



OREGON PUBLIC UTILITIES COMMISSION

Independent Evaluator's Assessment of PacifiCorp's Final Draft 2020AS Request for Proposals (Revised)

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EXECUTIVE SUMMARY

PA Consulting Group, Inc. (PA) is serving as the Independent Evaluator (IE) for PacifiCorp's 2020 All Source Request for Proposals (2020AS RFP or the RFP).

The first key objective of the Independent Evaluator activities is to provide the Oregon Public Utilities Commission (OPUC) with an independent assessment of PacifiCorp's Draft 2020AS RFP, prior to the issuance of the RFP. This report contains PA's assessment of the Draft 2020AS RFP.

The report provides:

- An introduction and background of the 2020AS RFP;
- A summary of the assessment criteria used by PA to evaluate the RFP;
- PA's evaluation of the draft RFP using those assessment criteria;
- A summary of the stakeholder comments received on the draft RFP; and
- A summary of the Independent Evaluator's findings and recommendations related to the RFP.

Background and Overview of 2020AS RFP

PacifiCorp's 2019 Integrated Resource Plan (IRP) identified certain action items for PacifiCorp to conduct, including the issuance of the 2020AS RFP. The RFP seeks proposals for resources identified in the IRP's preferred resource portfolio, including both transmission and generating resources..

While the IRP identified the preferred portfolio with an identified optimal mix of resource types, this is an All-Source RFP and PacifiCorp intends to evaluate all competitively priced bids for all types of technologies, subject to certain bid restrictions discussed herein. PacifiCorp is not submitting any self-build ownership proposals (benchmark resources) in the 2020AS RFP and is not accepting any bids from any PacifiCorp affiliate.

RFP Assessment Criteria and Areas of Evaluation

PA developed the following three fundamental Assessment criteria which we applied to our evaluation of the RFP:

- Does the RFP maximize opportunities to procure low-cost, low-risk generation?
- Does the RFP provide for fair and equitable treatment of bidders across resource type, location, and proposed contract structure?
- Does the RFP minimize opportunities for utility bias to be introduced into the procurement processes?

To evaluate the RFP, PA considered the following Areas of Evaluation, wherein we applied the Assessment Criteria to certain components of the RFP to develop an overall assessment of the RFP. These Areas of Evaluation included: Compliance with OR Competitive Bidding Rules; RFP Bidder Requirements; Bid Price Scoring Methodologies, Bid Non-Price Scoring Methodologies; and Power Purchase Agreement and BTA Termsheet Terms and Conditions.

Stakeholder Comments

PA reviewed all stakeholder comments filed in relation to the Draft RFP and considered them in the evaluation of the RFP. PA does not comprehensively describe those comments herein; we encourage readers to review those comments in their entirety. Section 2.3 of this report contains a summary of those comments PA considered material and a discussion of their disposition in the final draft RFP.

RFP Assessment

PA evaluated the RFP against the three Assessment Criteria described above. Our assessment is summarized in Table ES-1 below.

| Assessment Criteria | IE Assessment |
|--|---|
| RFP Bidder Requirements | |
| Maximize Opportunities | Requirements are generally appropriate with noted recommendation related to the bid eligibility cut-off date |
| Bidder Fairness | Requirements are reasonable and equitable across bidder type |
| Minimize Bias | Requirements do not materially favor utility ownership vs. PPAs |
| RFP Bid Price Scoring Methodologies | |
| Maximize Opportunities | Methodologies may limit modeled value of certain resources |
| Bidder Fairness | Methodologies are reasonable and equitable across bidder type |
| Minimize Bias | Potential exists for scoring methodologies to materially favor utility ownership vs. PPAs |
| RFP Bid Non-Price Scoring Methodologies | |
| Maximize Opportunities | Methodologies unlikely to prevent robust RFP participation |
| Bidder Fairness | Methodologies are reasonable and equitable across bidder type |
| Minimize Bias | Methodologies generally will not materially favor utility ownership vs. PPAs, assuming vigilant review of scoring |
| Power Purchase Agreement and BTA Termsheet Terms and Conditions | |
| Maximize Opportunities | PPA Terms could potentially discourage Pumped Storage Hydro participation in the RFP |
| Bidder Fairness | PPA terms could potentially advantage one bidder type over another |
| Minimize Bias | PPA terms could potentially advantage one bidder type over another |

It is PA's opinion that in general the RFP satisfies these three criteria. We suggest a limited number of changes to make the RFP clearer and easier to evaluate objectively. We also recommend striking two conditions which appear unduly onerous and unfair to bidders, relative to other utility resource solicitations.

PA also reviewed the computer models that PacifiCorp intends to use for bid evaluation. They are all fit for purpose but that they are very flexible, so as IE we will closely monitor the way they are used and how data is communicated between the models. PacifiCorp's internally developed spreadsheet models are still in a development mode; they contain some formula errors and inconsistencies, and have not been updated with recent prices. PacifiCorp has proposed to provide completed and corrected versions by July 22, 2020; PA believes the proposed timeline is reasonable.

PA understands the importance of this RFP assessment in order to provide the Commission, Staff, and stakeholders with an independent view of the RFP and its alignment with Oregon's Competitive Bidding Guidelines. The full value of an Independent Evaluator during PacifiCorp's procurement process will be realized through the IE's vigilant oversight of the entire RFP process, with a particular focus on PacifiCorp's bid screening and scoring activities. Through paying particular attention to the nuances of each bid on a case by case basis, PA can help the Commission ensure that any resource acquisitions which result from the 2020AS RFP will have been selected using fair and equitable evaluation methods.

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1 BACKGROUND AND OVERVIEW OF RFP

PacifiCorp (the Company) plans to issue an All-Source Request for Proposals (2020AS RFP or the RFP) on July 6, 2020, pending approval by the Oregon Public Utility Commission (OPUC or the Commission). The RFP will seek least-cost, least-risk resources consistent with the intent of the Company's 2019 Integrated Resource Plan (2019 IRP or IRP).

1.1 Background

PacifiCorp's 2019 IRP identified certain action items for PacifiCorp to conduct, including the issuance of the 2020AS RFP. The RFP will seek proposals for resources which would interconnect to PacifiCorp's transmission system, with various levels of capacity limits available in certain topographies based on transfer capacity limits within PacifiCorp's transmission system. The IRP's preferred portfolio includes 1,823 megawatts (MW) of new proxy solar resources co-located with 595 MW of new proxy battery energy storage system (BESS) capacity and 1,920 MW of new proxy wind resources by the end of 2024.

1.2 RFP Overview

This is an All-Source RFP and PacifiCorp intends to evaluate all competitively priced bids for all types of technologies.

The 2019 IRP provided a transparent view into PacifiCorp's least-cost, least-risk planning for its electric system which spans six states. The multiple IRP analyses identified that value for PacifiCorp customers would be created by adopting new clean energy generation and storage resources and new transmission capabilities, while retiring higher-cost coal generation. This RFP seeks new generating resources to begin that transition. In its June 8, 2020 Order¹, the OPUC acknowledged the 2019 IRP, subject to several conditions, some of which apply to this RFP. In the Order, the Commission requires PacifiCorp to conduct several additional analyses during the bid evaluation process to assess market and other risks associated with power procurement. These analyses are addressed herein in Section 3.

The RFP will accept bids only from new resources which had completed an interconnection study request to PacifiCorp Transmission by January 31, 2020. This is due to PacifiCorp's recently Federal Energy Regulatory Commission (FERC)-approved interconnection queue reform process. As part of this process, bidders will be required to demonstrate that their bid(s) will be able to participate in the PacifiCorp's interconnection cluster study in October 2020, which will identify any direct assigned and network upgrade costs which will be allocated to the bid(s) in the second phase of the bid evaluation process.

PacifiCorp is not submitting any self-build ownership proposals (benchmark resources) in the 2020AS RFP and is not accepting any bids from any PacifiCorp affiliate.

In the IRP, PacifiCorp identified several transmission topology locations, each of which have associated limits to how much capacity the location could accommodate. The RFP evaluation process will incorporate these capacity limits by evaluating portfolios of resources which in aggregate are compliant with the locational capacity limit. The IRP's preferred portfolio identified the IRP's optimal mix of resources by location; the RFP evaluation may ultimately result in a substantially different mix of resources by location. Additionally, while the IRP preferred portfolio identified certain capacity targets by resource type and location, the RFP evaluation may result in fewer resources being acquired or contracted with by PacifiCorp through this solicitation.

¹ Order No. 20-186

PacifiCorp plans to issue the RFP on July 6, 2020, pending approval by the Commission. The bids are scheduled to be due August 10, with initial shortlisted bidders being notified of their status by October 14. Those shortlisted bidders would then enter the interconnection cluster study, scheduled to be completed by April 2021. In parallel with the cluster study, PacifiCorp plans to negotiate with shortlisted bidders to develop near final draft contracts in the event the bidder is ultimately selected to the final shortlist. After the interconnection cluster study is completed, the initially shortlisted bids will be re-evaluated after inclusion of their direct assigned and network upgrade costs identified in the cluster study. A final shortlist will be identified by June 2021, with resource agreements to be finalized thereafter.

1.3 PA Consulting's Role as Independent Evaluator

PA was engaged by PacifiCorp to provide Independent Evaluator services associated with the RFP. As Independent Evaluator, PA has completed a thorough assessment of the 2020AS RFP design and submit herein our assessment of the final draft RFP for the Commission's consideration.

PA will also be evaluating PacifiCorp's bid evaluation process, including PA's independent scoring analysis of the competing bids. In addition to providing the bid scoring to the Commission, PA will provide a written assessment of PacifiCorp's sensitivity analysis for the final shortlist, as well as a closing report documenting our Independent Evaluation of the entire RFP process and identified shortlisted resources.

PA's original Assessment of the Draft RFP was filed with the Commission on June 11, 2020. PacifiCorp has subsequently made several revisions in response to OPUC Staff, PA, and stakeholder comments. This revised version of PA's Assessment addresses those revisions and whether or not PA believes the revisions were sufficient to cure the original comments.

2 RFP ASSESSMENT CRITERIA AND AREAS OF EVALUATION

This section summarizes PA's RFP Assessment Criteria and Areas of Evaluation and summarizes the stakeholder comments filed on the Draft RFP.

2.1 Assessment Criteria

In developing the RFP Assessment Criteria, PA reviewed and incorporated the following:

- OPUC's Competitive Bidding Rules²
- PacifiCorp's 2019 Integrated Resource Plan
- OPUC's Order³ acknowledging the 2019 Integrated Resource Plan
- Stakeholder comments filed with the OPUC

In light of these and discussions with OPUC Staff, PA has developed the following three fundamental Assessment criteria which we applied to our evaluation of the RFP.

2.1.1 Does the RFP maximize opportunities to procure low-cost, low-risk generation?

This criterion is intended to evaluate the RFP in light of its likelihood to either encourage or discourage bidders with low-cost, low-risk projects to bid into the RFP. While the 2019 IRP identified a preferred portfolio of projects by resource technology and location, that portfolio was developed using assumptions about the ability and willingness of the market to provide those resources. The RFP will be the true test of the market, but only if it is structured in a way such that removes barriers – actual or perceived - and encourages bidders to participate. PA hereafter refers to this as the “Maximize Opportunities” criterion.

2.1.2 Does the RFP provide for fair and equitable treatment of bidders across resource type, location, and proposed contract structure?

Oregon's competitive bidding guidelines and rules emphasize the need for bidders to be treated fairly and equitably, relative to both PacifiCorp and to each other. For example, if PacifiCorp were to have a hidden preference for wind generation as opposed to solar generation, it could potentially build pro-wind or anti-solar provisions into the RFP and its requirements. PA evaluated the RFP in light of this criterion by questioning each aspect of the RFP and whether it favored one bidder type over another. PA hereafter refers to this as the “Bidder Fairness” criterion.

2.1.3 Does the RFP minimize opportunities for utility bias to be introduced into the procurement processes?

PA understands that many stakeholders would view this as perhaps the most important criterion, and accordingly we gave it strong consideration throughout our RFP evaluation. While the other two criterion are important as well, PA knows that there is a long history in Oregon of concern over whether or not utilities have “gamed the system” during procurement exercises to secure utility investment earnings through ownership of resources. While it is possible to identify overt instances of attempts by utilities to do so through RFP design or bid evaluation practices, PA has found that

² OPUC's Oregon Administrative Rules, Chapter 860, Division 089, *Resource Procurement for Electric Companies*, as modified in OPUC Order No. 18-234 in Docket AR 300. August 30, 2018.

³ OPUC Order No. 20-186

identifying utility bias typically occurs on a case-by-case basis, requiring vigilance from the Independent Evaluator throughout the entire process. PA is committed to working with OPUC Staff in doing so; however, we have also evaluated the RFP design in the context of that vigilance. PA hereafter refers to this as the “Minimize Bias” criterion.

2.2 Areas of Evaluation

For the purposes of this report, PA surveyed various areas of the RFP and the bid evaluation process described therein. While the goal is to evaluate of these areas against each of the three Assessment Criteria, in practice one Criteria or another is more relevant than others to a particular area.

2.2.1 Compliance with OR Competitive Bidding Rules

While this area of evaluation is not a specific aspect of the RFP process, PA evaluated the RFP broadly in the context of Oregon’s Competitive Bidding Rules for power procurement, as well as in the context of several concerns specifically related to PacifiCorp’s Draft 2020AS RFP. The Rules themselves are generally straightforward and formal, and the criterion to apply is whether the draft RFP satisfies those specific requirements. PA does not explicitly list those Competitive Bidding Rules herein but encourages readers to obtain copies of the Rules from the OPUC website.

2.2.2 RFP Bidder Requirements

This area of evaluation relates to the bidder requirements incorporated in the Draft RFP. These bidder requirements may include credit requirements, minimum eligibility requirements, financial requirements, bid fee requirements, interconnection request requirements, and other requirements defined in the Draft RFP. In applying the Assessment Criteria, PA considered the extent to which the bidder requirements unduly or unfairly restrict the number or types of bids to be considered; whether they exclude certain categories of bids arbitrarily without good reason; whether they place an undue burden on prospective bidders; or any evidence that they had been communicated in advance to certain bidders but not others. For example, the RFP requirement that bidders must have made an interconnection study request prior to January 31, 2020 was evaluated in light of the three Criteria and how this requirement may impact the fairness of the RFP process.

2.2.3 Bid Price Scoring Methodologies

As it comprises 75% of a bid’s scoring for the purposes of making it through the initial screening process, the Bid Price Scoring area is perhaps the most important area of evaluation. PA identified a number of issues and concerns related to the Bid Price Scoring methodologies proposed in the Draft RFP. These may include but are not limited to:

- Normalization metric used to rank bids of like technology within any given transmission constraint bubble
- Constraint on the number of bids which pass through the initial screening process
- Market price assumptions and their impact on the bid evaluation process
- Performance assurances, cost contingencies, and terminal value considerations for BTA vs. PPA bids
- Contract term normalization
- PacifiCorp’s bid scoring and evaluation models and tools

2.2.4 Bid Non-Price Scoring Methodologies

This area of evaluation received much attention in the stakeholders’ comments as an area in which subjective evaluation metrics related to Bid Submittal Completeness, Contracting Progression and Viability, and Project Readiness and Deliverability could have an outsized impact on the bid rankings. PA identified the following issues and concerns related to this area of evaluation:

- Objectivity and specificity of terms used in the RFP's Non-Price Scoring criteria
- Scoring weight of project readiness and deliverability
- Unclear direction regarding the scoring weight of bidders' providing redlines to PacifiCorp's proposed contract terms and conditions

2.2.5 Power Purchase Agreement and BTA Termsheet Terms and Conditions

In the RFP, PacifiCorp provided a pro forma PPA and a BTA Termsheet for bidders to identify the draft contracting documents bidders would eventually negotiate with PacifiCorp upon final shortlisting. PA identified a number of issues with the documents, and in their filed comments, stakeholders identified several others, including:

- Performance and cost assurances for PPA vs. BTA bidders
- Term length requirements
- Curtailment provisions
- Legal and financial requirements

2.3 Stakeholder Comments

PA has reviewed all stakeholder comments filed in relation to the Draft RFP and considered them in the evaluation of the RFP. PA does not comprehensively describe those comments herein; we encourage readers to review those comments in their entirety. [Table 2-1](#) provides a summary of the comments from each party, the RFP Assessment Criteria which PA feels the given comment relates to, and notes related to PacifiCorp's incorporation or rejection of many of these comments:

Table 2-1: Stakeholder Comments on PacifiCorp's Draft RFP

| Stakeholder Comments on PacifiCorp's Draft RFP | | | |
|--|---|-------------------------------|--|
| Party | Comment | Sub-Comment | Notes |
| OPUC Staff | Bid Price Scoring | | |
| | Market pricing risk on off-system sales | Need for sensitivity analysis | PacifiCorp agreed to develop sensitivities; see comments in Section 3.3.4 |
| | Initial Shortlist Screening | Questioning the 150% Rule | No revision by PacifiCorp on this topic; see comments in Section 3.3.3 |
| | Final Shortlist | Need for sensitivity analyses | PacifiCorp agreed to develop sensitivities; see comments in Section 3.3.4 |
| | Bidder Requirements | | |
| | Interconnection Request Timing | January 31, 2020 Cut-off | PacifiCorp addressed pending FERC decision timeline; see comments in Section 3.2.1 |
| | Greenhouse Gas Emissions | | |
| | Greenhouse Gas Emissions | | No revision by PacifiCorp on this topic; see comments in Section 3.3.4 |

| Party | Comment | Sub-Comment | Notes |
|-------|----------------------------------|---|---|
| NIPPC | Bid Price Scoring | | |
| | Term Normalization | No Generic Fill | Comment rejected by PacifiCorp on this topic; see comments in Section 3.3.5 |
| | Cost Contingency | BTA bids O&M | PacifiCorp agreed to include O&M cost assumptions for BTA bids ; see comments in Section 3.3.5 |
| | Terminal value for BTA | | Terminal value methodology addressed by PacifiCorp; see comments in Section 3.3.5 |
| | Initial Shortlist Ranking | Based on nameplate capacity? | PacifiCorp concurs on this topic; no comment from IE |
| | Bid Non-Price Scoring | | |
| | Subjective and Vague Terms | | PacifiCorp clarified Bid Non-Price Scoring in RFP filed June 1, 2020; no comment from IE |
| | PPA Mark-ups | | PacifiCorp clarified Bid Non-Price Scoring in RFP filed June 1, 2020; no comment from IE |
| | Minimum Eligibility Requirements | Current or Threatened Litigation | Comment partially addressed by PacifiCorp on this topic; see IE comments in Section 3.2.5 |
| | | 3rd Party Tx Evidence | PacifiCorp clarified Minimum Requirement No. 11 in RFP filed June 1, 2020; no comment from IE |
| | | Site Control | PacifiCorp clarified Minimum Requirement No. 29 in RFP filed June 1, 2020; no comment from IE |
| | | Bid vs. Interconnection | PacifiCorp clarified Minimum Requirement No. 31 in RFP filed June 1, 2020; no comment from IE |
| | | US Banks | PacifiCorp updated RFP to include Canadian banks; no comment from IE |
| | | 2023 vs 2024 COD | No revision by PacifiCorp on this topic; see IE comments in Section 3.4.2 |
| | Bidder Requirements | | |
| | | Existing Resources | PacifiCorp updated RFP to include greenfield expansions as existing resources; no comment from IE |
| | | Jan 31, 2020 Cut-off | PacifiCorp addressed pending FERC decision timeline; see comments in Section 3.2.1 |
| | | Base vs. Alternate Bid Fees | No revision by PacifiCorp on this topic; see comments in Section 3.2.2 |
| | | On-Site data | PacifiCorp updated RFP to clarify on-site data requirements; no comment from IE |
| | PacifiCorp's Transmission System | Use of PacifiCorp's current transmission rights | No revision by PacifiCorp on this topic; see comments in Section 3.2.3 |

| | | BTA in PacifiCorp territory only | No revision by PacifiCorp on this topic; see comments in Section 3.2.4 |
|-------------------------------------|---------------------------------|--|--|
| | PPA Terms and Conditions | | |
| | PPA vs BTA | Performance Guarantees | No revision by PacifiCorp on this topic; see comments in Section 3.5.3 |
| | Pumped Storage Hydro | Needs tailored pro forma PPA | PacifiCorp provided pro forma PPA for PSH in RFP filed June 1, 2020; no comment from IE |
| | Dispute Resolution | Resolution venue; trial by jury waiver; lack of cure period | Addressed in PacifiCorp June 26, 2020 reply comments; see comments in Section 3.3.5 |
| | | Force Majeure | PacifiCorp updated RFP to clarify Force Majeure definition; no comment from IE |
| | Curtailment provisions | | Addressed in PacifiCorp June 26, 2020 reply comments; see comments in Section 3.5.4 |
| Party | Comment | Sub-Comment | Notes |
| Swan Lake | Bid Price Scoring | | |
| | Screening criteria | PSH should be separate technology category | PacifiCorp clarified RFP to classify PSH as separate technology category; no comment from IE |
| | Initial Shortlist | Need sensitivities, not just base case assumptions | PacifiCorp agreed to develop sensitivities; see comments in Section 3.3.4 |
| | Bid Non-Price Scoring | | |
| | Scoring criteria | Assessment of risk | PacifiCorp revised the Non-Price scoring matrix in Appendix L; no comment from IE |
| | PPA Terms and Conditions | | |
| | PPA length | PSH needs 40+ years | PacifiCorp will allow PSH to submit bids with terms longer than 30 years; see IE comments in Section 3.5.1 |
| | Pro forma PPA | PSH needs tailored pro forma | PacifiCorp provided pro forma PPA for PSH in RFP filed June 1, 2020; no comment from IE |
| Party | Comment | Sub-Comment | Notes |
| Pacific Northwest Renewables | Bidder Requirements | | |
| | Interconnection request date | Allow bids after January 31, 2020 IR | PacifiCorp addressed pending FERC decision timeline; see IE comments in Section 3.2.1 |
| | Contingent agreements | Allow bidders to negotiate PPAs based on contingent interconnect costs | No revision by PacifiCorp on this topic; see IE comments in Section 3.2.1 |

| | | | |
|--|----------------------------------|-------------------------------------|--|
| | Minimum eligibility requirements | Greenfield expansions | PacifiCorp clarified RFP to accept greenfield expansions subject to conditions; no comment from IE |
| | | Site Control | PacifiCorp clarified Minimum Requirement No. 29 in RFP filed June 1, 2020; no comment from IE |
| | | Bid vs interconnection request | PacifiCorp clarified Minimum Requirement No. 31 in RFP filed June 1, 2020; no comment from IE |
| | | On Site Data | PacifiCorp updated RFP to clarify on-site data requirements; no comment from IE |
| | | Base vs. Alternate Bid fees | No revision by PacifiCorp on this topic; see comments in Section 3.2.2 |
| | | BTA in PacifiCorp territory only | No revision by PacifiCorp on this topic; see comments in Section 3.2.4 |
| | PPA Terms and Conditions | | |
| | Pro forma PPA | PSH tailored | PacifiCorp provided pro forma PPA for PSH in RFP filed June 1, 2020; no comment from IE |
| | | PSH Term length | PacifiCorp will allow PSH to submit bids with terms longer than 30 years; see IE comments in Section 3.5.1 |
| | | US Banks | PacifiCorp updated RFP to include Canadian banks; no comment from IE |
| | | Price clarity - \$/MW or \$/MW-mo | PacifiCorp updated RFP to clarify pricing metrics; no comment from IE |
| | | Clarify interconnection cost risk | PacifiCorp clarified its responsibilities in reply comments posted June 1, 2020; no comment from IE |
| | | Security as limit on liability | No revision by PacifiCorp on this topic; see IE comments in Section 3.5.5 |
| | | Add epidemic to Force majeure | PacifiCorp updated RFP to clarify Force Majeure definition; no comment from IE |
| | | Transfers of title | No revision by PacifiCorp on this topic; see IE comments in Section 3.5.6 |
| | | Battery availability to 95 from 98% | PacifiCorp updated RFP to revise availability to 95%; no comment from IE |

3 RFP ASSESSMENT

This section addresses PA's areas of evaluation of the RFP, including PA's own comments related to the RFP, as well as PacifiCorp's incorporation or rejection of stakeholder comments on various aspects of the RFP. To the extent that PacifiCorp accepted suggestions and incorporated them into the Draft RFP, PA believes the process of stakeholder comments and PacifiCorp revisions has worked well and generally has not commented on these.

3.1 Compliance with OPUC Competitive Bidding Rules

PA concurs with OPUC Staff that the Draft RFP, as modified by PacifiCorp on June 1, 2020, generally complies with Oregon's Competitive Bidding Rules.

PA in particular notes that in Order 18-234, the OPUC stated:

... the value in a proceeding created by IE is dependent on the level of engagement that the Commission and Commission Staff provide to the IE. Staff brings a detailed and extensive understanding of RFP and resource selection standards to the process, while the IE brings detailed technical, financial, and transactional knowledge and experience. In working together, we are confident that the engagement of an IE with active management from Staff will help lead to better procurements in partnership with utilities.

PA agrees with this statement and commends the OPUC Staff for its collaboration with PA thus far in the IE process for this RFP. Staff has consistently engaged with PA on all matters related to the RFP, routinely scheduling calls including the Commission, stakeholders, PacifiCorp, and Staff itself to clarify issues as they have arisen. PA not only appreciates the collaboration but notes the collaboration is likely to ensure alignment between PA and Staff, and indeed PacifiCorp and the stakeholders, on issues pertaining to this RFP and likely resource acquisition by PacifiCorp resulting from the RFP.

PA does note that PacifiCorp requested and received a waiver from the Commission related to the requirement in OAR 860-089-0250(2)(a) for Commission approval of a proposal for scoring and associated modeling prior to preparing a draft RFP. While PA understands the timing constraints which led PacifiCorp to request the waiver, we do note that several stakeholder comments and concerns relate to PacifiCorp's proposed scoring and associated modelling; PA recommends that in future RFP efforts, PacifiCorp make every effort to avoid requesting such a waiver and seek Commission approval of bid scoring in advance of preparing a draft RFP.

3.2 RFP Bidder Requirements

While some bidder requirements are straightforward and reasonable to both PacifiCorp and prospective bidders, there are several requirements which warrant discussion and resolution. The stakeholder comments raised several of these issues, and PacifiCorp either incorporated stakeholder suggestions or rejected the suggestions for stated reasons.

PA generally believes the bidder requirements are appropriate and unbiased; PA's specific recommendations related to certain stakeholder suggestions follow.

Table 3-1: IE Assessment of RFP Bidder Requirements

| Assessment Criteria | IE Assessment |
|------------------------|--|
| Maximize Opportunities | Requirements are generally appropriate with noted recommendations related to the bid eligibility cut-off date and the requirement related to litigation against PacifiCorp |
| Bidder Fairness | Requirements are reasonable and equitable across bidder type |
| Minimize Bias | Requirements do not materially favor utility ownership vs. PPAs |

3.2.1 Bid Eligibility Cut-Off Date

Throughout the development of the RFP, there has been much discussion between all parties related to the bid eligibility cut-off date. PacifiCorp has identified in the RFP that only facilities that submitted an interconnection request by January 31, 2020, plus a small number of other facilities that already have a signed interconnection agreement, may bid into the RFP. PacifiCorp introduced this requirement to align the timing of the RFP bid evaluations with PacifiCorp Transmission's transition cluster-study process. The interconnection queue reform process replaces the existing "serial queue" interconnection study process with a "first-ready, first-served, cluster" interconnection study approach. PacifiCorp's 2020AS RFP process for bid evaluation, scoring, modeling, and selection reflects PacifiCorp Transmission's interconnection queue reform process as described in its Open Access Transmission Tariff (OATT).

OPUC Staff, NIPPC, and Renewables Northwest all requested that PacifiCorp either extend the cut-off date or allow bidders to negotiate "cost contingent" agreements pending the final results of the cluster-study. PacifiCorp rejected these requests in its updated RFP filing, stating that the timing of the RFP bid evaluations, and indeed potentially the ability of certain bidders to meet the Commercial Online Date (COD) requirements of the RFP, would be negatively impacted by such a delay or "cost contingent" negotiations; further, PacifiCorp stated that the January 31, 2020 cut-off date will allow for over 40,000 MW of eligible resources to bid into the RFP.

PA recommends that the cut-off date for this RFP not be extended beyond the cutoff date for participation in the Transition Cluster Study, and that bidders not be allowed to conduct cost contingent negotiations. Given the timing constraints which would result in delaying the bid submittal deadline for interconnection request reasons, PA believes it is not feasible to extend the deadline without impacting resource CODs. It is conceivable that the entire RFP schedule could be pushed back because the Production Tax Credit has now been extended but doing so would be inequitable relative to solar and solar+storage bidders expecting to leverage the Investment Tax Credit (which has not been extended). PA also believes that the 40,000 MW of eligible bids represents a robust pool of resources for PacifiCorp's consideration.

However, PA recognizes the inherent limiting effect of the cut-off date, and the potential for it to limit the ability of highly valuable resources to participate in the RFP. PA recommends that the Commission consider requesting that PacifiCorp consider the possibility of a second RFP in late 2021, while accordingly being conservative in accepting bids in this RFP, recognizing there would remain sufficient time for resources in a 2021 RFP to achieve operations by PacifiCorp's December 31, 2024 deadline.

6-29-2020 UPDATE: In subsequent reply comments, PacifiCorp acknowledged the request currently pending before FERC for a later interconnection request cut-off date. Though Staff had recommended that the Commission require PacifiCorp to revise the cut-off date should FERC issue a decision before the bid submittal deadline of August 10, 2020. PacifiCorp supports the intent of Staff's request but proposes that the cut-off date be revised only if FERC issues a decision prior to the July 20, 2020 intent to bid deadline, which would allow affected bidders time to finalize their bid submittal by the August 10 deadline. PA agrees with Staff and sees no reason not to extend the FERC decision date to August 10.

3.2.2 Bid Fees for Base vs. Alternate Bids

The RFP states that bids which propose different contract structures for the same physical resource will be classified as different Base Bids, with a bid fee of \$10,000, rather than classified as Bid Alternatives, which have a bid fee of \$3,000. NIPPC and Renewables Northwest both requested that different contract structure bids be classified as Bid Alternatives, thus triggering the lower bid fee. PacifiCorp rejected the request, stating that previous RFPs using the same bid fee rules drew several thousand megawatts (MW) of bids, and that the time and effort required to analyze different contract structures for the same physical resource justified the Base Bid fee.

PA concurs with PacifiCorp and recommends the bid fees remain as proposed.

3.2.3 Access to PacifiCorp's Third-Party Transmission Rights

The Draft RFP indicates that bidding projects may not assume the use of PacifiCorp's third-party transmission rights. Both NIPPC and Renewables Northwest commented that PacifiCorp should make its third-party transmission rights available for use by bidders to propose off-system projects and requested that PacifiCorp clarify why it was unwilling to do so. PacifiCorp replied that it was unable to do so, because the transmission rights had been procured for the use of existing resources, and that additional resources would require the submission and study of new transmission service requests. Further, PacifiCorp stated that it was unwilling to accept bids conditional upon PacifiCorp obtaining such transmission service.

PA concurs with PacifiCorp's restriction on this issue. The third-party transmission rights may have value in the market which properly belongs to PacifiCorp ratepayers but which cannot be tested here.

3.2.4 Off-System BTA Proposals

NIPPC commented that PacifiCorp should accept off-system BTA proposals. PacifiCorp disagreed, stating that it was unwilling to assume the risk of obtaining firm transmission rights from third-party providers, and it was also unwilling to assume the risk of owning and operating a facility inside another utility's balancing area.

PA agrees with PacifiCorp's reasoning and is unaware of other utilities being willing to assume these risks.

3.2.5 Current or Threatened Litigation

NIPPC commented that the minimum eligibility requirement number 8 – Current or Threatened Litigation remains onerous, having raised this issue in prior proceedings. PacifiCorp replied that it believes that the requirement is valid and PacifiCorp also modified the requirement to exclude matters before the FERC which are seeking tariff clarifications.

PA agrees that PacifiCorp risks eliminating a bidder with potentially lowest cost-bids due to the bidder's attempt to exercise its legal rights in an unrelated matter. This may be an unfair use of PacifiCorp's power as a buyer; it is not necessarily a source of bias in favor of BTA bids as a BTA bidder could also be in litigation against PacifiCorp (even over a past PPA). In our experience utility buyers sometimes require bidders to disclose litigation against the utility but do not impose this kind of after-the-fact ban. Therefore, we recommend striking this requirement. PA understands that PacifiCorp may wish to reduce its risk of frivolous litigation but the approach taken here is independent of the merit or demerit of the specific litigation.

6-29-2020 UPDATE: PacifiCorp initially partially accommodated NIPPC's concerns by revising the requirement to exclude matters before FERC seeking tariff clarifications. Further, in its June 26, 2020 reply comments, PacifiCorp also notes that the 2017R RFP proceeding addressed this issue by requiring the Oregon IE to be consulted prior to PacifiCorp rejecting any bids due to this requirement, and that during that proceeding, PacifiCorp saw a robust response to the RFP and did not request that any bidders be rejected due to this requirement. PA notes PacifiCorp's language in its June 26, 2020 reply comments that due to the 2017 revised requirement for the IE to be consulted prior to determining any bid rejections for this issue, PacifiCorp believes "... the Company cannot unilaterally reject a bid due to current or threatened litigation."

PA notes that the requirement is still included in the RFP, and further notes that though the IE is required to be consulted on a bid rejection decision, ultimately PacifiCorp would still have the ability to reject such a bid even if the IE disagrees. Therefore, PA recommends the Commission strike this Minimum Eligibility Requirement. However, PA notes that in certain cases wherein PacifiCorp has a compelling reason for rejecting a bidder due to its current or threatened litigation with PacifiCorp, the Company can consult with the IE and make the case for rejecting the bidder.

3.3 Bid Price Scoring Methodologies

PA has extensively reviewed the scoring methodologies and models proposed by PacifiCorp, in close collaboration with OPUC Staff. While there are a number of issues discussed below, PA believes that the conceptual approach of PacifiCorp is reasonable.

PA found that PacifiCorp summarized the bid scoring process well, however, PA found that PacifiCorp struggled to give clear and detailed descriptions of the scoring models, to PA or OPUC Staff. PA understands that the models are inherently complex and evolving, and PacifiCorp did provide an online demonstration of the models, which was helpful. However, PA believes the process and models could be perhaps simplified to provide the IE and OPUC Staff greater transparency into the net benefit calculations which are at the core of PacifiCorp's scoring methodology.

PA generally believes the bid price scoring methodologies could be improved to better Maximize Opportunities and Minimize bias. [Table 3-2](#) provides our assessment.

Table 3-2: IE Assessment of Bid Price Scoring Methodologies

| Maximize Opportunities | Methodologies may limit modeled value of certain resources |
|------------------------|---|
| Bidder Fairness | Methodologies are reasonable and equitable across bidder type |
| Minimize Bias | Potential exists for scoring methodologies to materially favor utility ownership vs. PPAs |

PA's concern related to the Maximize Opportunities assessment is described below in the sub-section labeled "The LCC Model" below, while our concern related to the Minimize Bias assessment is addressed in Section 3.3.6, PPA vs. BTA Bids below.

3.3.1 Scoring Models

PacifiCorp will use a number of different computer models and databases in its bid evaluation. Several of the are established models developed by outside vendors and our main interest with respect to those is in the development of their inputs and processing of their outputs. PA has reviewed the basic structure and calculations of two spreadsheet models developed by PacifiCorp.

Our general assessment of the models is they are all fit for purpose but that they are very flexible. Therefore, the most important thing to assess how they will be used and what will be communicated between them and from them. We consider the work so far to have been identifying key model use decisions that will be made in the course of the evaluation and interactions to which we must pay attention.

PA reviewed the following tools and models.

The bid scoring model

The bid scoring model is a spreadsheet model (in two versions) that both generates the initial bid scores and produces data for the IRP model. PacifiCorp provide two different examples of the bid scoring model for review, one labeled "Wind" and the other labeled "Solar plus Battery". The main difference between them is not in the renewable technology but in the presence or absence of energy storage. The layout of the two spreadsheet files, and results presentation sheets, is somewhat different and may create some difficulty in automating the bid scoring.

The bid scoring model is a relatively straightforward cost-benefit calculator, assuming renewable generation follows a set pattern described in bids. PA has identified a few problems in synchronizing dates between various parts of the model and in present value computations, but nothing that cannot easily be corrected before the bid deadline. The model appears to have been developed over time and

contains a number of options that are not relevant to this procurement. We have continued to communicate with PacifiCorp to confirm the relevant options,

The prices or values of energy, reserves and other products are represented in several different locations in the bid model. One location gives prices by market hub and another gives prices with no locational identification. Prices in the mode for energy and reserves may not be consistent. The provision of price data to the scoring model is still undergoing development and cannot be assessed at this time. Again, we anticipate receiving a final and corrected model before the bid deadline, preferably by July 11.

The bid scoring model also includes the revenue requirement computation for BTA bids. The purchase price of a BTA project will be a capital expenditure and has to be converted to a revenue requirement in order to be appropriately compared with PPA costs, which are pass-through expenses. The basic revenue requirement computations are straightforward. PA has not reviewed tax issues (such as the potential normalization of the ITC for solar or hybrid resources), the details of depreciation schedules. The sample model provided to PA does not assign any additional direct costs to the bid, nor does it allocate any G&A or other overheads to it. PA cannot assess whether this is appropriate in the Oregon context and merely points it out for the benefit of Commissioners and Staff.

The LCC model

The LCC model is a spreadsheet model used to standardize the generation profiles of renewable resources. It has two functions: normalizing the hourly generation profile of renewable bids and determining their capacity contribution.

For the first function, the LCC model will apply an iterative reshaping algorithm to modify a submitted hourly energy profile to replicate the monthly capacity factors of nearby existing generators. This addresses one flaw many utilities have attributed to renewable bids, that bidders do not have good data supporting the generation profiles they provide to soliciting utilities. We reviewed the algorithm and it appears correctly implemented, but it may fail to reward new or more costly technologies for performance that justifies added cost – for example, single tracking PV when introduced to an area with mostly fixed-tilt solar, or over installing DC panel capacity and clipping it to seek a higher capacity factor.

For the second function, the LCC model determines the capacity contribution of a renewable resource as the weighted average of its hourly energy delivery profile, weighted by the profile of hourly relative loss of load profile (hourly LOLE divided by annual LOLE, so that the sum of these weights is 1). The model then adds a capacity contribution for attached storage based on its duration, found via a table lookup. It is unclear to PA regarding whether the model embodies an assumption that storage can be discharged and renewable energy injected simultaneously and each at up to full capacity, which would double-count capacity.

StorageVet

StorageVet is a third-party tool developed by the Electric Power Research Institute and used to simulate the dispatch of energy storage. The StorageVet tool is “called” by the bid scoring model, which processes the StorageVet results and passes them on to System Optimizer. The interface provided by PacifiCorp is somewhat difficult to use; PA has modified the interface for our own scoring use.

PacifiCorp and PA are both treating StorageVet as a “black box”, meaning that we have no opinion on the quality of StorageVet’s dispatch algorithm. In that context, PA is verifying the list of inputs and output to verify that PacifiCorp is using the appropriate set of each.

System Optimizer

System Optimizer is a third-party model used in the IRP process to create resource portfolios. It includes a simplified dispatch and a resource selection algorithm. PacifiCorp does not believe that System Optimizer adequately values the ancillary services and optionality energy storage can provide and is developing an “adder” based on StorageVet output. An additive approach can turn into an additive bias, so PA intends to explore ways to test for the evidence of such bias - but has not done so

yet, having only recently resolved some technical difficulties running StorageVet in the PA environment.

3.3.2 Scoring Model Rank Metric

The immediate use of the bid scoring model is to rank bids for screening, to limit the number of bids of each type from a given resource “bubble” to 150% of the IRP selection or the export capability. It is set up to report several different metrics that could be used for ranking, such as the present value or levelized value per MWh of energy or per kW-month of capacity. We do not believe that a decision has been reached as to which to use.

Levelized valuation by MWh is common, for example as “levelized cost of energy”. Levelized value by kW or kW-month is less common. Capacity is not interchangeable from month to month, especially renewable capacity whose characteristics depend on the calendar – it cannot be stored and, strictly speaking, is not a commodity that is fungible across time. We identified an issue with the capacity levelization calculation; apparently it is still being developed.

One of the metrics being tested for the bid scoring model is net benefit per MW of effective capacity. In that computation the benefit of a resource is normalized by its capacity contribution. This means that resources with lower capacity contributions will rank higher than resources having the same net benefit but higher capacity contributions. This may mean a bias in favor of resources that earn less of their value from their reliability contributions and more from non-firm energy. If PacifiCorp decides to use this approach PA will request evidence through testing of the effect of the metric and will closely scrutinize the results of its use.

3.3.3 Scoring Model Capacity Limits

The Commission, OPUC Staff, PA, and PacifiCorp spent considerable time discussing the scoring model’s target of “screening out” all but 150% of each transmission constrained zone’s, or “bubble” capacity transfer limits. Each such bubble represents a geographic area with defined transmission limits for the bubble’s capacity export capability; PacifiCorp intends to identify the lowest cost bids with an aggregate capacity of 150% of the export capability for each bubble, by technology. For example, for a bubble with 1000 MW of export capability, PacifiCorp will identify the lowest cost bids whose capacities sum to approximately 1,500 MW. In this way, PacifiCorp intends to ensure a robust pool of bids is evaluated while minimizing the time intensive process of modeling bid portfolios in the System Optimizer model.

OPUC Staff is concerned that in doing so, PacifiCorp may be inadvertently screening out a truly valuable bid due to various export capacity limit/resource supply dynamics.

PA believes that PacifiCorp’s approach is reasonable. We believe that the scoring model, with its levelized cost methodology, will identify the lowest cost bids by technology for each transmission bubble, minimizing the risk that a more valuable bid may get screened out. Further, PacifiCorp has no control over developers’ behavior and thus no control over what resources are available in any given area. PA notes that PacifiCorp has indicated that it will collaborate with the IE to identify any natural “breaks” in a given area’s resource pool and may adjust the 150% target up or down as appropriate.

However, it is important to clarify the specific meaning of “capacity” in these limits. The version of the bid scoring model recognizes the “capacity contributions” of different resources, somewhat similar to Effective Load Carrying Capability. To meet a capacity target of 100 MW, PacifiCorp could choose the highest-ranked 100 MW based on nameplate capacity, or the highest-ranked 100 MW based on capacity contribution, depending on which is more consistent with the IRP. If the target is determined by an always-effective transfer limit it might be appropriate to use the first; if the target is determined by a limit that applies only in peak hours, the second might be better.

We mentioned above the use of a value metric normalized by capacity contribution. If it is determined that the metric is potentially biased, some of that bias may be mitigated by using a target based on nameplate capacity. If the target is based on capacity contribution, it is possible that a larger number of resources with low relative contribution will be allowed onto the ISL than resources with high relative

contribution, because the lower-contributing resources take up less room on the list when it is based on capacity contribution. This would exacerbate the potential for bias in their favor.

3.3.4 Recognition and Mitigation of Price (and Other) Risks

The Bid Scoring Model uses a single energy price scenario and (for StorageVet) a single associated operating reserve price scenario. It does not consider the risk associated with other scenarios, assuming for each year that all energy at a given location has the same value with no consideration of possible high or low price scenarios, and making similar assumption for operating reserve. It also assumes that all excess energy and reserves can be sold at those prices, regardless of the size of the excess – in other words that both energy and operating reserves have deep and liquid markets.

The market depth assumption is particularly dangerous in valuing storage. Storage is often thought of as a bundle of products which can be individually valued. We have observed a tendency for storage resources to derive the greater portion of their value for operational reliability services such as operating reserves and regulation (it appears that PacifiCorp will not be valuing regulation). The amount of these products that grid operators need is much smaller than the amount of energy needed, and the demand for them is quickly exhausted. In other words, the markets for them are not very deep. An evaluation that does not recognize demand limits may choose too many such resources.

The same problem can happen even when evaluating resources based on a commodity whose market is considered large and liquid, such as the market for energy, if that market is already amply supplied. It is already happening with energy in California and Hawaii. As is illustrated by the “duck curve”, even in peak hours the limit of economic demand may not be far away and new resources risk unexpected curtailment.

The concern with over procurement of energy has been raised by the Commission. OPUC Staff noted that as the Commission acknowledged PacifiCorp’s 2019 IRP, it placed several conditions on the acknowledgement. Accordingly, PA recommends that PacifiCorp work with OPUC Staff and the IE to ensure the following Commission requests are incorporated into the RFP bid evaluations:

- The Final Shortlist shall include a sensitivity analysis developed to assess the near-term and year-over-year revenue requirements of the portfolio;
- The Final Shortlist shall include an analysis of the anticipated Greenhouse Gas (GHG) emissions from the RFP portfolio and whether it risks producing increased GHG emissions compared to current operations and trends; and
- The Final Shortlist shall include at least two sensitivity analyses of the potential over procurement risks associated with lower-than-forecast energy prices over time.

Swan Lake recommended that PacifiCorp use sensitivities in the initial bid scoring models to expand the screening analysis beyond base case assumptions. PacifiCorp rejected this suggestion, stating that the second phase of the RFP evaluation includes such risk analyses. Incorporating sensitivity analyses is a time-consuming process that, if done at the screening stage, would jeopardize the October 31 cluster study cut-off date, and would also lack visibility into projects’ ultimate interconnection costs, thus diminishing the value of those sensitivity analyses.

PA has sympathy for PacifiCorp’s feasibility concern; however, especially if PacifiCorp automates the Bid Scoring Model it should be possible to examine the bids that pass the initial screen – or at least the highest-scoring ones. PacifiCorp has not specified a MW need to be met by this RFO. Some scenario analysis with the Bid Scoring Model could help to determine a cost-effectiveness threshold higher than simply “positive net benefit”, or to set capacity limits reflected anticipated market depth. Also, the ISL evaluation will be done by the SO model, which we think can be set up to recognize market depth or penalize curtailment.

Although it does not appear in the Schedule in the RFP document, the RFP that resulted in the selection of PA as Independent Evaluator indicated that there would be a sensitivity analysis of the Final Shortlist and that PA would report on it to the Commission. The Commission’s request do not expand that, so PA expects the Commission will have a sensitivity analysis to inform its decision on the contracts to be signed out of this RFO.

6-29-2020 UPDATE: In its June 26, 2020 reply comments, PacifiCorp indicate that it accepted Staff's condition to comply with the Commission's conditions of acknowledgement in the 2019 IRP Order. PacifiCorp further stated that it will work with Oregon Staff and the IE to define one or more sensitivities and proposed that the sensitivities be developed by September 2020. Though those sensitivities have yet to be developed, PA believes PacifiCorp has sufficiently addressed the stakeholder concerns regarding the need for such sensitivities.

3.3.5 PPA vs. BTA Considerations

Several parties raised concerns related to the potential for utility bias to enter into the bid evaluations through varying assumption differences between bids proposing a BTA and bids proposing a PPA. These include:

- **Term Normalization.** NIPPC requested that PacifiCorp not use a "generic fill" method to provide comparable cost streams in years after a proposed PPA terminated; this is a common method for comparing bids of varying lengths. However, PacifiCorp noted that it does not use this method, but rather uses a levelized net benefit approach which represents a bid's net value to PacifiCorp ratepayers via a \$/kW metric. PA concurs with PacifiCorp's approach subject to finalization of the \$/kW computation.
- **Cost Contingencies.** NIPPC noted that PPA pricing represents cost certainty for PacifiCorp (on a \$/MWh basis), while noting that with a BTA, PacifiCorp's ratepayers are potentially exposed to any costs to maintain, upgrade, and operate the facility throughout its life. NIPPC requested that PacifiCorp include conservative cost adders after commissioning to BTA bids. PacifiCorp rejected this request, stating that actual cost assumptions are often reviewed and approved as part of future general rate cases that can represent disallowance risk if cost overruns are occurring and require adjustment if actual costs are lower than originally projected.
- **Terminal Value.** NIPPC requested that PacifiCorp not include a terminal value in its BTA evaluations. PacifiCorp did not appear to directly respond to this comment but did mention that it includes terminal value considerations in its levelized cost approach described above.

PA shares the concerns related to the potential for these issues to fail to Minimize Bias in the RFP process. While again noting that IE vigilance during the actual evaluation process will be the most impactful method of preventing utility bias, PA does have two recommendations related to modeling the BTA bids:

1. PA recommends that the Commission require PacifiCorp to include specific cost assumptions related to the O&M of a BTA resource in its initial screening process through to the final selection process. One potential solution would be to simply include the costs of the required BTA O&M Agreement, escalated for inflation, for the entire life of the resource. Recognizing that PacifiCorp will ultimately need to seek approval of actual such costs in future rate cases, this solution would help ensure that BTA bids aren't improperly advantaged in the bid screening or final selection processes.

6-29-2020 UPDATE: In its June 26, 2020 reply comments, PacifiCorp agreed to this approach and committed to providing O&M cost assumptions for BTA bids to the Oregon IE for review.

2. It is reasonable to include terminal value in the consideration of an ownership opportunity, but the valuation should be conservative, taking into account the natural degradation of solar cells and batteries and also the chance of technological obsolescence. PacifiCorp should clearly communicate its terminal value methodology (if any) to OPUC Staff and the IE prior to issuance of the RFP. The Commission may choose to consider the terminal value issue when evaluating the RFP.

6-29-2020 UPDATE: PacifiCorp provided its potential methodology for assigning terminal value to BTA resources, and further noted that the Company is open to further discussions with Staff and PA regarding its calculation of terminal value. PA notes that as the evaluation progresses, we anticipate PacifiCorp’s more detailed explanation of its terminal value calculations; for example, its methodology for valuation of development rights.

3.4 Bid Non-Price Scoring Methodologies

Many stakeholders commented on the efficacy of several of the non-price scoring metrics proposed by PacifiCorp, suggesting that some of them should actually be considered minimum eligibility requirements and requesting that the non-price scoring weighting be accordingly reduced. Further, stakeholders raised several issues related to the minimum eligibility requirements, requesting clarification of certain terms and conditions. In response, PacifiCorp altered several non-price scoring metrics and their scoring weights in its revised RFP filed on June 1, and further clarified several of the minimum eligibility requirements.

PA finds that the non-price scoring methodologies and minimum eligibility requirements, as revised, are generally appropriate. [Table 3-3](#) provides our assessment.

Table 3-3: IE Assessment of Bid Non-Price Scoring Methodologies

| Assessment Criteria | IE Assessment |
|------------------------|---|
| Maximize Opportunities | Methodologies unlikely to prevent robust RFP participation |
| Bidder Fairness | Methodologies are reasonable and equitable across bidder type |
| Minimize Bias | Methodologies generally will not materially favor utility ownership vs. PPAs, assuming vigilant review of scoring |

PA’s primary concern related to the non-price scoring will be to monitor PacifiCorp’s application of the scoring criteria to each bid’s submittal to ensure that they are applied reasonably and equitably.

3.4.1 Collection of Supporting Information

The information required for some of PacifiCorp’s non-price metrics is stated subjectively or in ways that could allow for disagreement as to whether appropriate information was provided, for example, “[demonstrate] site control consistent with PacifiCorp Transmission’s Site Control definition,” “sufficient detail, including schedule(s) and documentation, to demonstrate the ability of meeting all of the project’s environmental compliance, studies, permits” or “sufficient detail, including schedule(s) and documentation, to demonstrate the ability of meeting equipment procurement needs and managing supply chain risks.” Appendix B-2 clearly requests information about siting studies; PacifiCorp should indicate in Appendix A-3 which permits it considers “major”. PacifiCorp should also clearly indicate where it expects bidders to provide information demonstrating site control (and include in the RFP packet the list of documents that can prove site control), as well as those that could prove its ability to procure needed equipment.

6-29-2020 UPDATE: PacifiCorp revised the RFP to clarify that “site control” for the 2020AS RFP would be defined as in PacifiCorp Transmission’s OATT.

In its June 26, 2020 reply comments, Renewable Northwest noted that the June 23, 2020 version of the RFP filed by PacifiCorp with the OPUC included an additional phrase in the site control requirement indicating that the bidder must also have site control for any “gen-tie line associated with the facility ...”. Renewable Northwest requested removal of the “gen-tie line” language as it is inconsistent with PacifiCorp Transmission’s OATT.

In its June 26, 2020 reply comments, PacifiCorp provided a final version of the RFP with the gen-tie

language removed from the site control requirements.

3.4.2 2024 Commercial Operation Date

NIPPC requested that PacifiCorp clarify the need for the RFP to move forward at its current pace, given PacifiCorp's revision of expected commercial operation date of selected projects to December 31, 2024. PacifiCorp clarified in its reply comments that the December 31, 2024 date applies to all bids with the exception of bids requiring a long lead-time such as pumped storage hydro. PacifiCorp stated that the change was made to reflect the federal legislation allowing wind projects that secure safe-harbor equipment such as wind-turbine generators or begin construction in 2020 to receive a 60 percent PTC if placed into service by year-end 2024.

PA believes that PacifiCorp's approach is reasonable, particularly given the interconnection study cut-off date of January 31, 2020; with that firm cut-off date in place, bidders may benefit by the additional time to achieve commercial operation and remain eligible to propose an earlier date should their circumstances allow.

3.5 Power Purchase Agreement and BTA Termsheet Terms and Conditions

As with the non-price scoring methods, PacifiCorp revised and/or clarified several issues raised by stakeholders related to PacifiCorp's pro forma PPA provided in the RFP. PA has no comment on these issues other than to note it appears PacifiCorp sufficiently addressed the given stakeholder concerns.

PA's primary concerns with the revised Draft RFP lie in the area of the performance assurances and guarantee provisions of the pro forma PPA when compared to the draft BTA Termsheet, which generally impact all three Assessment Criteria, as well as the implications of limiting PPA proposals to a 25 year length.

Table 3-4: IE Assessment of PPA Terms and Conditions

| Assessment Criteria | IE Assessment |
|------------------------|--|
| Maximize Opportunities | PPA Terms could potentially discourage Pumped Storage Hydro participation in the RFP |
| Bidder Fairness | PPA terms could potentially advantage one bidder type over another |
| Minimize Bias | PPA terms could potentially advantage one bidder type over another |

3.5.1 Extended PPA Term Length for Pumped Storage Hydro

NIPPC, Renewables Northwest, and Swan Lake all proposed longer term lengths for pumped storage hydro resources, given their capital-intensive nature and long useful lives. PacifiCorp rejected the proposals for a variety of reasons.

PA found the reasons provided by PacifiCorp to be unconvincing and that PacifiCorp's concerns could largely be mitigated through standard PPA terms and conditions as they are not unique to pumped storage hydro facilities. PA recommends that the Commission consider granting the stakeholder requests in requiring PacifiCorp to allow pumped storage hydro facilities to propose PPA terms in excess of 25 years.

6-29-2020 UPDATE: In its June 26, 2020 reply comments, PacifiCorp provided a final version of the RFP which allows pumped storage hydro facilities to propose terms of up to 30 years.

3.5.2 Dispute Resolution Conditions

NIPPC requested the Commission to reject the provision in the pro forma PPA requiring all parties to waive their rights to a jury trial in the event of a dispute. NIPPC also noted that the pro forma PPA contains no cure period for a project with a delay in achieving commercial operations.

PA concurs that these conditions are atypical for utility procurements and recommends the Commission consider requiring the revision of these conditions prior to finalizing the RFP.

6-29-2020 UPDATE: In its June 26, 2020 reply comments, PacifiCorp clarified that the dispute resolution provision is a negotiable commercial term, and because it is negotiable, no party's right to a jury trial is infringed. Further, PacifiCorp noted that many bidders understand the benefits of using a bench trial over a jury trial, and that PacifiCorp has used the language in its contracts since 2012. PA agrees that because it is a negotiable item in the pro forma PPA, it is reasonable for PacifiCorp to include it in the pro forma PPA and bidders are encouraged to note their objections to the item during any negotiations.

In its June 26, 2020 reply comments, PacifiCorp clarified that the pro forma PPA Section 11.1.1(b) contains cure period language which would apply to such a potential delay in achieving commercial operations.

3.5.3 PPA Performance Guarantees

NIPPC commented that it believes the performance guarantees contained in the pro forma PPA were unreasonable when compared with the O&M performance guarantees contained in the BTA Termsheet. NIPPC noted that while the pro forma PPA requires a guarantee of energy delivery, the BTA Termsheet required simply an availability guarantee, and requested that the pro forma PPA be revised to provide bidders with an option to meet an availability guarantee as with the BTA Termsheet, and that any delivery failures would result in only liquidated damages, rather than PPA termination.

PacifiCorp replied that, similar to the cost contingencies issue described above in section 3.3.4 above, PacifiCorp owns the performance risk specific to the assumptions provided during the BTA approval process, with costs related to underperformance uncertain to be allowed in future general rate cases.

PA agrees with PacifiCorp that both the bidder and PacifiCorp own risks in both directions. However, it is of valid concern that performance risk is much more difficult to quantify in general rate cases, and ratepayers ultimately are likely to bear such risk. PA recommends that the Commission explore options such as resource availability requirements, similar to the requirements of the initial O&M Agreement called for in the BTA Termsheet, for the life of the resource, with a codified process for PacifiCorp facing O&M disallowances related to any availability limitations.

6-29-2020 UPDATE: PA notes that while PacifiCorp revised the cost contingencies issues raised as described above in section 3.3.5 of this report, PacifiCorp has not yet addressed the performance guarantee topic. PA believes the issue may be more appropriately addressed during any rate case proceedings in which PacifiCorp seeks to add any BTA facilities to Oregon customers' rate base, and recommends the Commission at that time explore options such as resource availability requirements, similar to the requirements of the initial O&M Agreement called for in the BTA Termsheet, for the life of the resource, with a codified process for PacifiCorp facing O&M disallowances related to any availability limitations.

3.5.4 Curtailment Provisions

NIPPC commented that the curtailment provisions in the pro forma PPA required clarification, particularly related to the Compensated Curtailment. NIPPC requested that PacifiCorp clarify its expectations and assumptions for Compensated Curtailment, as well as clarifying how this will be incorporated into bid scoring metrics.

PacifiCorp did not appear to reply to this request. PA agrees with NIPPC that it is important that bidders get more clarity on this provision in the pro forma PPA and recommends that the Commission require PacifiCorp to provide such clarity prior to finalizing the RFP.

6-29-UPDATE: In its June 26, 2020 reply comments, PacifiCorp described its Compensated Curtailment provisions. It clarified that generators would be paid the same for any Compensated Curtailment period as it would be had it been generating. PacifiCorp also clarified that Compensated Curtailment is not a consideration in neither price nor non-price evaluation and scoring.

3.5.5 Liability Limited to Security Amount

Renewable Northwest recommended that the pro forma PPA be revised to limit the bidder's liability before commercial operation to the security amount. PacifiCorp disagreed, stating that the clause is necessary to protect ratepayers. PA concurs with PacifiCorp's recommendation that the clause remain in the pro forma PPA.

3.5.6 Transfers of Title

Renewables Northwest requested that the pro forma PPA Section 20 be revised to allow successors and assignees to include "Qualified Transferees", who would have similar or higher standards of experience and creditworthiness. PacifiCorp declined to make the revision, stating that the language was too vague. However, PacifiCorp also noted that the bidder has the ability to redline and comment specifically on that and all other provisions in the bidder's proposal. PA agrees that this is best addressed during contract negotiations should a bidder be shortlisted.

4 INDEPENDENT EVALUATOR'S FINDINGS

This section summarizes PA's findings and recommendations related to PacifiCorp's draft 2020AS RFP.

PA recommends the following:

| Independent Evaluator Findings and Recommendations on PacifiCorp's Draft RFP | |
|--|---|
| Section Number | Recommendation |
| All | Except as specifically noted, PA concurs with PacifiCorp's recommended actions or inactions in response to bidder comments. |
| 3.1 | The Draft RFP, as modified by PacifiCorp on June 1, 2020, generally complies with Oregon's Competitive Bidding Rules. |
| 3.2.1 | The January 31, 2020 interconnection study request bid cut-off date remain as is, and bidders not be allowed to bid without an interconnection study request; but the Commission should consider requesting that PacifiCorp consider the possibility of a second RFP in late 2021. |
| 3.2.5 | The minimum bid eligibility requirement related to current or threatened litigation against PacifiCorp should be struck. |
| 3.3.1 | The bid scoring model is not completely finished. PacifiCorp should correct and complete it, include up-to-date prices, and provide it by July 11. PA does not have the information needed to determine whether the LCC model can accidentally double-count capacity of a renewable plus storage resource. |
| 3.3.2 | PacifiCorp should better define how it counts "capacity" in specifying the cutoff of ranked bids and in normalizing net benefits. |
| 3.3.3 | PA considers PacifiCorp's "150% rule" for bid screening to be reasonable. |
| 3.3.4 | PacifiCorp should examine the bids that pass the initial screen under other price scenarios to better understand its exposure to price and other risks. Full sensitivity analysis of the Initial Shortlist may be unnecessary but Commission requests related to Final Shortlist sensitivities should be incorporated into the RFP bid evaluations. |
| 3.3.4 | <p>Commission require PacifiCorp to include specified cost assumptions related to the O&M of a BTA resource.</p> <p>PacifiCorp should clearly communicate its terminal value methodology (if any) to OPUC Staff and the IE prior to issuance of the RFP so that the Commission may consider the terminal value issue when evaluating approval of the RFP.</p> <p>6-29-2020 UPDATE: PacifiCorp has agreed to add cost assumptions to BTA bids during the screening and scoring phases of the RFP, and has described its terminal value methodology. PA's recommendation is no longer required.</p> |
| 3.4.1 | PacifiCorp should more clearly identify information or documents that bidders must provide to support its evaluation of non-price factors. |

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| | 6-29-2020 UPDATE: PacifiCorp has revised these requirements and PA's recommendation is no longer required. |
| 3.5.1 | <p>The Commission consider requiring PacifiCorp to allow pumped storage hydro facilities to propose PPA terms in excess of 25 years</p> <p>6-29-2020 UPDATE: PacifiCorp has revised the Pumped Storage Hydro pro forma PPA to allow for terms of up to 30 years. PA's recommendation is no longer required.</p> |
| 3.5.2 | <p>The Commission consider striking the waiving jury trial and right to cure conditions prior to finalizing the RFP</p> <p>6-29-2020 UPDATE: PacifiCorp has clarified both dispute resolution issues. PA's recommendation is no longer required.</p> |
| 3.5.4 | <p>The Commission require PacifiCorp to provide clarity regarding the Compensated Curtailment provisions prior to finalizing the RFP</p> <p>6-29-2020 UPDATE: PacifiCorp has clarified its position on Compensation Curtailment. PA's recommendation is no longer required.</p> |