

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2193

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Approval of 2022 All-
Source Request for Proposals.

**COMMENTS OF SWAN LAKE NORTH
HYDRO, LLC AND FFP PROJECT 101,
LLC**

The companies working to develop the Swan Lake and Goldendale pumped hydro storage projects (together, the “Projects”)¹ appreciate the opportunity to provide comments on PacifiCorp’s Draft 2022 All-Source Request for Proposals (the “Draft RFP”), which was filed with the Oregon Public Utility Commission (the “Commission”) in the above-referenced docket on January 14, 2022. According to the procedural schedule adopted in this proceeding,² Staff and Intervenor’s opening comments are due February 18, 2022. In accordance with that schedule, the Projects are hereby submitting these Comments.

¹ The companies are Swan Lake North Hydro, LLC and FFP Project 101, LLC. FFP Project 101, LLC is developing the Goldendale Energy Storage Project, as noted in the Draft License Application submitted to the Federal Energy Regulatory Commission in Docket No. P-14861. While FFP Project 101, LLC is the entity developing Goldendale, and therefore is the intervenor in this proceeding, FFP Project 101, LLC may be referred to simply as “Goldendale” in this or subsequent filings with the Commission.

² See *In the Matter of PacifiCorp, dba Pacific Power Application for Approval of 2022 All-Source Request for Proposals*, UM 2193, Conference Memorandum (issued Jan. 18, 2022), available at: <https://edocs.puc.state.or.us/efdocs/HDA/um2193hda103257.pdf>.

I. COMMENTS ON THE DRAFT RFP

The Projects appreciate PacifiCorp's significant work that has gone into preparing the Draft RFP. The scope of the Draft RFP is wide-ranging, and the Projects appreciate that the Draft RFP incorporates various accommodations for long lead-time resources to participate.

The Projects have identified a few areas of potential concern in the Draft RFP, which are identified in the following comments. Of most significance, it is unclear to the Projects how PacifiCorp intends to reconcile the statements in the Draft RFP that it will "accept and evaluate all resource types," but that PacifiCorp has a strong preference for storage resources that have "a power capacity rating that is 100% of the nameplate capacity of a collocated renewable generating resource with duration of four hours or longer."³

A. Support for Extended Commercial Operation Date for Long Lead-Time Resources.

The Projects appreciate PacifiCorp's accommodation in the Draft RFP that provides long lead-time resources with an extended commercial operation date in order to participate in the Draft RFP. As the Projects have routinely stated in their comments submitted in various Commission proceedings, these types of accommodations are necessary in order for long lead-time resources like pumped storage to fairly compete in utilities' IRP/RFP processes. The Projects support PacifiCorp's extension of the commercial operation date for long lead-time resources and emphasize that such a concession is only appropriate for those types of resources that have longer procurement and construction timelines, such as pumped storage and nuclear. To that end, the Projects would not support granting an extension of the commercial operation date to any other resource that is not impacted by these same timing considerations.

³ Draft RFP at 6.

B. Concerns with PacifiCorp’s Stated Preference for a Particular Type of Storage Resource.

The Projects’ most significant concern with the Draft RFP is PacifiCorp’s stated preference for one particular type of storage resource, even though the Draft RFP is categorized as an “all-source” RFP. For example, PacifiCorp states that, “All forms of storage systems (Lithium Ion, Flow Battery, Pumped Storage Hydro etc.) are eligible to bid into its [Draft RFP]; however, PacifiCorp has a preference for BESS that has a power capacity rating that is 100% of the nameplate capacity of a collocated renewable generating resource with duration of four hours or longer.”⁴ This statement suggests that, before even receiving bids from various types of storage resources, PacifiCorp is already inclined to prejudge the results in favor of one type of storage technology over others.

Statements like these do not give participants in the Draft RFP confidence that PacifiCorp will fairly evaluate all types of storage resources on an apples-to-apples basis. As noted above, while the Projects appreciate that PacifiCorp has made some concessions to allow longer lead-time storage resources, like pumped storage, to participate in the Draft RFP, those concessions are meaningless if PacifiCorp’s analysis is not fair, transparent, and indifferent as to the outcome, so long as the eventual outcome represents the least-cost set of resources for the benefit of PacifiCorp’s customers.

The Projects also find it difficult to reconcile the design of this Draft RFP as an “all-source” RFP with the statements noted above expressing a clear preference for one type of storage resource over others. The Projects suggest that if PacifiCorp wanted to acquire only collocated storage resources, it should have designed an RFP specifically for those resources, rather than issuing an

⁴ *Id* (emphasis added).

all-source RFP that is, apparently, not really an all-source RFP for all storage resources to participate on a level playing field.

C. Comments on the Benchmark Bid Process.

The Projects are concerned that the sites for benchmark bids are being “locked in” via Appendix O to the Draft RFP; however, benchmark bids are not due until November 21, 2022.⁵ The Projects suggest that fixing the list and sites for benchmark bids so early in this RFP process is unnecessary and could lead to PacifiCorp foreclosing opportunities for achieving cost savings on other (or additional) benchmark sites or projects. Furthermore, fixing the list of benchmark sites via Appendix O, at this current time in the RFP process, could expose PAC to undue price and/or resource risk. The Projects would point out that expected market dynamics for large capacity resources and impending clean energy legislation/guidance via HB 2021, may create more beneficial, economical, or viable potential projects or sites as benchmark bids, which ultimately would benefit PacifiCorp’s customers. Instead, the Projects suggest that PacifiCorp incorporate a reevaluation process for benchmark sites into the Draft RFP timeline whereby PacifiCorp the list of benchmark bids in Appendix O could be reassessed, and potentially modified, closer in time to the submission of bids from market participants (by November 21, 2022).

The Projects also have concerns that the structure of this Draft RFP limits benchmark bids to only self-build proposals from PacifiCorp,⁶ and it is unclear to the Projects whether this structure complies with the Commission’s rules for benchmark bids.⁷ While the Projects acknowledge that PacifiCorp may ultimately deem self-builds to be the least-cost, least risk option for its customers,

⁵ *E.g., id.* at 11-12; *see also* Draft RFP at Appendix O.

⁶ *Id.* at 5 (defining benchmark bids as those PacifiCorp would construct, own, and operate); *see also id.* at Appendix O (suggesting benchmark bids must be built on, or transferred to, land owned by PacifiCorp).

⁷ *See* OAR 860-089-0300.

the Projects seek clarity that PacifiCorp is not precluding other alternatives that are not self-build proposals. The Projects' understanding of the benchmark bid rules is that benchmark bids should be open to both the utility and market participants to identify the least-cost, least-risk benchmark resources for the benefit of PacifiCorp's customers.

D. Timing-Related Concerns with the Draft RFP.

The Projects also have a timing-related concern with the Draft RFP's requirement for long-lead time resources to be able to issue notice to proceed to construction by 2023.⁸ Specifically, the Draft RFP states that, “[D]emonstration that the project’s COD will be achieved by December 31, 2026, or in the case of long-lead time resources, the ability to issue notice to proceed for construction by 2023 and reach commercial operation by 2028.”⁹ The Projects note that the Draft RFP only requires long lead-time resources to be able to issue notice to proceed by 2023, and does not impose this same requirement on other resources. Furthermore, given the timeline for market bids discussed above, long lead-time resources like the Projects have basically one month from bid finalization and contract execution to be able to issue notice to proceed. This requirement therefore imposes an additional hurdle on long lead-time resources that is not imposed on other resources. If PacifiCorp insists on maintaining this requirement in the Draft RFP, the Projects request that PacifiCorp clarify what a long lead-time resource would need to demonstrate in order to satisfy the requirement to issue notice to proceed by the stated date (end of 2023). Absent this clarification, the timing for this requirement does not work in the context of the broader schedule in the Draft RFP.

⁸ Draft RFP at 6.

⁹ *Id.*

E. Bid Fee Concerns.

The Draft RFP contains a bid fee of \$15,000, and the Draft RFP also suggests that: each bid requires a separate fee, each combination of bid attributes is a separate bid and subject to an additional bid fee, and that only an alternative bid to provide alternative pricing for a “different supplier, contractor/subcontractor strategy, labor standards or workforce and apprenticeship approaches” would be free.¹⁰ The Projects note that PacifiCorp’s \$15,000 bid fee, and the strict one-bid per fee requirement, results in much higher bidding costs for large generation projects like pumped storage. For example, the Projects can offer a vast range of alternative generation profiles, seasonal products, and transaction structures; however, in order to present these options to PacifiCorp, the Projects would have to incur multiple bid fees of \$15,000. The Projects do not believe requiring a separate bid fee for every iteration of a single generation project is reasonable, as it places a significant financial burden on potential customers of PacifiCorp, even though many of the alternative bid structures require substantially the same evaluation of a generation resource.

By way of comparison, other Pacific Northwest utilities allow for multiple iterations of a single project for one bid fee, allowing bidders to provide the utility with a suite of potential options for a single price. Such flexibility is good for both customers and the utility because it allows the utility to receive the maximum number of viable alternatives from a bidder in order to find the lowest cost set of resources for its customers, while also ensuring the bid fee is not a hindrance to bidders submitting their most viable and/or competitive bids. Therefore, the Projects request PacifiCorp reevaluate the cost associated with each bid and reconsider allowing multiple variations of a single project for a single bid fee, particularly for large resources like pumped storage that

¹⁰ *Id.* at 19.

may be able to provide numerous configurations to meet PacifiCorp's requirements in the Draft RFP.

F. Inconsistencies between PacifiCorp's Assumed Battery Design Life in the IRP and RFP.

The Projects have concerns that, in the Draft RFP, PacifiCorp appears to assume a longer design life for benchmark resources that are battery storage resources than what PacifiCorp assumes in its 2021 IRP. For example, the 2021 IRP that is pending before the Commission uses a 20-year design life for purposes of analyzing the total costs of both lithium-ion and flow battery storage resources.¹¹ However, in the Draft RFP, PacifiCorp assumes a 25-year design life for benchmark storage resources it plans to submit in the Draft RFP.¹² This discrepancy in the design life is likely to artificially depress the total cost of benchmark storage resources as compared to all other bids, particularly storage resources that might compete with battery storage (such as the Projects). In particular, using a longer design life for benchmark bids will spread the total costs of battery storage resources over a longer timeframe, resulting in a lower total capital cost and lower cost/kW-Yr. for these resources, thereby making them look more economic than other storage resources.

Similarly, the Projects have not identified anything in the Draft RFP to suggest that PacifiCorp is treating similarly-situated battery storage resource bids from market participants the same as benchmark bids. In fact, the Draft RFP appears to suggest the opposite—namely, Appendix A-1.6 entitled, “Battery Energy Storage System Technical Specification[s]” states that battery energy storage system shall have a minimum design life of 20 years.”¹³ Thus, it appears

¹¹ See 2021 Final Integrated Resource Plan at Table 7.1, p. 174, UTC Docket UE-200420, available at: <https://apiproxy.utc.wa.gov/cases/GetDocument?docID=81&year=2020&docketNumber=200420>.

¹² Draft RFP at Appendix O, p. 2.

¹³ *Id.* at Appendix A-1.6, p. 53 (Table 1).

that PacifiCorp is proposing two different design life durations for battery storage resources, depending on whether such resource is a benchmark bid or market participant bid.

To avoid providing benchmark bids a significant financial benefit that is not being provided to other storage resources, the Projects suggest that PacifiCorp modify its criteria for benchmark bids and evaluate all battery storage resources over a 20-year design life, as was presented in the 2021 IRP. Doing otherwise would unfairly skew the economics of the Draft RFP in favor of battery storage resources, particularly those submitted by PacifiCorp itself as a benchmark bid.

G. Other Comments on the Draft RFP.

The Projects have three other comments on the Draft RFP they would like to bring to PacifiCorp's attention.

First, the Projects seek PacifiCorp's confirmation that a generation project that is pursuing and/or has obtained Energy Resource Interconnection Service ("ERIS") generator interconnection service (rather than "Network Resource Interconnection Service," or "NRIS") would meet the Draft RFP's requirement that "All proposals will require firm transmission on PacifiCorp's network transmission system to deliver energy to load. Proposed resources must be able to be designated by PacifiCorp's merchant function as a network resource and eligible for inclusion in PacifiCorp ESM's network integration transmission service agreement with PacifiCorp's transmission function."¹⁴ Stated differently, the Projects request that PacifiCorp confirm that the requirement for firm network transmission contained in the Draft RFP is unrelated to the level of interconnection service a project must have, and therefore, any project with a completed interconnection study or agreement (whether ERIS or NRIS) would meet the transmission

¹⁴ *Id.* at 28.

requirements in the Draft RFP so long as the project can be designated as a network resource for purposes of being delivered using network transmission service.

Second, the Projects request further information about the “Terminal Value” assigned to a resource that is proposed through a Build-Transfer Agreement (“BTA”) or benchmark bids.¹⁵ For example, Table 4 of the Draft RFP indicates that resources transferred to PacifiCorp via a BTA and benchmark bids will be assigned a “Terminal Value;” however, there is no further explanation in the Draft RFP about how that value is calculated, how much value is assigned to various different types of resources, and why such terminal value is not offered to resources being proposed via tolling agreement or power purchase agreement. The Projects have also reviewed the 2021 IRP analysis and found nothing that provides a further explanation of this potentially significant factor when analyzing the total cost of the resources bid into the Draft RFP.

Third, the Projects are concerned that some of the appendices to the Draft RFP appear to be missing. The Projects cannot fully evaluate the fairness and competitiveness of the Draft RFP without some of these appendices. Therefore, the Projects request an additional opportunity to comment, once those appendices have been provided to the Commission. Absent such an opportunity to review and provide feedback on all aspects of the Draft RFP, there is no opportunity for stakeholders to ensure the Draft RFP fully and fairly considers all resource types, nor is there an opportunity for stakeholders to ensure that all aspects of the Draft RFP comply with the Commission’s requirements.

II. CONCLUSION

As expressed above, the Projects appreciate the significant undertaking that the Draft RFP represents by PacifiCorp and its staff. Through these comments, the Projects have

¹⁵ *Id.* at 35 (Table 4).

identified areas for improvement to the Draft RFP that are aimed at making it fairer, resource-neutral, and consistent with the analysis presented to the Commission in the 2021 IRP.

The Projects appreciate the opportunity to provide these comments and look forward to further discussions of the topics raised herein.

Please contact the undersigned with any questions or concerns.

Dated this 17th day of February, 2022.

Respectfully submitted,

/s/ Michael Rooney _____

Vice President, Rye Development
830 NE Holladay St.
Portland, OR 97232
(412) 400-4186
michael@ryedevelopment.com