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***VIA ELECTRONIC FILING***

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

Attn: Filing Center

**RE: UM 1845—PacifiCorp's Response Comments to Staff's Recommendation**

## I. INTRODUCTION

PacifiCorp submits these comments in support of its 2017R Request for Proposals (RFP) and in response to the recommendation of Staff of the Public Utility Commission (Commission) in its Public Meeting Memorandum filed on August 25, 2017 (the Staff Memo). On June 1, 2017, PacifiCorp filed an application requesting the Commission open a docket to consider the 2017R RFP and to appoint an independent evaluator (IE). The Commission appointed an IE at the July 22, 2017 public meeting, and PacifiCorp subsequently circulated a draft of the 2017R RFP to parties July 25, 2017. After receiving preliminary review from the IE on the draft 2017R RFP, PacifiCorp submitted the final draft 2017R RFP to parties for comment and to the Commission for approval, as required by the Commission's Competitive Bidding Guidelines (Guidelines), on August 4, 2017.[1] The IE provided its assessment of the final draft 2017R RFP August 10, 2017, and Renewable Northwest, the Northwest Intermountain Power Producers Council (NIPPC), and the Industrial Customers of Northwest Utilities (ICNU) filed comments in response to the final draft 2017R RFP August 18, 2017. PacifiCorp filed reply comments August 23, 2017, responding to the IE's assessment and comments from Renewable Northwest, NIPPC, and ICNU.

The IE thoroughly reviewed the 2017R RFP and found that it generally complies with the Guidelines, which supports Commission approval. NIPPC and Renewable Northwest also both support approval of the RFP subject to certain modifications.[2] Staff and ICNU are the only parties that do not recommend approval of the 2017R RFP.

During the public meeting to select the IE, the Commission expressed concerns about approving the 2017R RFP before the underlying investments had been reviewed as part of an integrated resource plan (IRP). The Commission emphasized the need for the company to support moving forward with the 2017R RFP in the face of uncertainty about the future of utility

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[1] PacifiCorp has significant experience in developing and issuing RFPs to market, and the 2017R builds upon this experience. The company has processed several renewable and all-source RFPs resulting in competitive resource acquisitions including both third-party contracts and utility-owned resources.
[2] PacifiCorp addressed NIPPC and Renewable Northwest's proposed modifications in its August 23, 2017 reply comments.

regulation, potential changes in the costs of wind turbines and solar panels, and without a traditional "need" for the generation capacity in an acknowledged IRP. Some of these same concerns were raised by Staff and ICNU.

In light of these concerns, it is important to review what we know today:

- The purpose of an IRP is to determine the least-cost, least risk plan for meeting "long-term resource needs."[3] PacifiCorp's 2017 IRP shows a long-term need for wind generation by the end of 2020.
- The wind projects will be used and useful for customers, and will result in a reduction to fuel costs, as soon as the projects are placed in service.
- Production tax credits (PTCs) are being phased out and the projects need to be built by the end of 2020, to ensure they fully qualify for full benefits of the PTCs.
- PacifiCorp's transmission system behind the TOT 4A/4B cut-plane is so constrained that *no* additional generation can be interconnected today.
  - PacifiCorp needs and has needed the new transmission line for quite some time. To avoid a $700 million expense, most of which would be borne by our retail customers under Federal Energy Regulatory Commission precedent, the company has been "living within its means" and redispatching generation that exists today to avoid reliability issues and to cost-effectively dispatch its resources.
  - PacifiCorp needs the new transmission even if coal generation is retired due to voltage issues and other physical system needs.
- PacifiCorp's plan capitalizes on the PTCs to not only meet its long-term resource needs, but to also build new and much-needed transmission with *all-in net benefits* for customers.
- The Commission will rule on the company's 2017 IRP before PacifiCorp will seek acknowledgment of the final shortlist.

Based on the information known today, PacifiCorp's new wind projects are part of a plan to deliver $2.5 billion in new generation and transmission with long-term *savings* for customers. Although this is a large investment, it is the type of investment required to transition a system the size of PacifiCorp's away from coal-fueled generating plants and towards a renewable future. And for equivalent benefits to be achieved without the PTCs, the cost of new wind and any associated transmission would need to be reduced by 46 percent. The anticipated initial rate impact from these investments is expected to be less than two percent, transitioning to a reduction in rate pressure in three to five years and resulting in net benefits to customers over the lives of the wind and transmission projects. The following figure shows that over the first ten years of the lives of the proposed projects, PTC benefits, which are not based on speculation about the future, drive net customer benefits across all nine price-policy scenarios presented in PacifiCorp's 2017 IRP informational update filed July 28, 2017.

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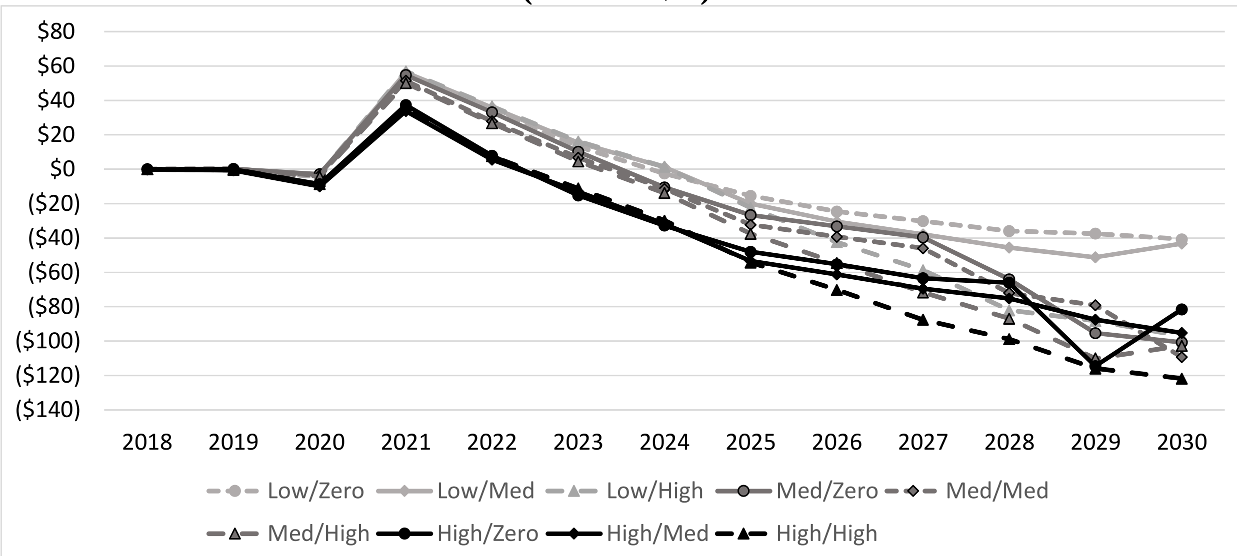
[3] OAR 860-027-0400.

**(Reduction)/Increase in Annual Revenue Requirement with New Wind and Transmission (Nominal $m)***




*Labels in the legend represent the natural gas and $CO_2$ price scenarios (Gas Price/$CO_2$ Price)

The Staff Memo makes clear that it staked out its position before fully considering all of the information presented in this proceeding. PacifiCorp recognizes the tight timeline in this proceeding, but Staff's Memo does not consider information presented in PacifiCorp's reply comments. Many of the issues raised by Staff were addressed through the clarifications and accommodations made by PacifiCorp in those reply comments, such as PacifiCorp's revisions to the system impact study (SIS) requirements. Similarly, several of the issues raised by Staff were clarified or addressed at PacifiCorp's recent stakeholder workshop for the 2017 IRP, such as the clarification that the updated economic analysis for Energy Vision 2020 is not an "apples-to-apples" comparison to the original economic analysis informally shared with Staff after PacifiCorp filed its 2017 IRP. This explains why what Staff characterizes as a dramatic swing in the benefits is not actually a dramatic swing.

The content and tone of the Staff Memo make it clear that any option that involves pursuit of renewable resources in the near term is not acceptable for Staff, regardless of the analysis provided by PacifiCorp. This type of pre-determination of outcomes by Staff is contrary to the very nature of the robust stakeholder process that PacifiCorp is attempting to facilitate and that Staff claims to value.

Although PacifiCorp's reply comments addressed many of the issues raised in the Staff Memo, PacifiCorp provides additional responses and clarifications to address the allegations made in the Staff Memo:

- Approval of the 2017R RFP does not predetermine the outcome of the 2017 IRP. PacifiCorp and the IE will review all bids in a fair and transparent process—it is not a foregone conclusion that the benchmark resources will be selected;

- Approval of the 2017R RFP does not shift risk to customers, rather, it provides an option to capture an unprecedented low-cost opportunity for customers to decarbonize and transition to an affordable and reliable clean energy future;
- Contrary to Staff's assertions regarding risk, the analysis in the 2017 IRP demonstrates a near-term need for resources that also address a transmission need; and
- The 2017R RFP development and review process has been robust, and PacifiCorp appreciates the prompt, thorough, and comprehensive review from the IE and stakeholders.

## II. RESPONSE

### A. Approval of the 2017R RFP Does Not Prejudge the Outcome of the IRP Nor the Prudence of Resource Acquisitions

Well-established Commission policy draws a bright-line distinction between prudence review in ratemaking and the competitive bidding and long-term resource planning processes. Unambiguous Commission precedent establishes that "the lack of an approved RFP does not automatically bar cost recovery."[4] Similarly, the Commission has ruled that approval of an RFP waiver has no bearing on later prudence review.[5]

In this proceeding, PacifiCorp is currently requesting Commission determination of a narrow issue: approval of the 2017R RFP. Just as declining to approve an RFP does not bar future cost recovery, approval of an RFP does not guarantee future cost recovery. Approval of PacifiCorp's 2017R RFP does nothing more than allow PacifiCorp to proceed to market with the RFP with oversight from an IE that has been approved by the Commission. If the Commission approves the 2017R RFP, there are still several additional steps before any resource acquisition is made, and the timing of a decision to acquire resources will occur after the Commission has the opportunity to conclude its consideration of the 2017 IRP. Still more steps must occur—including placing the resource acquisitions in service—before PacifiCorp can seek a determination of prudence and recovery of the costs of the resources in rates. For all of these additional steps, there will be ample opportunity for stakeholders and the Commission to thoroughly review and analyze PacifiCorp's investment decisions.

The additional process for acknowledgment of the IRP before any resource acquisitions are made and the additional process for prudence review of any actual resource acquisitions provide robust customer protections; approval of the 2017R RFP does not create or shift risk to customers because approval of the RFP, on its own, does not result in a resource acquisition.

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[4] *In the Matter of PacifiCorp, dba Pacific Power Draft 2012 Requests for Proposals*, Docket No. UM 1208, Order No. 06-676, 4 (Dec. 20, 2006).

[5] *In the Matter of PacifiCorp, dba Pacific Power Petition for Wavier of the Commission's Competitive Bidding Guidelines*, Docket No. UM 1374, Order No. 08-349, Appendix A at 3.

Staff's recommendation that the Commission not approve the 2017R RFP conflates the Commission's role in reviewing a utility's least-cost, least-risk plan for acknowledgment in an IRP proceeding; its role in making a prudence determination in a ratemaking setting; its role in acknowledging a final shortlist in an RFP proceeding; and its role here, which is to decide whether to approve an RFP before it is issued to the market.[6] As a result, Staff recommends to not even test if the marketplace can deliver the customer benefits PacifiCorp's analysis demonstrates.

### *1. The Commission Will Consider Acknowledgment of the 2017 IRP Before Acknowledgment of the 2017R RFP Shortlist.*

PacifiCorp acknowledges that the procedural process in the 2017R RFP requires the parallel consideration of part of the 2017R RFP process and the 2017 IRP, but this parallel process is necessary to allow PacifiCorp to preserve this time-limited opportunity to acquire cost-effective renewable resources for customers' benefit. As PacifiCorp previously explained, the 2017R RFP schedule is designed to align with the Wyoming process for obtaining a certification of public convenience and necessity (CPCN) and to allow winning bidders to achieve commercial operation in time to take full advantage of 100 percent of federal wind PTCs. While the IE and parties acknowledge the schedule is aggressive, the IE and parties also acknowledge the time-sensitivity of the 2017R RFP and did not find that the schedule prohibited meaningful review of the 2017R RFP. No parties in this proceeding or the Utah proceeding denied that the expiration of the full benefit of the PTCs is worth the effort of the RFP process.

In reply comments, PacifiCorp proposed revisions to the 2017R RFP in response to issues raised by the IE regarding the timing of the 2017R RFP and the 2017 IRP. To ensure compliance with Guideline 1, the IE suggested that PacifiCorp revise the 2017R RFP to state that the final shortlist will not be submitted for acknowledgement until after acknowledgement of the 2017 IRP is considered, and to explain the risk of modification or termination of the 2017R RFP pending resolution of the 2017 IRP. The IE noted that PacifiCorp's 2017 IRP has not yet been acknowledged by the Commission, creating a risk that the relevant action items in the IRP could be rejected or substantively modified, making the RFP moot.[7]

As discussed in PacifiCorp's reply comments, PacifiCorp designed the RFP process to allow the Commission to fully consider PacifiCorp's 2017 IRP before addressing acknowledgment of the final shortlist of bidders. But to address the IE's recommendation to more expressly highlight this procedural issue for bidders, PacifiCorp proposed to revise the 2017R RFP to clearly state that: (1) final shortlist acknowledgment will occur after the resolution

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[6] Staff notes the "fundamental priorities" of the Commission are "protecting ratepayers by ensuring prudent investments in utilities yield the least cost, lowest risk approach to resource planning and reasonable rates" and "supporting identification of the least cost, lowest risk approach by allowing for the development of fair and competitive markets." Staff Memo at 4. The first "fundamental priority" identified by Staff is appropriately addressed in both the IRP and ratemaking contexts; the second fundamental priority of allowing for the development of fair and competitive markets is, as far as PacifiCorp is aware, not a standard in either the IRP or the ratemaking contexts.
[7] *Id.* at 3.

of the 2017 IRP proceedings; and (2) the 2017R RFP is not contingent on acknowledgment of the 2017 IRP, but the company reserves the right to modify or cancel the 2017R RFP following the conclusion of the 2017 IRP proceedings.

Contrary to Staff's assertion that it would be inappropriate to approve the 2017R RFP before resolution of the 2017 IRP, PacifiCorp's schedule achieves the same objective as the typical one-before-the-other approach to IRPs and RFPs by placing the Commission's determination of the 2017 IRP before the Commission's determination of the 2017R RFP final shortlist .

***2. Approval of the 2017R RFP is Not a Prudence Determination.***

The 2017R RFP is structured to fully protect customers including milestones to ascertain the risk of continuing the RFP and off-ramps if the RFP is discontinued. PacifiCorp understands that approval of the 2017R RFP is not a guarantee of future cost recovery nor is it a guarantee of future acknowledgment of its 2017 IRP or the 2017R RFP final shortlist. At this point in the process, PacifiCorp is simply asking the Commission to make a determination regarding whether the 2017R RFP complies with the Guidelines. The Commission and interested parties will have ample opportunity to review the prudency of the company's ultimate resource decisions during ratemaking proceedings.

**B. PacifiCorp Will Review All Bids in a Fair and Transparent Process—Selection of Benchmark Resources is not a Foregone Conclusion**

The purpose of the benchmark resources is to preserve an opportunity for customers and to establish a ceiling on costs for customers. This ensures that PacifiCorp has a viable alternative if the company does not receive lower cost bids. Staff claims that PacifiCorp set itself up to be "virtually guaranteed of benchmark bid success,"[8] and claims that PacifiCorp's actions mean that "the competitive process is being followed in form only."[9] These assertions are simply not true. As noted in the IE report, the IE does not object to including benchmarks in the 2017R RFP and, as noted in PacifiCorp's August 23, 2017 reply comments, PacifiCorp incorporated several recommendations from the IE that increase transparency related to the benchmark bid. In fact, the IE specifically committed to enforcing the fairness and transparency process in its IE report, which includes the IE's role in reviewing the benchmark bids.[10]

The Staff Memo includes a lengthy quote from comments filed in Utah by the Utah Association of Energy Users (UAE). The arguments of UAE appear to form the basis of Staff's argument that selection of the benchmark resources is a foregone conclusion. The quote relied on by Staff, however, contains numerous factual errors, which will also be addressed in the appropriate Utah docket(s). In short, PacifiCorp's late-2016 actions to assess new wind and

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[8] Staff Memo at 8.
[9] *Id*.
[10] Bates White, *The Independent Evaluator's assessment of PacifiCorp's Final Draft 2017R Request for Proposa*l, page 2.

transmission projects in Wyoming were clearly and timely communicated to stakeholders, and that assessment was ultimately incorporated into the results of the company's April 4, 2017 IRP filing and preferred portfolio, which begins the formal review process of the company's IRP and associated Action Items. PacifiCorp's actions to procure safe-harbor equipment, identify and negotiate certain contingent rights to third-party developments in progress in the Wyoming region of interest, and submittal and/or confirmation of interconnection requests are all actions consistent with those routinely taken by participants in the competitive market to ensure projects are best positioned to deliver lowest cost. PacifiCorp has consistently stated that any benchmark submittals will need to be demonstrated to be competitive and are expected to be compared against a significant number of similarly situated project developments currently in progress in the Wyoming region of interest. PacifiCorp's transmission interconnection queue is publicly available for review for parties to make their own assessments of ongoing competitive market activities awaiting the opportunity represented by the 2017R RFP. PacifiCorp has also discussed with Staff and stakeholders the company's considerations for alternative actions for procured safe-harbor equipment should the benchmark proposal not be successful.

### *1. PacifiCorp Acquired Safe-Harbor Equipment and Land-Lease Options to Preserve Opportunities for Customers, which Does Not Foreclose Selection of Other Resources.*

Acquiring safe-harbor equipment and certain land leases and rights does not prevent other resources from being selected in the 2017R RFP. PacifiCorp has been very clear that acquisition of safe-harbor equipment occurred before PacifiCorp concluded its analysis of the Energy Vision 2020 projects and that the risk of acquiring of the safe-harbor equipment is borne solely by PacifiCorp. If the safe-harbor equipment is not necessary for PacifiCorp's use because, for example, the benchmark resources are not selected as winning bids in the RFP, PacifiCorp intends to put the safe-harbor equipment to alternative use. PacifiCorp's purchase of safe-harbor equipment at the end of 2016 to secure the option to capture the time-sensitive and unique value opportunity for 100 percent PTCs for resources online by December 31, 2020 was not unusual (other wind developers were similarly purchasing safe-harbor equipment at the end of 2016), and the purchase of safe-harbor equipment does not prevent third party bids from being selected as part of the 2017R RFP.

The third-party developer for three of the four benchmark projects can, and is expected to, develop and submit its own proposals separately for the three project sites into the 2017R RFP. Site information including leases, permits, wind data, and interconnection rights are shared under the agreement between PacifiCorp and the developer of these sites; however, due to the contingent nature of the agreement, PacifiCorp does not have the right to share the information with others or avail the sites to other third-parties. The contingent development transfer agreement, however, does not preclude other developers from contacting the developer on three of the four benchmark sites and inquiring about jointly developing the site for bids in the 2017R RFP.

### *2. PacifiCorp Already Significantly Altered the Interconnection Requirements.*

Staff argues that PacifiCorp's benchmark bids winning the 2017R RFP is already a foregone conclusion, and supports this assertion by pointing to the SIS requirements in the 2017R RFP.[11] As fully explained in the August 23, 2017 reply comments of PacifiCorp, the company already addressed concerns regarding the interconnection study requirements by revising the 2017R RFP to no longer require the bidders to submit a completed SIS as part of their bid. Bidders will, however, be required to demonstrate they have executed an agreement to conduct the SIS, as applicable. Although not required for initial bidding eligibility, PacifiCorp will ultimately require a completed interconnection SIS (for directly interconnected projects) or a completed third-party interconnection SIS and a completed third-party transmission service study (for projects using third-party transmission). PacifiCorp's revisions to the SIS requirements in the 2017R RFP are intended to alleviate any concerns that bidders do not have adequate time to secure a SIS within the required timeframe. There is simply no basis for claiming that PacifiCorp has an advantage over third-parties with regard to the SIS process.

## C. The 2017R RFP Development and Review Process Was Robust, and PacifiCorp Addressed Issues Raised by Parties

The IE and stakeholders had multiple opportunities to provide feedback and recommendations on PacifiCorp's 2017R RFP.[12] The IE provided a thorough and comprehensive analysis of the filed 2017R RFP in its August 10, 2017 report, and parties provided detailed written comments August 18, 2017. This review and analysis, and the separate review and comments by the Utah IE and stakeholders, led PacifiCorp to make numerous changes to the 2017R RFP as a result of this review process.

PacifiCorp appreciates parties' prompt and thorough review of the 2017R RFP and, contrary to Staff's assertions, does not believe that parties were prevented from fully participating in the RFP process.[13] PacifiCorp made several important changes to the RFP during the design process in response to issues raised by the IE and issues raised by stakeholders at the August 2, 2017 bidders and stakeholders conference. These changes were incorporated into PacifiCorp's August 4, 2017 draft 2017R RFP. PacifiCorp then made additional changes to the 2017R RFP in its August 23, 2017 filing in response to issues raised in the IE assessment of the final draft RFP and by stakeholders in their comments, as well as comments from its parallel proceeding in Utah.[14] These changes address fairness, transparency and equity between bid structures, expansion of the resource eligibility regarding PTC and transmission interconnection status, and clarity of terms and conditions under the RFP. The changes are more fully described in PacifiCorp's August 23, 2017 reply comments.

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[11] Staff Memo at 8-9.

[12] On August 25, 2017, the Utah Commission held a scheduling conference in the 2017R RFP proceeding after issuing an order and notice of a scheduling conference on August 22, 2017. Based on this recent development, PacifiCorp anticipates moving the date for issuing the RFP to September 25 to accommodate a hearing in that proceeding. PacifiCorp sent a communication to parties regarding this development on August 25, 2017, and providing parties with the opportunity for additional time to review the 2017R RFP.

[13] *See* Staff Memo at 6.

[14] Docket No. UT 17-035-23.

## D. Contrary to Staff's Assertions Regarding Risk, the Analysis in the IRP is Sound

### *1. Staff Mischaracterized the Updated Economic Benefits, which PacifiCorp Already Clarified.*

In the Oregon 2017 IRP proceeding, PacifiCorp kept the Commission and stakeholders apprised of updated analyses that it performed in various state regulatory proceedings to assist with stakeholder review.

Staff now claims that PacifiCorp's attempts to provide close to real-time analysis lends weight to the argument that the Commission should not support moving forward with these projects. Staff argued that because the expected economic benefits of the Wyoming wind and transmission projects were updated by the company to provide the most current analysis, this signals that any economic benefits are uncertain and carry a great risk.[15] Staff mischaracterized PacifiCorp's updated analysis. The economic analysis informally shared with Staff after PacifiCorp filed its 2017 IRP, which was attached to the Staff Memo, shows the incremental net economic benefits from the new wind and transmission projects relative to a resource portfolio that includes the wind repowering project. In its informational update, PacifiCorp isolated the net economic benefits of the new wind and transmission projects. At the August 17, 2017 stakeholder workshop, Staff asked why the economic benefits in PacifiCorp's informational update were different from those informally shared with Staff after the 2017 IRP was filed. PacifiCorp described that certain assumptions were updated and that the two sets of analysis were tied to different baselines. Simply stated, PacifiCorp made it clear that it is not appropriate to compare the two sets of economic results because it would not be an "apples-to-apples" comparison. The Staff Memo makes no mention of this discussion and assumes that changes between the two sets of analysis are driven by assumption updates. Based on this assumption, Staff incorrectly arrives at the conclusion that the updated analysis represents uncertainty with regard to the benefits of the Energy Vision 2020 projects.

### *2. PacifiCorp Has Taken Steps to Mitigate Risks Associated with Missing the PTC Deadline, Construction Cost Overruns, and Falling Short on Capacity Factor.*

Staff points to other areas of risk that it does not believe PacifiCorp has adequately explored including eligibility for the full PTC, construction cost overruns, and generation not meeting the modeled capacity factor, which demonstrate to Staff that these projects are not "least risk."[16]

PacifiCorp is actively mitigating implementation-delay risk for the transmission project to ensure that it will be in service by the end of 2020, allowing the associated wind projects to achieve full PTC benefits. The primary risk in achieving commercial operation of the transmission project by the end of 2020 is associated with the ongoing regulatory reviews and

[15] Staff Memo at 7.
[16] Staff Memo at 7-8.

approval processes currently underway, particularly the CPCN application pending before the Wyoming Public Service Commission (WPSC). The Wyoming CPCN is expected to be conditioned upon acquisition of all necessary rights-of-way, with sufficient time to allow PacifiCorp to clear this condition and maintain the critical-path construction schedule for the transmission projects. If PacifiCorp does not receive the conditional CPCN from the WPSC in the first quarter of 2018, PacifiCorp will have an opportunity to assess the viability of achieving a year-end 2020 online date for the transmission projects before spending significant capital. Based on its experience constructing other significant transmission projects, with a timely start of construction in 2019, PacifiCorp is confident that the Aeolus-to-Bridger/Anticline transmission project will be operational by the end of 2020.

In addition, there are other mechanisms that can be employed to secure the realization of PTCs before the December 31, 2020 deadline that would be expected to comply with IRS guidelines, such as commissioning and field testing of wind turbines without the interconnection energized or via temporary interconnection of the resource for test purposes. These mechanisms will be fully vetted with bidders through contract negotiations on terms and conditions and, ultimately, through case-by-case implementation as necessary.

The risk of cost overruns is adequately addressed through the competitive bidding process. While construction cost overruns are a risk for utility-owned projects, the Commission has previously found that "utilities have various opportunities to mitigate risk of construction cost over-runs. For example, utilities can minimize any cost over-run risk by seeking fixed price guarantees or contingency reserves, and generally adjust self-build options to account for possible work orders and other risks."[17] In addition, the IE is directed to provide robust analysis of the risk of cost overruns. Staff's claim that PacifiCorp has not addressed risk associated with potential cost overruns is unfounded.

Similarly, the competitive bidding and due diligence process accounts for capacity factor risk. In Order No. 13-204, the Commission determined that the use of a "qualified and independent third-party technical expert" to review capacity factors for projects on the final shortlist, including any utility benchmarks, "best achieves the goal of ensuring that all resources are compared fairly in the RFP process."[18] In addition to using a technical expert at the final shortlist stage, PacifiCorp has additionally addressed capacity factor risk by requiring bidders to submit a minimum of two full years of wind data from an independent third-party wind assessment supporting their generation profile and output, which is a higher threshold than in past RFPs. Capacity factor risk is properly taken into consideration in the 2017R RFP.

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[17] *In the Matter of the Pub. Util. Comm'n of Oregon, Investigation into Competitive Bidding*, Docket UM 1182, Order No. 13-204 at 9 (June 10, 2013) (finding that "bid adders" are not necessary to account for the risk of construction cost overruns on utility self-build options).
[18] *In the Matter of the Pub. Util. Comm'n of Oregon, Investigation into Competitive Bidding*, Docket UM 1182, Order No. 13-204 at 10-11 (June 10, 2013).

### *3. Wyoming Wind Resources Are Least-Cost As Demonstrated by the IRP.*

Staff argues that the 2017R RFP is unlikely to result in a least-cost resource acquisition, based on Staff's "intuition" suggesting that increasing project capital costs to include transmission will not be competitive against other resources.[19] Significant economic analysis, as presented in PacifiCorp's 2017 IRP and further described in PacifiCorp's August 23, 2017 reply comments, disproves Staff's intuition. The 2017R RFP is limited to wind resources tied to the Wyoming system because PacifiCorp, through the 2017 IRP process, which assessed a broad range of renewable supply-side resources across PacifiCorp's system, identified the Aeolus-to-Bridger/Anticline transmission facilities coupled with the addition of at least 1,100 MW of new wind resources as part of its least-cost, least-risk plan to meet system load. The new transmission is needed with or without the new wind. The PTC-eligible wind enabled by the new transmission provides benefits that more than offset the cost of the new wind and transmission projects. Consequently, the new wind and transmission provide all-in economic benefits to customers while simultaneously meeting system load needs. The customer benefits expected from the new wind and transmission require development of both projects—a smaller, incremental approach to these projects would alter the economics and erode the economic benefits to customers.

The 2017 IRP fully assessed other renewable supply-side resources across PacifiCorp's system and did not identify them as providing the same level of benefit, which is consistent with the results of PacifiCorp's 2016R RFP issued last spring. PacifiCorp will continue to assess the market and, as clearly stated in the August 23, 2017 reply comments, will consider additional, incremental renewable opportunities, not as an "or" but as an "and" to the current 2017R RFP.

Finally, PacifiCorp notes that the determination of whether a resource is least-cost, least-risk appropriately takes place in an IRP and not in the review of an RFP—in the RFP approval process, the Commission considers consistency with the Guidelines and overall fairness and transparency. Similarly, whether a resource acquisition is ultimately prudent is not determined until the acquisition is in service. Given the unique timing circumstances of PacifiCorp's 2017R RFP and the 2017 IRP, PacifiCorp will not bring the final shortlist to the Commission for acknowledgment until after a determination of the 2017 IRP.

## III. CONCLUSION

PacifiCorp respectfully requests that the Commission issue an order approving the 2017R RFP. Approval of the 2017R RFP will allow PacifiCorp to move forward with a market solicitation for resources that are consistent with the need identified in the 2017 IRP and with the policy goals of the state of Oregon. Oregon policymakers have expressed support for continued investments in clean energy. For example, Mayor Ted Wheeler and Multnomah County

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[19] *See* Staff Memo at 8.

Commissioner Pederson expressed support for PacifiCorp's 2017 IRP,[20] and Governor Kate Brown expressed support for continued efforts to "make progress and support critical investments in clean energy."[21] Commission approval of the 2017R RFP does not foreclose any outcomes in the 2017 IRP but does allow this time-sensitive solicitation to move forward.

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

Sincerely,

Etta Lockey
Vice President, Regulation

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

[20] In the Matter of PacifiCorp dba Pacific Power, 2017 Integrated Resource Plan, Docket No. LC 67, Joint Comments of Multnomah County Commissioner Jessica Vega Pederson and City of Portland Mayor Ted Wheeler at 1 (Aug. 17, 2017).
[21] Governor Brown's Signing Letter for Senate Bill 978 at 1 (Aug. 16, 2017).

# CERTIFICATE OF SERVICE

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

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Dated August 28, 2017.

Jennifer Angell

Jennifer Angell
Supervisor, Regulatory Operations

## CERTIFICATE OF SERVICE

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

**Service List**
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Dated August 28, 2017.

Jennifer Angell

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**Service List**
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Dated August 28, 2017.

Jennifer Angell
Supervisor, Regulatory Operations

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**Service List**
**UM 1540**

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