

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2059

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Approval of 2020 All-Source
Request for Proposal.

STAFF'S COMMENTS

Market Price Sensitivity: Indicative Analysis Summary

The following is a summary of Staff's proposed indicative analysis around low market price sensitivities for the Initial Shortlist (ISL). As contemplated in Order No. 20-186, the market price sensitivity analysis will serve as the "indicative analysis based on the initial shortlist" to be filed before the end of 2020.¹ It should provide a test ground for the market price sensitivity to be included with the final shortlist. Staff sought input on this proposal from the Independent Evaluator (IE), stakeholders, and PacifiCorp. PacifiCorp gave helpful feedback and asked clarifying questions. PacifiCorp did not explicitly agree to follow Staff's proposal, but also did not express major concerns with the analysis proposed. PacifiCorp is scheduled to file the results of its analysis in this docket on December 11, 2020.

Sensitivity 1: High Renewables Low Market Price

(1) Market price forecast 1

PacifiCorp should forecast market prices in Aurora using a high Western Electricity Coordinating Council (WECC) renewables buildout and reference assumptions for other variables. The high WECC renewables buildout should be higher than existing RPS targets and other legislation to reflect potential future incentives, standards, and declines in the cost of renewable generation. The WECC renewables buildout should be a similar magnitude to the Northwest Power and Conservation Council (NWPCC) 2021 Power Plan base case scenario adjusted to include additional community renewables goals. Volatility should be generally proportionate to the expectations in the 2021 NWPCC Power Plan base case, or the high-renewables buildout in PGE's 2019 IRP.² If this forecast does not result in at least a 15 percent reduction in average

¹ *In the Matter of PacifiCorp's 2019 Integrated Resource Plan*, Docket No. LC 70, Order No. 20-186, pp. 18-19 (June 8, 2020).

² *In the Matter of Portland General Electric Company's 2019 Integrated Resource Plan*, Docket LC 73, p. 79 (July 19, 2019).

annual prices from today's prices by 2030 (using real dollars discounted at the same inflation rate as the forecast in the 2021 NWPCC Power Plan), PacifiCorp should share the resulting forecast and check in with Oregon Staff and the Oregon IE before proceeding.

(2) Analysis of ISL Net Present Value Revenue Requirement (NPVRR) under low market prices

PacifiCorp should use the low market price forecast from Aurora (market price forecast 1) in a stochastic Planning and Risk (PaR) model run to calculate NPVRR for the ISL portfolio under low market prices. Reference values for other variables should be used in PaR.

(3) Analysis to look at an alternate portfolio for comparison

PacifiCorp should use the low market price forecast from Aurora, and use reference values for all other variables, in a System Optimizer model run to determine what resources are selected in the near-term (with the option to select anything in the RFP initial pool or supply side resources from the 2019 IRP).

Sensitivity 2: Very Low Market Price

(1) Market price forecast 2

PacifiCorp should forecast market prices in Aurora using the same high WECC renewables buildout as in the first sensitivity above. This forecast should additionally include carbon price of zero, low load growth, and low gas price forecasts. If this forecast does not result in at least a 20 percent reduction in average annual prices from today's prices by 2030, and a 40 percent reduction in average annual prices from today's prices by 2038 (using real dollars discounted at the same inflation rate as the forecast in the 2021 NWPCC Power Plan), PacifiCorp will share the resulting forecast and check in with Oregon Staff and the Oregon IE before proceeding.

(2) Analysis of ISL NPVRR under very low market prices

PacifiCorp should use the very low market price forecast (market price forecast 2) in a stochastic PaR run to calculate NPVRR for the ISL portfolio. The same values from the second market price forecast should also be used in PaR (e.g. low load growth and low gas prices), with the addition of high private generation and high customer preference.

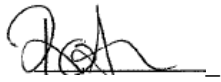
(3) Analysis to look at an alternate portfolio for comparison

PacifiCorp should use the very low market price forecast, and use all the same forecasts from the second market price forecast, (e.g. low load growth and low gas prices), with the addition of high private generation and high customer preference, in a System Optimizer run to determine what resources are selected in the near-term (with option to select anything in the RFP initial pool or supply side resources from the 2019 IRP.)

Staff looks forward to seeing the results of PacifiCorp's market price sensitivities for the ISL and discussing what, if any, changes should be made to the analysis before it is used to evaluate the Final Shortlist (FSL). Staff would also like to work with PacifiCorp and the IE in the time before the FSL is finalized to develop reporting metrics that will help quantify the market price risks of the FSL portfolio, as well as individual bids within the portfolio.

This concludes Staff's market price sensitivity summary.

Dated this 8th of December 2020.

A handwritten signature in black ink, appearing to read 'Rose Anderson', written over a horizontal line.

Rose Anderson
Senior Economist
Energy Resources and Planning Division