

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2255

In the Matter of

IDAHO POWER COMPANY,

Application for Approval of 2026 All-Source
Request for Proposals To Meet 2026 Capacity
Resource Need.

COMMENTS OF RENEWABLE
NORTHWEST

May 9, 2023

I. INTRODUCTION

Renewable Northwest (“RNW”) is grateful to the Oregon Public Utility Commission (“Commission”) for the opportunity to submit these comments regarding Idaho Power’s 2026 All-Source Request for Proposals (“RFP”).

Overall, we appreciate the updates that Idaho Power Company (“the Company”) made in its revised RFP based on inputs from stakeholders and the Independent Evaluator (“IE”). Specifically, the Company’s updates to the non-price scoring matrix significantly increase the matrix’s clarity. RNW offers further areas for improvement and clarification in the below comments, some of which support Commission Staff’s (“Staff”) recommendations in the May 3, 2023 staff memo, while others fall outside of Staff’s recommendations.

Specifically, we support the following Staff recommendations:

- SMM Condition 3 (elimination of imputed debt adder);
- RFP Condition 3 (elimination of supplemental negotiation fee);
- RFP Condition 5 (clarification of transmission minimum bid criterion); and
- RFP Condition 7 (elimination of right of first offer).

And we make the following additional observations and suggestions:

- Support for the Company’s decision to remove bid exclusivity as a minimum bid criterion;
- Recommendation that bid exclusivity at the shortlist stage be struck from the RFP; and
- Support for Idaho Power’s establishment of a bid refresh opportunity.

We appreciate the Commission’s and the Company’s consideration of our comments.

II. COMMENTS

A. RNW Supports Staff's Proposed SMM Condition 3 Because Idaho Power's Imputed Debt Adder Is Unreasonable and Contrary to Commission Precedent

RNW supports Staff's SMM Condition 3 for IPC to "not add or apply any cost of imputed debt to the price scores of any bids [...]". This change to the RFP was also recommended by the IE, as imputed debt adders not only are typically disallowed by the Commission but also unnecessarily increase the levelized costs of PPA and BSA bids. Notably, this adder would be absent from internal, benchmark bids which may be rationalized as already reflecting the Company's own structural debt -- which is what the Company is hoping to offset with the imputed debt adder. But the adder sets up an asymmetrical comparison between utility-owned and non-utility bids. This asymmetry is also present/reinforced in that the company proposes to use a proprietary method for calculating imputed debt to which only Staff and the IE will have visibility outside of the Company. RNW suggests this does not allow for a fair or transparent comparison between bids and unfairly favors utility-owned projects.

The removal of the imputed debt adder is further supported by Commission Order 11-001 which decided that, in order to address self-build bias, utilities could allow for higher impacts on credit rating as the Commission views that the debt considerations are best taken in the context of the utility's cost of capital versus as imputed debt.

The Company's rationale to assign the calculated imputed debt against risk factors is contrary to the Commission's findings in the above mentioned order. The Company states in its March 24, 2023 filing that:

Imputing debt is a credit rating agency's way of transferring the project risk from the developer to the utility because the contractual obligation of the utility is essentially providing cash flow and credit support to the developer. Credit rating agencies account for this transferred risk as a fixed debt obligation of the utility and impute this risk to the utility's balance sheet. While such costs are generally not visible when PPA contracts are entered into, customers will eventually bear the higher costs of capital **unless the imputed debt is mitigated with additional equity.**

However, Standard & Poor's 2007 Methodology For Imputing Debt For U.S. Utilities' Power Purchase Agreements comes to a different conclusion on this final point. S&P's methodology acknowledges that PPAs heighten risk for a utility, and as such "apply(ies) risk factors that **reduce debt imputation** to recognize that utilities that rely on PPAs transfer significant risks to ratepayers and suppliers." This approach aligns with the Commission's Order 11-001, cited above, which views consideration of utility debt in the context of cost of capital instead of using imputed debt.

RNW strongly encourages the exclusion of an imputed debt adder in this RFP to align with Commission precedent, to eliminate potential bias, and to eliminate unnecessary opacity in the RFP, and to that end we support Staff's recommended SMM Condition 3.

B. Renewable Northwest Supports Idaho Power's Removal of Bid Exclusivity

In Idaho Power's Final Draft RFP, the minimum bid criteria presented in Exhibit C included the requirement that "no portion of the resource supporting the offer has also been offered to another entity." In the revised RFP attached to Idaho Power's Reply Comments, this provision appears to have been removed. RNW supports the Company's removal of this provision, both because it is not uncommon for a single resource to have multiple offtakers and because of the very active procurement environment in the region. Requiring bid exclusivity from the outset would likely disqualify good projects from consideration, ultimately driving up costs to no discernible benefit.

C. Renewable Northwest Recommends That Idaho Power Clarify Its Minimum Bid Criterion for Transmission

While Idaho Power has improved the exclusivity element of its minimum bid criteria in the revised draft RFP included with its Reply Comments, another element of the minimum bid criteria would still benefit from further clarification: Bid Eligibility Factor 2 in the Company's revised RFP requires that "Bidder has provided appropriate transmission rights to deliver to IPC point of delivery." In order to ensure that competitive projects are not disqualified, Renewable Northwest recommends that the Company at least clarify what constitutes "appropriate transmission rights" or, even better, relax the requirement to allow bids with an achievable plan for obtaining transmission rights. While the latter would introduce some subjectivity in determining what constitutes an achievable plan, this subjectivity would be offset by allowing broader participation in the RFP.

We note that Staff recommends that Idaho Power clarify its transmission minimum bid criterion to align with its more detailed non-price scoring factor on transmission; we agree that Staff's RFP Condition 5 would significantly address this concern.

D. Renewable Northwest Recommends Modifications to Idaho Power's Requirements for Shortlisted Bidders and Supports Staff RFP Condition 3 to Remove Supplemental Fee

Idaho Power includes two requirements for shortlisted bidders that do not appear to be commercially reasonable as currently drafted: a "passive" negotiation fee (RFP section 4.5) and a requirement that shortlisted bidders commit to exclusivity (RFP section 7.6). RNW recommends modification or deletion of these requirements.

As to the negotiation fee, the Company has provided in both its Final Draft RFP and its revised RFP that “Bidders that have their bids selected for the Final Shortlist and are invited to begin negotiation of an agreement may be required to submit an additional fee in an amount up to \$250/MW.” In its Reply Comments, the Company notes that it “will only assess a fee if required to ensure good faith negotiations.” But (a) this limitation is not reflected in the language of the RFP itself, and (b) it is unclear how the limitation could be applied in a predictable, objective manner. For this reason, we agree with Staff’s proposed RFP Condition 3 recommending that the negotiation fee be removed from the RFP.

As to exclusivity at the shortlist stage, it is not uncommon for resources selected to a final shortlist not to end up contracting with the utility that selected the resources. An easy and familiar example is Portland General Electric’s 2021 All-Source RFP Final Shortlist, where the Commission noted in its acknowledgement order that “PGE has asked for acknowledgment of a shortlist that contains many more projects than it seemingly intends to procure.”¹ If the likelihood of a shortlisted project’s executing a contract with the utility running the RFP were sufficiently high, then a requirement of exclusivity might be reasonable. But where the standard practice is for utilities to shortlist more bids than they will actually procure, exclusivity means that a developer must effectively withdraw a project from consideration in other competitive solicitations for an indeterminate negotiation period and then potentially lose its opportunity for any offtake whatsoever. This reality could both dampen participation in Idaho Power’s RFP and eliminate competitive resources from other utilities’ RFPs -- not a good outcome for Oregon utility customers. If Idaho Power desires a commitment from shortlisted projects, we recommend that the company compensate bidders for that commitment and reflect such a change in the RFP. Otherwise, we recommend that the exclusivity provision be struck from the RFP.

E. Renewable Northwest Recommends the Proposed Right of First Offer Be Removed from Idaho Power’s Form Power Purchase Agreement and Supports Staff RFP Condition 7

RNW supports Staff’s RFP Condition 7 and recommends that the Commission strike section 8.5 from Idaho Power’s Form PPA as an anti-competitive violation of Commission rules. This section would require that “Promptly following the Effective Date, the Parties agree to commence negotiation in good faith for Buyer’s purchase of the Facility.” In NIPPC’s comments, they noted that this provision would violate OAR 860-089-0300(5), which provides that “[t]he electric company issuing the RFP ... may not require that bids include an option for transferring ownership of the resource.” Idaho Power’s Reply Comments do not deny that section 8.5 would have the effect of creating an option for transferring ownership of the resource; instead, the Company says that the PPA is a negotiable starting point. There is truth to that argument, but at the same time there are also a number of redline-related criteria that the Company could use to reduce a bid’s non-price score if the bidder proposed deletion of section 8.5. So while the bidder’s right to redline may mean the form PPA does not “require” an option to transfer

¹ Oregon Public Utility Commission Docket No. UM 2166, Order No. 22-315 (Aug. 31, 2022).

ownership in the strictest sense of the word, the possibility of being penalized for redlines makes the PPA provision more pernicious than it may at first appear. To best conform the RFP to the letter and spirit of the Commission's rules, and to ensure Idaho Power's customers can fully benefit from competition among generation sources, RNW recommends that the Commission strike section 8.5 from the form PPA.

Staff has assessed the issue and reached essentially the same conclusion; for the reasons discussed above and those discussed in the Staff memo, we support Staff RFP Condition 7.

F. Renewable Northwest Appreciates That The RFP Offers Some Flexibility for a Volatile Environment for Component Procurement

Idaho Power's Final Draft RFP and revised draft RFP both include language in section 6.4 pointing to firm bid pricing tempered by an acknowledgement that updated bid pricing may be necessary: "Each bid shall be firm, not subject to price escalation, and binding throughout the schedule of this RFP from the date the bids are due under this RFP. Note however, the bid evaluation process does have potential opportunity for updated pricing if necessary." While the second sentence seems to directly contradict the first, RNW interprets the language and other references to updated pricing throughout the RFP as offering an opportunity for a refresh between the initial shortlist and final shortlist stages of the RFP. If this interpretation is correct, RNW appreciates the Company's flexibility given volatility in the market for components, a function of both supply chain constraints and an uncertain tariff situation for certain solar modules. These dynamics are likely to affect bidders in similar ways, so building in a refresh opportunity provides a fair way for addressing any market disturbances that may occur over the duration of the RFP. If RNW's interpretation is not correct, however, then clarification by the Company is likely necessary.

III. CONCLUSION

Again Renewable Northwest appreciates the Commission's and the Company's attention to these comments. The vast majority of the issues raised in the above comments have similarly been raised by NIPPC and supported by Commission Staff; for that reason, many of our suggestions have been framed as support for Staff's recommendations. Additionally, we do recommend

Respectfully submitted this 9th day of May, 2023,

/s/ Diane Brandt
Oregon State Director
Renewable Northwest
diane@renewablenw.org

/s/ Max Greene
Deputy Director
Renewable Northwest
max@renewablenw.org