

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 14, 2021**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: December 6, 2021

TO: Public Utility Commission

FROM: Nadine Hanhan

THROUGH: Bryan Conway, JP Batmale, and Kim Herb **SIGNED**

SUBJECT: PACIFICORP:
(Docket No. UM 2193)
Rule Waiver for Approval of 2022 All-Source RFP Scoring and Modeling Methodology

STAFF RECOMMENDATION:

Approve PacifiCorp's request for a partial rule waiver for OAR 860-089-0250(2)(a) and waive the requirement for approval of a proposal for scoring and associated modeling methodology prior to preparing a draft RFP.¹

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's request for a partial rule waiver for OAR 860-089-0250(2)(a) and waive the requirement for approval of a proposal for scoring and associated modeling methodology prior to preparing a draft RFP.

Applicable Rule

The competitive bidding rules require that a draft RFP utilize the RFP elements, scoring, and any associated modeling described in a Commission-acknowledged Integrated Resource Plan (IRP), and that the draft reference and adhere to the IRP section that

¹ Staff's recommendation in this staff report should not be interpreted as a position, or a recommendation, on the outcome of PacifiCorp's 2021 IRP Docket, LC 77, any resource acquisition decision, or whether PacifiCorp may seek to recover any costs; rather, Staff is making a recommendation to allow additional time for review of PacifiCorp's bid scoring and modeling methodology.

describes the RFP design and scoring.² The rules also provide an alternate path where utilities may instead make a separate filing for Commission approval of RFP scoring and associated methodology, as part of the Independent Evaluator (IE) selection docket in advance of the filing of a draft RFP.³ PacifiCorp chose the alternative track in this docket, where it sought approval of its scoring and associated modeling methodology in a separate proceeding.

Per OAR 860-089-0010(2), upon request or its own motion, the Commission may waive any of the Division 89 rules for good cause shown. A request for waiver must be in writing to the Commission prior to or concurrent with the initiation of a resource acquisition.⁴

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;
- 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.⁵ 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.

² OAR 860-089-0250(2).

³ OAR 860-089-0250(2)(a).

⁴ Under OAR 860-089-0020(9) "resource acquisition" starts with either circulation of a final or draft RFP to third parties or communication of a final offer or receipt of a final offer in a two-party negotiation.

⁵ See Staff Report for the October 21, 2021 Public Meeting.

Since October 21, the Company has made substantial changes to how it is approaching bid scoring and associated modeling methodology. In particular, the Company provided a presentation slide deck⁶ 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.

The Timeline of the 2022 ASRFP Requires a Waiver of OAR 860-089-0250(2)(a)
PacifiCorp chose to provide its scoring and methodology details in a separate filing from its IRP. As outlined in Staff's October 21 Public Meeting memo, PacifiCorp's September 2, 2021, initial RFP filing included a very aggressive timeline for RFP development. Splitting the IE approval and the bid scoring methodology into two separate proceedings allowed for additional time to review.

On December 3, 2021 PacifiCorp filed for a partial waiver of OAR 860-089-0250(2)(a), the rule requiring approval of the scoring and associated modeling methodology. In light of recent changes from the original IE selection filing, Staff believes there is good cause for the Commission to waive the requirement to have scoring and associated modeling methodology approved before the filing of a draft RFP. These changes include 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.

Staff appreciates the Company's willingness to update its proposal and the unique timing constraints for this RFP and the recent passage of HB 2021. Staff recognizes that application of the competitive bidding rules with the timing restrictions is a fairly recent change in competitive bidding processes for Oregon. A waiver will allow stakeholders and the Commission additional time in the RFP docket to continue to examine recent changes to PacifiCorp's proposals while it simultaneously considers the 2021 IRP docket through March 2022. Waiver of the timing requirement and postponing approval until the Commission deliberates on the final draft 2022AS RFP on April 4,

⁶ See Attachment A.

2022 is appropriate under the circumstances because it would allow for further review of the RFP elements themselves, as well as how the RFP elements reflect activity in the 2021 IRP.

Summary of Party Comments Supporting Need for Additional Time

The Northwest & Intermountain Power Producers Coalition (NIPPC), Renewable Northwest (RNW), and Staff filed comments alluding to the accelerated schedule and significant changes in this docket, which supports the sentiment that more time is appropriate to review bid scoring and methodology. In particular, NIPPC indicated that it felt full approval of a scoring and modeling methodology is premature at this time.⁷ RNW articulated that certain elements of PacifiCorp's proposed scoring were unclear and that significant changes to PacifiCorp's proposal warranted a redline of Attachment C, the element of the IE selection filing containing the Company's proposed scoring methodology.⁸ Staff also indicated that PacifiCorp had submitted its revisions to the scoring methodology only six business days prior to the comment deadline of November 15.

PacifiCorp, in its Reply Comments filed on November 29, recommended an alternative to the current schedule, stating that if the Commission determined that Staff and parties need additional time, the Commission should consider the scoring and associated modeling methodology at the same time it deliberates on the final draft 2022AS RFP on April 4, 2022.⁹ PacifiCorp subsequently filed a waiver request on December 3, 2021, stating as good cause that the waiver will allow additional time for Staff and stakeholders to review the company's scoring and associated modeling methodology.

Staff finds that granting a rule waiver is appropriate and supported by good cause, as explained above.

Staff therefore requests that any decision on approval of PacifiCorp's RFP design, scoring methodology, and associated modeling be delayed until the Final Draft RFP approval decision meeting (currently scheduled for April 4, 2022) instead of the December 14, 2021, Public Meeting. Accordingly, Staff requests the Commission approve a partial waiver of OAR 860-089-0250(2)(a) to account for the fact that, due to the time constraints of this RFP as described above, more time is needed to review the revised scoring details and methodology before the preparation of the draft RFP.

⁷ NIPPC's November 15 comments, page 2.

⁸ RNW's November 15 comments, page 3.

⁹ PacifiCorp's Reply Comments, page 1.

Preliminary Issues for Review

As noted previously, several parties submitted comments on bid scoring and associated methodology, in addition to other RFP design concerns. Staff, RNW, NIPPC, and the IE all filed comments on November 15. The Oregon and Southern Idaho District Council of Laborers (OSIDCL) filed comments on November 4. These parties raised issues that, while Staff believes do not need to be addressed at this time, Staff summarizes below for future review. This summary attempts to encapsulate the most prominent issues identified by Staff, followed by a brief summary of PacifiCorp's response.. Staff notes that while NIPPC and RNW had expressed concerns with PacifiCorp's revised interconnection process and RFP timeline, Staff and the IE believed the revisions to be an improvement over the 2020 AS RFP.

Staff's Comments:

- Staff had indicated that while the changes to PacifiCorp's methodology appeared positive because it would allow for a more streamlined process and potentially more diverse bids, it still had concerns with how little time stakeholders had to analyze implications of the changes. This issue is resolved by granting the rule waiver. Further, Staff requested that PacifiCorp clarify the interactions of older interconnection studies and signed Large Generator Interconnection Agreements (LGIAs) with the new upcoming 2022 cluster study, and that PacifiCorp should give an account of MW of existing LGIA by state, generation type, and estimated interconnection and transmission costs already available, in addition to how transmission costs will be treated in the RFP. PacifiCorp provided clarifications to these questions in its Reply Comments.
- Staff asked the Company to clarify how storage would be considered in the RFP, specifically whether storage would be considered a load (e.g., whether grid charging would be assumed) after the first five years of commercial operation.¹⁰ The Company responded that "an additional load study to determine potential upgrades would be required in the future at the time when the bidder wanted to grid charge. The result of such a study is unknown and may represent new incremental costs."¹¹
- Staff had asked how PacifiCorp would be conducting its state compliance analysis. PacifiCorp had responded to this in its Reply Comments, but Staff believes some additional detail should be fleshed out during the formal RFP

¹⁰ PacifiCorp has indicated that most bidders will specify that, during the first five years of commercial operation, the battery is charged from collocated renewable generation due to federal tax incentive recapture risk. See Staff's November 15 comments, Attachment A, page 22.

¹¹ PacifiCorp's November 29 comments, pages 8-9.

process. Staff will ensure this is on the agenda for the next RFP workshop on January 7, 2022.

NIPPC's Comments:

- NIPPC indicated that PacifiCorp should accept conditional firm transmission as a form of firm transmission.¹² PacifiCorp indicated that the Commission should reject this recommendation because transmission is most needed when the system is constrained, and a conditional firm product would create more risk to PacifiCorp's customers.¹³
- NIPPC indicated that PacifiCorp should be required to use a price/non-price score ratio of 80/20 instead of 75/25. NIPPC also flagged certain additions to the non-price scoring survey it believed to contain subjectivity and ambiguity that it stated would make self-scoring difficult. PacifiCorp indicated that the Commission should reject NIPPC's 80/20 ratio recommendation and that 75/25 was an appropriate balance.
- NIPPC indicated that the RFP should not limit co-located renewable plus storage bids to alternating current (AC) coupled storage resources. The current RFP is poised to forbid direct current (DC) coupled storage resources. PacifiCorp provided a detailed response to NIPPC's statements, listing many reasons why it does not want to allow AC coupled renewable plus storage resources. Among these reasons is that PacifiCorp "does not have an approved meter capable of being used on a DC configuration nor has it yet identified a manufacturer that has produced this type of meter."
- NIPPC recommended that the interconnection process timeline be changed and that the commercial operation date be extended past December 31, 2026.¹⁴ NIPPC cited concerns with PacifiCorp's revised timeline presented on November 15 because it believed it could limit competition in the RFP. PacifiCorp indicated that the Commission should reject these recommendations because it believes that the shorter time horizon for RFPs following IRP action items is an appropriate balance of risk and opportunity.

¹² NIPPC's November 15 comments, page 2.

¹³ PacifiCorp's November 29 comments, page 10.

¹⁴ NIPPC's November 15 comments, page 8.

RNW's Comments:

- Similar to NIPPC, RNW brought up concerns about the interconnection process timeline, expressing concern that PacifiCorp's revised timeline could limit competition in the RFP.
- RNW believes that additional analysis can take place within this RFP to explore whether bringing on more non-emitting resources sooner will help the company achieve compliance with Oregon's emissions mandates.
- Similar to NIPPC, RNW recommended that PacifiCorp not limit hybrid bids to only AC coupled resources.
- RNW requested several clarifications, which PacifiCorp provided in its Reply Comments.

PA Consulting (IE) Comments:

- The IE indicated that PacifiCorp's revised process of eliminating the initial shortlist, running the Transmission Cluster Study, and subsequently incorporating interconnection cost estimates into the 2022AS RFP bids are improvements that should provide clarity to bidders. The IE noted that the purpose for releasing the RFP prior to the Transmission Cluster Study window is to allow bidders to request to be included in the cluster, obtain cost estimates, and eliminate the need for price updates. This would eliminate the need for pricing updates in the 2022AS RFP. It would also eliminate the need to consider LGIAs in the initial shortlist, as was the case in the 2020 ASRFP.
- The IE stated that both the broad bid eligibility categories for minimum requirements, in addition to the non-price scoring criteria were reasonable, subject to review in the Draft RFP.
- The IE indicated that while PacifiCorp's overall Price Scoring methodology and process for Evaluation and Scoring of the 2022AS RFP were reasonable, it had some concerns about Plexos' ability to evaluate energy storage facilities appropriately. PacifiCorp responded to these concerns in its Reply Comments, stating that Plexos is capable of accounting for a variety of constraints relevant to storage resources, and has already used this functionality in the 2021 IRP.

OSIDCL's Comments:

- OSIDCL had indicated that PacifiCorp should consider 1) the Economic Impact of Projects on Host Communities through local hiring, and 2) Efforts to create a diverse workforce from host communities through the utilization of local apprenticeship programs. PacifiCorp responded by indicating that the competitive bidding rules ensure a fair and transparent mechanism for acquisition of resources, and further that Oregon-located bidders will be required to attest their compliance with the HB 2021 requirements.

Again, Staff does not make any recommendations for these issues, but flags them as outstanding issues that the Commission should consider when it deliberates on the final draft 2022AS RFP.

Conclusion

Staff recommends the Commission approve a partial waiver of OAR 860-089-0250(2)(a), requiring approval of the RFP scoring and methodology prior to preparing a draft RFP.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's request for a partial waiver of OAR 860-089-0250(2)(a) and waive the requirement for approval of a proposal for scoring and associated modeling methodology prior to preparing a draft RFP.