PacifiCorp shall allow bids with Conditional Firm transmission rights to participate and may mitigate the risk of conditional firm transmission by modeling curtailment of the maximum number of hours possible for a given contract. These curtailment events should be modeled as taking place at peak hours to reduce the reliability risk to the greatest extent possible.

Bid Fee Requirements

The 2020AS RFP had bid Fee(s) of \$10,000 for each base proposal and one free alternative. Bidders were allowed to offer up to three additional alternatives at a fee of \$3,000 each. The 2022AS RFP Draft makes changes to the bid fees including increasing each bid fee to \$15,000 for each proposal greater than 5 MW; allowing a

¹⁰ Per March 31, 2022 Staff phone call with the PA Consulting.

¹¹ Order No. 21-320. Page 23.

¹² Portland General Electric. Docket No. UM 2166. Draft 2021 AS RFP. Appendix N. Pages 11-12.

sliding scale of \$1,000 per MW for bids less than 5 MW; and one free alternative bid in which bidders can propose alternative diversity hiring, supply and/or contracting strategy.

Stakeholder Comments:

Swan Lake and Goldendale, NIPPC, and RNW commented that this is an unreasonable barrier to participation and would affect the diversity of project offerings because bids at the same location offering moderately different bid attributes beyond hiring, supply or contracting strategy would incur multiple bid feeds of \$15,000.

PacifiCorp disputed the idea that multiple bids should be able to bid under a single fee and argued that the bid fee was not a material barrier to entry, as demonstrated by the number of bids and alternate bids received in the 2020AS RFP. It further argues that each bid evaluation, plus the expanded combined analysis, incurs costs that should be reflected in bid fees that cover those costs.¹³

The IE recommends that PacifiCorp explore alternate bid fees for the 2022AS RFP, potentially including bid fees for alternate bids relative to base bids, though at a reduced rate.

Staff agrees with stakeholders that the current bid fee structure has the potential to limit project offerings, but also with the Company and the IE, that evaluation of those offerings is not without cost. Staff agrees with the IE that PacifiCorp should accommodate alternative bids with moderately different bid attributes at a reduced fee. As the Company states, the 2020 AS RFP bid structure was not deemed a barrier to participation, however, as noted by stakeholders, it included a free alternative. Staff would be comfortable if the Company provided a similar alternative bid option as was available in the 2020AS RFP, namely, of allowing one free alternative bid for projects of the same technology type and location, but with moderately different project attributes.

Staff Recommendation:

RFP Condition 4: PacifiCorp shall allow the submission of one free alternative bid for a project at the same location and with the same technology type but with moderately different project attributes from the 'base.'

AC- vs DC-coupled Storage

The current 2022AS RFP does not allow co-located energy storage bids to be direct current (DC) -coupled. In earlier comments for this docket, both NIPPC and RNW

¹³ PacifiCorp March 4, 2022 Reply Comments. Page 2.

indicated that the RFP should not limit co-located renewable plus storage bids to alternating current (AC) -coupled storage resources because DC-coupled projects capture efficiencies that AC-coupled projects do not. PacifiCorp provided a detailed response to NIPPC's statements, listing many reasons why it does not want to allow DC coupled renewable plus storage resources, including that key institutions (ANSI and CAISO) have not officially approved revenue-grade DC meters.¹⁴ Further, PacifiCorp indicated that its valuation models and pro forma contracts have already been designed in consideration of AC-coupled systems, and that DC-coupled systems would be more complicated to operate due to the volume of meters involved.

Stakeholder Comments:

NIPPC, RNW commented that PacifiCorp is not justified in prohibiting DC-coupled metering because avenues exist for their inclusion. Stakeholders argued that DC revenue-grade meters do exist, and are accepted by the CAISO, despite not being officially recognized by the CAISO Business Practice Manual (BPM). Staff reached out to the CAISO to receive clarification on several of these conflicting points. Staff confirmed that though DC revenue-grade meters do exist and can be used by customers to submit metering data to the CAISO, they are not yet part of the BPM, and it is unknown when they will officially be accepted.

Stakeholders also argued that DC-coupled systems are subject to fewer energy losses than AC-coupled systems, and that DC-coupled systems could potentially allow generators to sell more power into PacifiCorp's system. However, PacifiCorp explained, and Staff confirmed with CAISO, that at this point, DC-coupled systems would be more complicated to design and operate, potentially introducing higher O&M costs.

While Staff agrees that there is a risk that the Company would be implementing a more restrictive RFP by limiting certain bidders, it remains unclear to Staff the level of complexity involved in designing a solar plus storage DC-coupled battery system, and whether the benefits of such a design exceed operating costs.¹⁵ As a result, for the current RFP, Staff is supportive of PacifiCorp's requirement to restrict battery storage bids to AC-coupled systems. However, this issue should be revisited in the next RFP in the event DC-coupled metering systems become more widely accepted and available.

The IE agrees with Staff and believes this is a technical issue that is a matter for PacifiCorp and its system engineers to determine, and that the Company should be allowed to require AC-coupling.

¹⁴ PacifiCorp's November 29 comments.

¹⁵ Informal estimates of efficiency savings are 3-4 percent based on phone calls with stakeholders.

Staff Recommendation:

General Recommendation 2: PacifiCorp should revisit the option of including DC-coupled co-located energy storage bids in its next RFP.

Off-system resources

PacifiCorp's 2022AS RFP indicates it will accept Build Transfer Agreement (BTA) proposals only if projects are or will be directly interconnected to PacifiCorp's system. NIPPC and NewSun each commented that off-system BTA projects should also be considered.

Stakeholder Comments:

NIPPC states that PacifiCorp should acquire least cost and least risk bid regardless of whether it is located on PacifiCorp's system.¹⁶ NIPPC argues that off-system BTA should be considered similarly to PPAs and tolling agreements and that they should be allowed if the bid demonstrated it was able to secure firm transmission service to PacifiCorp's system.

NewSun believes that it is important to have visibility to, and allow consideration of, projects that might exist off-system and that they should be subject to evaluation and comparison like other bids.

PacifiCorp disagrees with a requirement that the Company consider owned resources outside of its service territory. It argues there are ample resources within its six-state territory without having to procure resources that require third party transmission service, that off-system resource cannot provide ancillary services, and that such project create balancing risk challenges.

Staff, in conversations with the IE, agrees that it is reasonable for PacifiCorp to only consider BTA that are on system. Staff believes an off-system PPA should not be considered comparable to an off-system BTA where the Company would ultimately be responsible for owning and operating the resource off its system and outside its service territory.

Required Commercial Operation Date

One of the minimum filing requirements in the RFP is that bids must demonstrate that they can commercially operate by 2026, though there is a two-year extension to 2028 for long-lead projects like pumped storage hydropower or nuclear facilities.

¹⁶ NIPPC's February 18, 2022 comments. Page 8.

Several stakeholders filed comments regarding the 2026 COD. NIPPC and RNW filed comments opposing the 2026 COD requirement, recommending that the interconnection process timeline be changed and that the COD be extended past December 31, 2026.¹⁷ The primary reasoning behind this is that this RFP could see similar problems as the 2020AS RFP, where projects without large generator interconnection agreements (LGIAs) were disadvantaged during the interconnection study process. NIPPC indicated that projects from Cluster 1 have network upgrades at 60 months or more, which means these projects would not be eligible to participate in the 2022 RFP.¹⁸ NewSun argued that the 2026 COD was sufficient to attract bids and that the Company should retain this date.

In reply comments and discussions with the Company and the IE, PacifiCorp pointed to the IRP and its identified capacity need by 2026 as a reason why the COD should not be extended. Further, PacifiCorp indicated:

- Lengthy interconnection times are often associated with substantial transmission upgrades;
- Contacting for projects in 2023 with CODs in 2028 introduces material risk in terms of project delivery and costs as technology cost may decline between 2023 and the next RFP;
- Project meeting a 2026 COD are more mature and have de-risked many development issues; and
- HB 2021 clean energy requirements will likely result in additional RFPs in the near term, allowing more opportunities for project to bid into future RFPs.¹⁹

Staff has participated in several calls with the Company and other stakeholders to explore this issue. Staff recognizes that PacifiCorp has identified an immediate resource need in 2026 and sympathizes with the argument that committing to projects with a timeframe that is farther out may introduce more risk.

Staff has also had calls with the Company and the IE attempting to understand more about the COD issue. Staff was made aware that some projects were assigned extended interconnection upgrade timelines lasting up to 72 months but in some instances, stakeholders said that projects were able to come online sooner than expected. The concern is that a project would be eliminated from consideration because of the assigned COD where an earlier online date is practically feasible. However, Staff also learned that in these types of situations, it is likely that a 72-month upgrade may include such things as a new transmission line (e.g., new conductors, potential

¹⁷ NIPPC's and RNW's November 15 comments.

¹⁸ NIPPC's November 15 comments. Page 12.

¹⁹ PacifiCorp's November 29 comments. Page 13.

substations, and the introduction of siting issues). In this situation, a six-year upgrade is likely to be a generous estimate for how fast the upgrade could be built.

In prior comments, Staff conveyed comfort with a possible middle ground in extending the COD to 2027 while retaining the 2028 date for long-lead resources, including suggestions for sensitivities that might help surface risk. This could give more time for upgrades for projects participating in the 2022 cluster study, alleviating some developer concerns about assigned CODs 72-months out, and would give a longer grace period for transmission or interconnection upgrades. In extending the COD to 2027, Staff suggested the Company could introduce a market price sensitivity in evaluating various bids that measures the risk of delaying COD to 2027.

The IE supported the Company retaining the 2026 COD in order to meeting capacity needs beginning in 2026. However, it was also recognized the value in not eliminating projects due to factors out of their control – such as the assigned interconnection timeframes. The IE suggested considering projects unable to meet the 2026 COD on a case-by-case basis with PacifiCorp Transmission to determine whether an earlier COD might be possible.

This topic was raised before the Washington Utilities and Transportation Commission (WUTC) in Docket UE-210979. On March 11, 2022 the WUTC issued Order 02 Approving Proposed Request for Proposals Subject to Conditions in which PacifiCorp was directed to extend the COD to December 31, 2021.²⁰

As Staff was generally comfortable with an extension of the COD and understanding that there are market based alternatives that could address capacity shortfalls, should they come to fruition, Staff recommends the RFP change the COD to December 31, 2027, to be consistent with WUTC's recent Order 02.

Staff Recommendation:

RFP Condition 5: PacifiCorp shall change the COD for RFP resources to before December 31, 2027, consistent with recent Order 02 PacifiCorp's IRP docket in Washington.

Staff is satisfied with PacifiCorp's response to other issues raised by stakeholders related to Bidder Requirements not otherwise addressed above.²¹

²⁰ Washington UTC. [Order 02](#) in Docket No. [UE-210979](#) and [UE-210979 – Errata to Order 02](#).

²¹ See March 11, 2022 IE Report for a summary of issues raised by stakeholders related to RFP Bidder Requirements.

Bid Price Scoring Methodologies

Transmission Costs

In Staff's December 6, 2021 comments it requested the evaluation of RFP bids include an assessment of the cost of all transmission additions with or without the assumption that PacifiCorp is required to place transmission costs in state-jurisdictional rate base in order to facilitate requests for service from transmission customers. This is inspired by Staff's experience in the 2020AS RFP and the 2021 IRP, whereby certain transmission costs were "discounted" because of assumptions about PacifiCorp transmission build obligations. Gateway South, for example, received a \$1.4 billion cost offset because of the assumed need to construct new transmission to facilitate a Transmission Service Request. Staff has opined on this issue in previous comments and Staff Reports and will not repeat the concerns here. However, it is imperative for the Commission to receive full transparency as to what is at stake in investing in various portfolios. Regardless of the way PacifiCorp has designed its production cost modeling, there must be a full account of costs. As a result, any "discounts," cost offsets, or omitted transmission buildout costs must be presented for consideration alongside PacifiCorp's presentation of its final short list to the Commission for acknowledgment.

Staff believes the bid price scoring must reflect transmission costs not currently captured in the bid prices. Staff recommended PacifiCorp provide the cost of all transmission additions with and without ratepayer support of the underlying transmission and it should give an account of how transmission costs will be treated in the RFP. PacifiCorp agreed to Staff's request and noted it would identify the following assumptions related to network upgrade transmission costs:

- Costs assigned to the developer and not subject to refund.
- Costs assigned to the developer and subject to refund.
- Costs assigned to all transmission customers and assigned to PacifiCorp's retail customers.
- Costs assigned to all transmission customers and assigned to third party transmission customers.

The Company indicated that the "final transmission upgrade assumptions will incorporate updated information based on the latest transmission studies for each project."²²

Staff appreciates the Company's response to this request and has no additional conditions at this time. However, this is a topic that may come up in conversations related to sensitivities and Staff may provide more direction at that time.

²² PAC Reply Comments. Pages 15-16.

Bid Non-Price Scoring, HB 2021, and State-Specific Evaluation

The 2021 IRP (LC 77) preferred portfolio that informs the 2022AS RFP resource need the was filed before HB 2021 was signed into law. Neither the past IRP nor this RFP are required to demonstrate compliance with the emission targets set forth in what is now Oregon law. However, because this procurement takes place in a policy environment in which HB 2021 is now law, Staff and stakeholders expressed an interest in seeing the 2022AS RFP better reflect certain aspects of HB 2021 such that it might help the Commission signal and direct PacifiCorp regarding HB 2021 compliance.

In addition, Staff sought to understand how the Company would execute non-price scoring as it relates to compliance across multiple states. Staff recommended the Company elaborate on steps it would take to assess state compliance. This would entail that the FSL provide a summary of what projects were ultimately prohibited from selection due to failure to comply with various state mandates. Stakeholders wanted to see the following aspects represented in the RFP bid scoring or FSL:

1. Facilitate or signal a desire to procure clean resources in advance of the need reflected in the 2021 IRP;
2. Prioritizing of projects that provide local benefits; and
3. Prioritization of projects that reflect high labor standards and that support an equitable transition for fossil fuel construction workers.

Stakeholder Feedback:

On the topic of HB 2021, the Company received comments from RNW, NewSun, and Oregon & Southern Idaho District Council of Laborers' of Laborers' International Union of North America (LiUNA)

RNW and NewSun suggested the Company and the Commission accommodate early compliance and acceleration of least-cost procurement of decarbonization resources that exceeds current IRP-identified need. RNW notes that HB 2021's first compliance year is only eight years away and that the Commission has signaled interest in procurement that aligns with HB 2021 goals, which may reflect procurement goals beyond what is articulated in current IRPs.^{23,24} NewSun pointed to the need for utilities to demonstrate continual progress toward HB 2021 goals and the value of procuring available non-emitting resource in the near term.²⁵

LiUNA provided 17 recommendations across four categories of issues related to how the RFP could be changed. Specifically, the four categories of issues addressed were:

²³ Renewable Northwest Comments. Pages 2 and 3.

²⁴ Order No. 21-460 at 9, Oregon Public Utility Commission Docket No. UM 2166 (Dec. 10, 2021).

²⁵ NewSun Comments. Page 1.

- Uniform bidder requirements for higher contractor labor standards, avoiding a state-by-state approach;
- Prioritization of displaced fossil fuel workers and giving preference to bidders maximizing employment and utilization of local workers or in-state contractors;
- Minimum contractor requirements around safety and health standards and associated reporting, and scoring that discourages sub-contractors with a history of safety violations; and
- A scoring preference and inclusion in the RFP eligibility requirements that demonstrate use and acquisition of skilled, local labor.²⁶

In their March 4, 2022 response the Company addressed many of the recommendations made by LiUNA. With regards to uniform bid requirements, PacifiCorp noted that the HB 2021 labor standards would apply to projects sited in Oregon. The Company also noted where the RFP requirements or RFP scoring had changed to reflect specific state laws, specifically around uniform minimum bidder requirements. But for the most part the Company noted that would not be reasonable to make bidder requirements or disclosures the same across all states.

With regard to supporting impacted communities and prioritizing certain workers, PacifiCorp asserts it is upon states to set their own specific requirements around such issues as just transition and other social/environmental requirements for projects in their states. And the Company again reiterated that it would not be reasonable to make bidder requirements the same across all states or grant preferences to individual localities, especially as not all communities have fossil fuel workers potentially being displaced.

With regards to minimum contractor requirements, PacifiCorp maintained that different resources should be able to exercise different labor and cost considerations and that it was unclear on how to validate or enforce some of LiUNA's safety requirements. However, the Company also noted key provisions it would add to the RFP to increase minimum contractor requirements to address safety concerns across all proposals.

With regards to local workforce development, PacifiCorp noted that it would be unreasonable to assign points within the procurement that used skilled local labor given that states have different regulatory priorities.

Staff Analysis

²⁶ See UM 2193, Comments of Oregon & Southern Idaho District Council of Laborers, February 18, 2022.

HB 2021 Compliance

The Company references HB 2021 as a potential driver of additional procurement in this RFP.

After PacifiCorp selects the least cost, least risk resources on behalf of all system customers consistent with the resource need identified in the 2021 IRP, PacifiCorp may find it requires additional resources to comply with regulations in one or more of its six states. Following the selection of system resources for the final shortlist on behalf of PacifiCorp's six-state customers, PacifiCorp will consider additional compliance requirements for specific states with clean energy compliance obligations, and potentially add state-specific resources to ensure those compliance obligations are met.²⁷

Staff believes the Company should identify projects that might be well suited to help the Company demonstrate continual progress toward meeting HB 2021 goals. To this end, when PacifiCorp files its FSL, Staff would like to see a list of non-emitting resources that could be procured in addition to the RFP FSL that meet future non-emitting generation need for HB 2021 compliance.

State Specific Evaluation

The Company's assessment of whether projects follow state compliance with HB 2021 goals will be monitored by Staff and the IE. To assist in this monitoring, the Company should provide a summary of what projects are prohibited from selection due to failure to comply with various state mandates..

Staff also finds the logic used by WUTC Staff and LiUNA regarding the collection of state specific data from all projects – not just those sited in a specific state – compelling, as it is unknown which projects will eventually be allocated to specific states under the Multi-state Protocol (MSP). To this end PacifiCorp is requesting all resources complete many parts of Appendix P, the Equity Questionnaire.

With regards to the specific recommendations by LiUNA, Staff mostly agrees with PacifiCorp. However, in addition to where the Company has already made changes to the RFP, Staff supports the following LiUNA inspired changes to the RFP or the overall RFP process:

- Track and report with the FSL, the bids that complete (a) a survey comparable to the Washington Equity Survey, (b) that have proforma contract terms with

²⁷ PacifiCorp's Draft 2022AS RFP. Page 2.

Responsible Contractor Labor Standards and apprenticeship and workforce requirements comparable to those required by Oregon's HB 2021,

- Quarterly reporting on the number of local and state workers, number of workers from temporary staffing agencies employed by bidders or sub-contractors during the construction phase of any selected project.
- Amending Appendix P to include under Facility Job Creation total employment of fossil fuel construction workers.

Staff Recommendations

RFP Condition 6: Amending Appendix P to include, under Facility Job Creation, total employment of fossil fuel construction workers.

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General Recommendation 3: With the FSL, Staff would like to see a list of non-emitting resources that could be procured in addition to the RFP FSL that meet future non-emitting generation need for HB 2021 compliance.

General Recommendation 4: PacifiCorp, as part of the final shortlist selection, to provide a summary of what projects were ultimately prohibited from selection due to failure to comply with various state mandates

General Recommendation 5: PacifiCorp to forecast the emissions impact of the final shortlist selection by 2030 using operating assumptions from the 2021 IRP (LC 77).

General Recommendation 6: PacifiCorp update Appendix P to request that all projects complete the Oregon attestation on labor practices

General Recommendation 7: PacifiCorp to provide a project summary regarding compliance with various state mandates and laws.

General Recommendation 8: PacifiCorp to report the bids and then selected resources in the FSL that complete (a) a survey comparable to the Washington Equity Survey and (b) that have proforma contract terms with Responsible Contractor Labor Standards and apprenticeship and workforce requirements comparable to those required by Oregon's HB 2021.

General Recommendation 9: Quarterly reporting post-RFP on the number of local and state workers, number of workers from temporary staffing agencies

employed by bidders or sub-contractors during the construction phase of winning bids.

Power Purchase Agreement and BTA Term sheet Terms and Conditions

Performance Guarantees

RNW raised a concern about PacifiCorp's use of a performance guarantee instead of an availability guarantee for Power Purchase Agreements (PPAs) and the barrier it creates for shortlisted projects, saying it places unreasonable risk on generators associated with normal variability of renewable energy. RNW commented that the "Form PPA includes a performance guarantee of 90% of expected [annual] output,²⁸ allowing PacifiCorp to terminate the PPA or requiring generators to pay financial penalties if a wind or solar project produces less than 90% of its forecast energy."²⁹ The concern relates to typical weather variations from year to year and that bidders have no control over these variations.

This issue was also raised by NIPPC in UM 2059,³⁰ and RNW raised the issue here because it believes the production guarantee has posed challenges for developers negotiating contracts with PacifiCorp following selection to the final shortlist in that RFP.

PacifiCorp states that these terms are not new, have been used in previous RFP, and are akin to what developers encounter when obtaining financing.

The IE recommended that PacifiCorp explore ways to mitigate these concerns through negotiations with shortlisted projects, including potentially relaxing the 90 percent performance guarantee currently included in the PPA term sheet.

Staff does not recommend any RFP conditions regarding this issue but would like to understand whether the production guarantee language included in the Form PPA contract language continues to be problematic for bidders. Staff is particularly interested in whether the challenges can be addressed by modifying the penalties, the performance level, or both. Staff echoes the IE's recommendation and asks that PacifiCorp explore options to mitigate these concerns in contract negotiations.

²⁸ See RFP, Appendix E-2.1 at section 6.14 and Exhibit F.

²⁹ See Renewable Northwest February 18, 2022 Comments. Page 8.

³⁰ See Comments of the Northwest and Intermountain Power Producers Coalition at 9, Oregon Public Utility Commission Docket No. UM 2059 (May 22, 2020).

General Issues Related to the RFP

Staff and Stakeholders raised a variety of other issues related to the RFP Draft and the RFP more generally throughout the docket to date, many of which the Company has addressed and have been resolved. There are other issues that were raised by stakeholders in their February 18 comments that Staff notes below. Where the comments apply to the Company, Staff is comfortable with how the Company has addressed the issues unless addressed otherwise elsewhere in this report. Additionally, Staff's offers its perspective on select issues that pertain to the Commission.

NewSun commented that PacifiCorp owned assets should not be permitted to bid in this RFP cycle because there has not been sufficient time to realize the benefits of adding non-utility owned resources post queue-clearing activities. Staff appreciates the value and diversity brought by independent power producers but does not see this as a necessary approach at this time, nor does it see how this might be enforceable.

NewSun commented that "The IE should work for Staff, not the utility" so as to improve transparency, regulation, and to better represent the interests of the Commission in RFP evaluation. Staff appreciates how NewSun characterizes the relationship between the IE and the commission. In Staff's experience, apart from having to lead the solicitation, evaluation and contracting for the IE, this is precisely the way IE is currently supporting Staff and does not see a need for modifications. The only thing Staff would note is to reiterate comments during the IE selection process regarding the importance of stakeholder and Staff involvement in the creation of the IE RFP, participation in the identification of a pool of IE candidates, and the IE evaluation process.³¹

NewSun commented that nuclear resources should be prohibited from participating in this RFP because of issues raised in the 2021 IRP process about inclusion of nuclear and the impact that has on modeling, exposure to potential cost overruns, and other technology risks. PacifiCorp responded indicating that, by definition, this is an 'all-source' RFP and that it should include the review of all resource options. The Company states that such a limitation would conflict with rules and guidelines within its multi-state jurisdiction. Staff does not find sufficient reason to forbid nuclear resources from participation in the 2022AS RFP and adds that because of the limited information about the proposed Natrium nuclear project in PacifiCorp's 2021 IRP, Staff prefers that the Company have the proposed Natrium project compete in and RFP to help bring transparency and comparability to project costs and risks. Staff's ongoing concerns about the Natrium nuclear plant, if the plant is included in the FSL portfolio without bidding into the RFP, revolve around how the inclusion of an uncertain nuclear project in

³¹ See October 11, 2021 [Staff Report in UM 2193](#).

the Company's FSL portfolio might impact the outcome of the RFP. Staff has provided direction regarding sensitivities to address these concerns.³²

PacifiCorp responded to a variety of other stakeholder comments and indicated commitments to address the issues raised in its Reply Comments. Unless otherwise indicated in this Report, Staff supports the Company's response and recommends that the RFP reflect the additional commitments made by PacifiCorp in its Reply Comments.

Staff Recommendation:

RFP Condition 7: Except where Staff has suggested modifications otherwise in the body of this report, PacifiCorp must reflect the commitments it made in response to stakeholder feedback on the Draft RFP.

Scoring and Associated Modeling Methodology Approval

In Order No. 21-469, the Commission granted the Company a partial waiver for OAR 860-089-0250(2)(a) waiving the requirement for approval of a proposal for scoring and associated modeling methodology prior to preparing a draft RFP to allow more time for review of PacifiCorp's bid scoring and modeling methodology. This report captures stakeholder and Staff feedback and analysis of the scoring and modeling methodology. The approval of these methodologies is implied within the approval of the RFP Draft with the associated conditions described herein.

The review process to date has highlighted areas for improvements for future RFP review processes regarding the timing of review elements.

Timing of Scoring and Associated Modeling Approval

In the IE's assessment of the Final Draft 2022AS RFP³³ the IE evaluated both the Draft 2022AS RFP and the RFP process more broadly regarding compliance with OPUC CBRs. The IE believes the 2022AS RFP process generally complies with the CBRs but raised a concern - that was also raised in the 2020AS RFP - regarding the use of a waiver for Commission approval of the scoring and associated modeling prior to preparing a draft RFP in a set of unusual circumstances shortly after adoption of the CBRs.

³² See February 11, 2022 Final Staff Comments in LC 77. Pages 14-18

³³ See March 11, 2022 filing *Oregon Public Utilities Commission Independent Evaluator's Assessment of PacifiCorp's Final Draft 2022AS Request for Proposals* in UM 2193
<https://edocs.puc.state.or.us/efdocs/HAH/um2193hah173824.pdf>

As described above in the Background section, the information PacifiCorp shared at the November 15 workshop revealed that it had restructured the RFP process and had made substantive changes to what it had originally filed on September 2. On November 29, 2021, two weeks before the proposed December 14 Public Meeting date to consider approval of PacifiCorp's modeling methodology, the Company filed Reply Comments that included an appendix explaining revisions to the 2022AS RFP scoring and associated modeling methodology as filed on September 2, 2021, based on the revisions from the November 15 Workshop. These changes included the substantial change of eliminating the initial short list process, transitioning to PLEXOS as a pricing mechanism as opposed to PacifiCorp's originally-proposed proprietary models, and other additions to the non-price scoring questions.

On December 3, 2021 PacifiCorp filed for and was ultimately granted a partial waiver of OAR 860-089-0250(2)(a), the rule requiring approval of the scoring and associated modeling methodology.³⁴ Staff found good cause for this waiver due to the unique circumstances of this docket.

However, the Company received a partial waiver in the 2020AS RFP. And, as was the case in the 2020AS RFP, the IE recommends the Company make every effort to avoid the need to request this waiver and should seek Commission approval of the scoring and associated modeling before preparing a Draft RFP. Staff agrees and believes it is important to have sufficient time for stakeholders and Staff to conduct meaningful analysis on this critical element of the procurement process. The Company is now well informed of the CBR requirements and may be expected to comply with those requirements in the future.

Staff also recognizes that the clean energy targets associated with HB 2021 will likely require more frequent procurement cycles and that there may be a need for flexibility to accommodate rapid procurement without compromising the CBR process. To this end, Staff appreciates the schedule changes PacifiCorp made that accommodated additional review of the scoring and associated modeling included in the Draft 2022AS RFP. That said, Staff recommends PacifiCorp submit bid scoring and associated modeling, which are not part of a Commission-acknowledged IRP, well in advance of its draft RFP.

³⁴ See PacifiCorp's *Motion for a Partial Waiver of Oregon Administrative Rule 860-089-0250(2)(a)* filed in UM 2193 on December 3, 2021

RFP Related Issues – Not Applicable to RFP Issuance

Legacy Large Generator Interconnection Agreement Concerns

A persistent issue throughout the 2020AS RFP was how projects with Large Generator Interconnection Agreements (LGIAs) had an advantage over projects that did not. This is anticipated to remain an issue in the 2022AS RFP. While PacifiCorp's cluster study process has alleviated the issue of the LGIA queue stalling potentially competitive projects, the LGIA issue has not been completely resolved. To summarize, certain projects with signed LGIAs effectively receive priority in PacifiCorp RFPs because the Company is contractually obligated to interconnect them before other projects with later LGIAs. These projects with signed LGIAs can, in some instances, "crowd out" more competitive projects. Staff continues to monitor the situation where projects with earlier LGIAs may be selected because of their early LGIA status, reducing the competitiveness of the procurement process.

Another concern Staff has is the issue of more competitive projects that might be willing to pay upgrade costs but have no clear way to do so to be able to compete in the RFP. For example, consider "Project A" that has an LGIA and is subject to specific upgrade costs, but there has been little or no advancement in that project for a number of years, yet it continues to hold an LGIA and participates in the RFP. Contrarily, "Project B" can pay for the upgrades and is both commercially ready and cost effective. Staff is still unclear on the details of what valid mechanisms might exist through which "Project B" would be able to replace "Project A" if it is willing and able to pay for upgrade costs if Project B is on the final shortlist and Project A is not. Staff believes this issue should be further explored with the Company and stakeholders throughout the RFP process.

PacifiCorp said that the mechanisms for interconnection customers to share interconnection costs within the PacifiCorp Transmission system are regulated by the OATT, which is regulated by FERC, and "outside the scope of the proposed 2022AS RFP." Staff appreciates that this issue is outside the scope of the 2022AS RFP, and is interested the Company facilitating more transparency for bidders around the issue of existing LGIA and potential opportunities for competitive projects to come online. Staff will work with PacifiCorp and stakeholders to explore the mechanisms through which a bidder may be able to pay for upgrade costs to accelerate construction if higher-queued projects do not move forward, and consider how to include flexibility for such bids in the final short list.

Staff Recommendation:

General Recommendation 10: Staff will work with PAC in its next RFP and the 2023 IRP to provide both a list and detailed map of all publicly available OASIS

and 2021 and 2022 AS RFP (UM 2059 and UM 2193) data and information regarding LGIAs on its system. This should at a minimum include the location, associated interconnection costs and commercial operation dates of all LGIAs on its system.

Sensitivities and Additional Analysis

In the 2021 IRP review process³⁵ and the beginning of the 2022AS RFP review process, Staff and others identified several issues as potentially deserving further analysis and consideration in the 2022AS RFP. These include additional sensitivities to run on the FSL and additional analysis and reporting.

In the Staff Report filed on October 14, 2021, Staff indicated that it expected PacifiCorp to perform a series of sensitivities as it evaluates the value of each bid. Staff continues to support the following sensitivities for the 2022 RFP:

- Report present value revenue requirement (PVRR) resulting from adding a social cost of carbon at a 2.5 percent discount rate applied to emissions from PAC system with and without the Final Short List (FSL) resources.
- Include a ‘no market sales’ sensitivity.
- Include a tax credit extension sensitivity, with low market prices.

Two of the three above were already implemented in the 2020AS RFP and provided useful analysis in testing the economic resiliency of various resources. Staff expects to work with the Company and IE in refining these sensitivities as the RFP progresses.

In addition to the three sensitivities recommended in the Staff Report filed October 14, 2021, Staff requested an assessment of the cost of transmission additions with or without the assumption that PacifiCorp is required to place transmission costs in state-jurisdictional rate base in order to facilitate requests for service from transmission customers. This is inspired by Staff’s experience in the 2020AS RFP and the 2021 IRP, whereby certain transmission costs were “discounted” because of assumptions about PacifiCorp transmission build obligations. Gateway South, for example, received a \$1.4 billion cost offset because of the assumed need to construct new transmission to facilitate a Transmission Service Request. Staff has opined on this issue in previous comments and Staff Reports and will not repeat the concerns here. However, it is imperative for the Commission to receive full transparency as to what is at stake in investing in various portfolios. Regardless of the way PacifiCorp has designed its production cost modeling, there must be a full account of costs. As a result, any “discounts,” cost offsets, or omitted transmission buildout costs must be presented for

³⁵ See February 11, 2022 [Staff Final Comments in LC 77](#)

consideration alongside PacifiCorp's presentation of its final short list to the Commission for acknowledgment.

In PacifiCorp's Reply Comments filed on March 4, 2022, the Company agreed to "work with Staff, in coordination with the Oregon IE, to identify sensitivity scenarios to help identify the robustness and incremental impact of the portfolio."³⁶ Additionally, the Company agreed to provide a transparent accounting of how the Company expects each transmission investment will be financed. Staff appreciates PacifiCorp's offer to provide this useful information. However, Staff additionally requests the Company provide data on the NPVRR of the FSL portfolio *without the application of any cost offsets such as those that were applied to the B2H and Gateway South lines in IRP modeling* if and when PacifiCorp files a request for acknowledgement of a final short list. This additional data point will help inform the conversation around these cost offsets, what their impact will be, and whether they are appropriate.

After reviewing PacifiCorp's IRP in Docket No. LC 77, Staff has additional requests for sensitivities and analyses around the RFP Final Shortlist, including:

- an Offshore wind sensitivity,
- a Natrium sensitivity to assess the risk of acquiring RFP resources under the assumption of Natrium coming online by 2028, if it then does not in fact achieve commercial operation in 2028,
- A sensitivity where the cost offset applied to the Boardman to Hemmingway (B2H) transmission line is removed from the modeling and a discussion of the results, and
- a Jim Bridger 3 & 4 sensitivity where the minimum take is removed after 2030;
- discussion and analysis around the modeling of additional Oregon locations with interconnection capacity for renewable resources, including QF projects.
- labor considerations including additional data comparable to that required by the Washington UTC,³⁷
- discussion of ownership diversity in the Final Shortlist,
- reporting of coal dispatch in the FSL portfolio by year, and
- reporting of market sales in the FSL portfolio by year, by market hub.

PacifiCorp was directed to perform some of these sensitivities and analyses, including the Offshore Wind sensitivity and Natrium sensitivity, at the March 29, 2022 Acknowledgement Decision Meeting in Docket No. LC 77. However, the details and parameters of these analyses have not yet been fully explored and defined. Each

³⁶ PacifiCorp Comments filed February 18, 2022. Page 15.

³⁷ See WUTC UE-210979 Staff comments on Pacific Power's Draft 2022 All Source Request for Proposals for Resources filed 2/14/2022 in UE-210979.

requested sensitivity and analysis will need to be further defined to arrive at a sufficiently clear list of proposed analyses around the 2022 RFP FSL.

In order to arrive at a clearly defined set of sensitivities and other reporting for PacifiCorp to publish with its Final Shortlist, Staff proposes the Commission direct Staff and PacifiCorp to engage in the following next steps.

1. By November 14, 2022, PacifiCorp works with Staff to develop the details and parameters of sensitivities and additional data that should be provided with the 2022AS RFP Final Shortlist.³⁸ The resulting detailed list of FSL sensitivities and reporting data must be brought to the Commission at a public meeting for approval. The detailed list should be provided at least one week before the public meeting, to allow opportunities for stakeholder input at that meeting. Additional direction may be provided by the Commission, if necessary.
2. The FSL, sensitivities, additional data, and all workpapers must be filed in the UM 2193 docket at least two weeks in advance of the IE Closing Report on the FSL.

Based on the experience of the 2020AS RFP, the below recommendation is intended to ensure that PacifiCorp is aware of expectations regarding additional analysis in the RFP, and that the IE has sufficient time to fully assess the FSL, sensitivities, and associated workpapers and data before filing its FSL Report.

Staff Recommendations:

General Recommendation 11: The 2022AS RFP Final Shortlist is expected to be selected by March 24, 2023.³⁹ Staff and PacifiCorp should work together in advance of FSL selection to define the FSL sensitivities and additional data that will be provided with the filing of the Final Shortlist. By November 14, 2022, the resulting detailed list of expected FSL sensitivities and recommended reporting data should be brought to the Commission at a public meeting for approval.

General Recommendation 12: PacifiCorp must file the FSL, sensitivities, additional data, and all workpapers in the UM 2193 docket at least two weeks in advance of the IE Closing Report on the FSL.

³⁸ November 21, 2022 is the first day that any bids are due in PacifiCorp's proposed schedule, so deciding on parameters for bid analysis before that date will be helpful.

³⁹ PacifiCorp Draft 2022AS RFP. Page 12.

Conclusion

Per Staff's analysis, Staff believes PacifiCorp's Final Draft 2022 All-Source Request for Proposals (2022 AS RFP) should be approved for issuance, subject to the conditions recommended by Staff. Below is a summary of Staff's recommendations:

RFP Conditions

RFP Condition 1: Remove numbered item three (3) in Appendix M or modify it to be compliant with Oregon CBRs.

RFP Condition 2: PacifiCorp may not change the benchmark bid modeling inputs and assumptions after filing the benchmark bid scores prior to receiving market bids.

RFP Condition 3: PacifiCorp shall allow bids with Conditional Firm transmission rights to participate and may mitigate the risk of conditional firm transmission by modeling curtailment of the maximum number of hours possible for a given contract. These curtailment events should be modeled as taking place at peak hours to reduce the reliability risk to the greatest extent possible.

RFP Condition 4: PacifiCorp shall allow the submission of one free alternative bid for a project at the same location and with the same technology type but with moderately different project attributes from the 'base.'

RFP Condition 5: PacifiCorp shall change the COD for RFP resources to before December 31, 2027, consistent with recent Order 02 PacifiCorp's IRP docket in Washington.

RFP Condition 6: Amending Appendix P to include, under Facility Job Creation, total employment of fossil fuel construction workers.

RFP Condition 7: Except where Staff has suggested modifications otherwise in the body of this report, PacifiCorp must reflect the commitments it made in response to stakeholder feedback on the Draft RFP.

General Recommendations

In addition to the RFP conditions listed above necessary for the RFP issuance process Staff also recommends the Commission direct PacifiCorp to take the additional actions listed below surrounding the RFP process in this docket and future procurements.

General Recommendation 1: Before benchmark bids are due, PacifiCorp shall provide the IE with full access to the PLEXOS model, including all data, assumptions, output, and associated external spreadsheets used by PacifiCorp for both the 2021 IRP and 2022AS RFP modeling. Model access could be provided either through PacifiCorp providing the IE with a fulsome and functional copy of its complete database as well as (one or more) working sessions between PacifiCorp and IE modeling staff to describe how PacifiCorp executes the model, or by the IE having facilitated access to the model at PacifiCorp's offices or remotely.

General Recommendation 2: PacifiCorp should revisit the option of including DC-coupled co-located energy storage bids in its next RFP.

General Recommendation 3: With the FSL, Staff would like to see a list of non-emitting resources that could be procured in addition to the RFP FSL that meet future non-emitting generation need for HB 2021 compliance.

General Recommendation 4: PacifiCorp, as part of the final shortlist selection, to provide a summary of what projects were ultimately prohibited from selection due to failure to comply with various state mandates

General Recommendation 5: PacifiCorp to forecast the emissions impact of the final shortlist selection by 2030 using operating assumptions from the 2021 IRP (LC 77).

General Recommendation 6: PacifiCorp update Appendix P to request that all projects complete the Oregon attestation on labor practices

General Recommendation 7: PacifiCorp to provide a project summary regarding compliance with various state mandates and laws.

General Recommendation 8: PacifiCorp to report the bids and then selected resources in the FSL that complete (a) a survey comparable to the Washington Equity Survey and (b) that have proforma contract terms with Responsible Contractor Labor Standards and apprenticeship and workforce requirements comparable to those required by Oregon's HB 2021.

General Recommendation 9: Quarterly reporting post-RFP on the number of local and state workers, number of workers from temporary staffing agencies employed by bidders or sub-contractors during the construction phase of winning bids.

General Recommendation 10: Staff will work with PAC in its next RFP and the 2023 IRP to provide both a list and detailed map of all publicly available OASIS and 2021 and 2022 AS RFP (UM 2059 and UM 2193) data and information regarding LGIAs on its

system. This should at a minimum include the location, associated interconnection costs and commercial operation dates of all LGIAs on its system.

General Recommendation 11: The 2022AS RFP Final Shortlist is expected to be selected by March 24, 2023. Staff and PacifiCorp should work together in advance of FSL selection to define the FSL sensitivities and additional data that will be provided with the filing of the Final Shortlist. By November 14, 2022, the resulting detailed list of expected FSL sensitivities and recommended reporting data should be brought to the Commission at a public meeting for approval.

General Recommendation 12: PacifiCorp must file the FSL, sensitivities, additional data, and all workpapers in the UM 2193 docket at least two weeks in advance of the IE Closing Report on the FSL.

PROPOSED COMMISSION MOTIONS:

Approve PacifiCorp's 2022 All-Source Request for Proposal for issuance with the RFP Conditions recommended by Staff.

Direct PacifiCorp to take the steps in Staff's General Recommendations as part of the RFP process.