

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 2059

In the Matter of

PACIFICORP, dba PACIFIC POWER,

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

ORDER

**DISPOSITION: SHORTLIST ACKNOWLEDGED**

This order memorializes our decision, made and effective at our October 12, 2021 Special Public Meeting, to acknowledge PacifiCorp, dba Pacific Power's 2021 All Source Request for Proposal (RFP) final shortlist. As explained below, we acknowledged PacifiCorp's final shortlist of generation resources as reviewed by the Independent Evaluator (IE) and Commission Staff.

**I. BACKGROUND**

**A. Integrated Resource Plan (IRP) Conditional Acknowledgment**

PacifiCorp's 2019 Integrated Resource Plan (IRP) preferred portfolio included over 7,000 MW of wind, solar, and storage nameplate capacity through 2023 (later changed to 2024), as well as the 400-mile Energy Gateway South transmission line.<sup>1</sup> The resource action item described an all-source RFP to procure resources that could achieve commercial operation by the end of 2024. The transmission action item described construction of Gateway South with an online date by the end of 2024 to deliver the new renewable resources from southeastern Wyoming and northern Utah.

We acknowledged the resource action item, finding it reasonable for PacifiCorp to issue an all-source RFP, but found concerning the market risks of over-procurement associated with the preferred portfolio. We required PacifiCorp to justify its shortlist size in the RFP docket, in light of the bids received and portfolio analysis on the proper scope of procurement.<sup>2</sup>

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<sup>1</sup> *In the Matter of PacifiCorp, 2019 Integrated Resource Plan*, Docket No. LC 70, Application at 7 (Oct 18, 2019).

<sup>2</sup> *In the Matter of PacifiCorp, 2019 Integrated Resource Plan*, Docket No. LC 70, Order No. 20-186 at 18-19 (Jun 8, 2020).

We directed Staff to work with PacifiCorp and the IE to come to an understanding of PacifiCorp's capacity needs, the economics of its energy position, and the advantages and disadvantages of greater reliance on the market.<sup>3</sup> The IRP order required updates to load and market forecasts, multi-step off-system sales sensitivities, emissions information, and analysis on customer impacts and revenue requirement impacts.

For the transmission action item, we acknowledged Gateway South "only insofar as it is selected in the RFP" explaining the RFP was an immediate and clear next step that would test the costs of all generation-dependent transmission upgrades against each other. We explained that, regardless of whether a particular transmission upgrade was included in the action plan, we would fully consider the costs and benefits of all transmission and generation combinations presented in the RFP.<sup>4</sup> PacifiCorp's Gateway West subsegment D.1 transmission line was not included in PacifiCorp's 2019 IRP action plan and was not considered in our acknowledgment.

## **B. RFP Approval Process**

Our first formal action in this proceeding was in April 2020 to adopt Staff's recommendation for PA Consulting to serve as the IE for the RFP.<sup>5</sup> Non-bidding stakeholders, including the Alliance of Western Energy Consumers (AWEC), Renewable Northwest (RNW), Oregon Citizens' Utility Board (CUB), and Northwest & Intermountain Power Producers Coalition (NIPPC), supported Staff's recommendation. Staff highlighted that the RFP analysis would be based on mathematical IRP models, and that the RFP would include many important decisions such as whether to build Gateway South for almost \$2 billion.<sup>6</sup>

Rather than describe its initial scoring and associated modeling in its IRP or in its IE selection docket, PacifiCorp received a waiver of OAR 860-089-0250(2)(a). The RFP schedule was synched with PacifiCorp's timeline for interconnection queue reform at the Federal Energy Regulatory Commission (FERC). The intent was that bidders could use selection in the initial RFP shortlist to demonstrate readiness for participation in the interconnection cluster study at FERC.<sup>7</sup> The schedule dependency placed time

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<sup>3</sup> *Id.* at 12-13.

<sup>4</sup> *Id.* at 21.

<sup>5</sup> Order No. 20-114, Appendix A at 4 (OAR 860-0890-0100(1)(2) an electric utility subject to competitive bidding requirements must engage the services of an IE to oversee the RFP process, the utility solicits Staff makes its recommendation in IE selection).

<sup>6</sup> *Id.* at 8.

<sup>7</sup> See *In the Matter of PacifiCorp Application for an Order Approving Queue Reform Proposal*, Docket No. 2108, Order No. 20-268 (Aug 19, 2020).

constraints on the first steps of the RFP process. We adopted Staff's recommendation to delay a decision on PacifiCorp's scoring methodology until the final draft RFP approval public meeting.

At the end of April 2020 we held our first Commission workshop in this proceeding to learn about PacifiCorp's proposed screening and ranking methodologies. In the following two months we reviewed three sets of comments from the IE on the draft RFP, and two sets of comments from PacifiCorp, Staff, and the active parties—NIPPC, RNW, and Swan Lake North Hydro.

In July 2020, we approved the RFP. Our order on RFP approval reflects initial concerns with RFP pro forma documents or scoring that could favor utility-owned projects over power purchase agreements (PPAs). We examined the terminal value adder for utility-owned projects and RFP requirements that could lead to higher operations and maintenance (O&M) costs for the PPAs. The IE committed to monitoring these issues in bid scoring.<sup>8</sup>

### **C. RFP Oversight and Sensitivity Analysis Design**

After the bidding deadline in August 2020, we began oversight of the RFP mechanics. In a September 2020 Commission workshop, we heard updates from the IE on bidding activity, initial scoring, and efforts to monitor utility bias in bid scoring. The IE reported that PacifiCorp received 574 total bids from 43 different bidders, with a majority of bids using solar and a PPA structure. The IE explained a subset of bids would be excluded from further consideration because they were non-compliant with the RFP requirements.<sup>9</sup> A leading issue was that a bid had to either have an executed Large Generator Interconnection Agreement (LGIA) or have requested a study prior to January 31, 2020, the transition interconnection cluster study cut-off date. The IE stated that PacifiCorp had informed it that a substantial portion of transmission capacity within each transmission bubble would be committed to bids with signed LGIAs, that this may constrain the number and selection of bids, and that it required further analysis and discussion among PacifiCorp and the state commissions.<sup>10</sup>

We required Staff, the IE, and PacifiCorp to describe the parameters of the sensitivities being discussed that would best address the questions identified in the IRP order. The IE

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<sup>8</sup> Order No. 20-228 at 2.

<sup>9</sup> PacifiCorp's Request for Acknowledgement of Final Shortlist of Bidders in 2020 All Source Request for Proposals at 2 (Jun 15, 2021). PacifiCorp reported 28,000 MW of conforming bids and 12,500 MW of bids that did not conform with the RFP's requirements.

<sup>10</sup> Independent Evaluator's Status Update of PacifiCorp's 2020AS RFP at 16.

said Staff and PacifiCorp were working on sensitivities that would combine a high renewable resource adoption within the Western Interconnection with a low power and natural gas pricing environment. The sensitivity analysis would be used prior to final selection to stress test bids against adverse scenarios.

We required updated status reports and held a third Commission workshop in December 2020 to hear from the IE about the impact of the LGIAs on competition at the transmission locations, and to hear from PacifiCorp on indicative sensitivity analysis. The IE clarified that many of the bids with signed LGIAs turned out to also be high-ranking bids, so relatively few non-LGIA bids would be excluded. PacifiCorp and the IE developed a method to mitigate excluded bids by adding high-ranking non-LGIA bids to the initial shortlist. Avangrid Renewables, RNW, and Staff generally supported this approach, but questioned why the RFP did not include language on how signed LGIAs would limit interconnection capacity available to non-LGIA bids.<sup>11</sup> Staff noted that the Commission may want to provide guidance to the company regarding similar circumstances in the future.<sup>12</sup>

We reviewed Staff's comments on sensitivity design and PacifiCorp's filing of indicative sensitivity results against our goal from the IRP order to "highlight customer impacts from futures having significantly fewer off-system sales than assumed in the IRP, or significant reductions in off-system sales revenues, due to lower market prices, lower loads, higher WECC-wide renewable additions, or other factors."<sup>13</sup> PacifiCorp's indicative results looked at whether a portfolio would be smaller or lower cost with low and very low price curves. We asked PacifiCorp to refine the analysis to isolate the effects of the shortlist without the substantial impact from changing proxy resources elsewhere on the system in the 2030s. We asked Staff to continue working with PacifiCorp to focus on the risk of over-procurement and to produce more information on a reasonable low-price curve, the shortlist's contribution to market sales, how the Production Tax Credit (PTC) influences the amount of wind selected, and information about what combination of new resources would best serve reliability needs.

For several months in early 2021, PacifiCorp, Staff, and the IE developed the sensitivities to evaluate the final shortlist and PacifiCorp engaged in final shortlist evaluation and modeling. Once PacifiCorp selected a final shortlist of bids and produced results and impacts of all sensitivity analysis, that information was provided to the IE for its closing report.

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<sup>11</sup> Avangrid's Comments on IE Update (Dec 4, 2020); Renewable NW Comments on IE Update (Dec 4, 2020).

<sup>12</sup> Staff's Comments on IE Update (Dec 4, 2020).

<sup>13</sup> Order No. 20-186 at 18.



#### **D. RFP Shortlist and Results of Sensitivities**

We held a fourth Commission workshop in June 2021 to review PacifiCorp's final shortlist and the IE's closing report.<sup>14</sup> PacifiCorp presented the final shortlist as:<sup>15</sup>

- 1,792 MW of new wind capacity (590 MW as build-transfer agreements (BTAs) and 1,202 MW as PPAs)
- 1,306 MW of solar capacity (PPAs)
- 697 MW of battery storage capacity (497 MW of battery storage paired with solar bids and 200 MW standalone battery storage offered via battery-storage agreement (BSA))

PacifiCorp summarized characteristics of the final shortlist. A majority of projects were in Wyoming and Utah and utilized PPA contract structures. The procurement size represented 998 MW of capacity contribution to help fill PacifiCorp's updated resource need of 1,172 MW in the summer of 2025.<sup>16</sup> A key driver of final shortlist selection was the impact of signed LGIAs, as no projects from the transition cluster study were able to meet the end of 2024 online date. We noted that the cluster study had previously been viewed as a way to increase resource selection in the RFP, and although that was not successful, it did not necessarily impact the economics of the final shortlist. The IE also observed that most (but not all) of the RFP complications had to do with its relation to PacifiCorp transmission's first-ever cluster study. PacifiCorp explained there were unknowns early in the process, that it expanded this RFP to allow projects to participate if they had requested an interconnection study, and then realized the extent of the signed LGIAs in the serial queue. PacifiCorp stated in future RFPs, the cluster study process may provide information earlier in the timeline.

The IE compared the scoring of BTA and PPA bids to determine if they were fair and unbiased and concluded the two BTA bids in the final shortlist were reasonably included and did not appear to be influenced by a utility-ownership bias.<sup>17</sup> The IE found the RFP process was conducted in a fair and reasonable manner.

We held a fifth Commission workshop in July 2021 to receive updates as PacifiCorp re-ran its models to include corrections to capacity factors and generation profiles to certain

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<sup>14</sup> PacifiCorp Update to Request for Acknowledgement of Final Shortlist of Bidders in 2020 All Source Request for Proposals (Jul 21, 2021).

<sup>15</sup> PacifiCorp's Reply Comments at 2 (Sep 9, 2021). Reflects updated numbers.

<sup>16</sup> Staff Report for the October 12, 2021 Special Public Meeting at 8 (Oct 6, 2021). Updated numbers.

<sup>17</sup> IE Closing Report Workshop Presentation at 10 (Jun 17, 2021).

bids in the final shortlist. This workshop was also a chance for us to ask general questions about the final shortlist and sensitivities methodology. We noted our history of asking what transmission costs are included in PacifiCorp's modeling, and sought more information in this proceeding about the transmission costs in the overall portfolio PVRR(d) values presented, versus the interconnection costs represented in the comparative analysis between bids. PacifiCorp committed to provide additional information on transmission costs before the next workshop.

In August 2021, we held a sixth Commission workshop for a detailed review of PacifiCorp's sensitivity analysis with a focus on the IE's comments on the sensitivities. The IE explained that the sensitivities evaluated the robustness of the final shortlist against risk factors including a high renewable buildout with low market prices, market illiquidity in a low-price environment, regulatory changes, and other risks. The IE identified that proxy capacity additions (future resource decisions) differed particularly in the second half of the model horizon. The IE also noted that PacifiCorp's updated two-stage portfolio optimization was useful to reduce the impact of the proxy additions by selecting bids based on one set of assumptions and then identifying proxy resources based on a different set of assumptions that could be held steady across scenarios. The IE noted this approach could be used even more for future portfolio evaluation. The IE also suggested a shorter-term metric (5 or 10-year) to help reduce the impact of proxies on the final selection.<sup>18</sup>

The IE explained how the sensitivities showed that if PacifiCorp cannot make any off-system sales, an extreme assumption, then the PVRR of the final shortlist would increase by approximately \$2 billion or eight percent.<sup>19</sup> The IE explained that across the portfolios with sales allowed, the sales revenue remained fairly constant between 12 and 16 percent of total revenues. We commented on how the sales risk appeared reasonable.

PacifiCorp stated it would submit a second supplemental filing to correct transmission costs, and the correction would improve the economics of the final shortlist relative to the bookend scenario of low natural gas, no carbon price (LN). PacifiCorp also stated the corrections would not impact the final shortlist resource selections. PacifiCorp followed up on transmission modeling questions from the previous workshop by explaining that Gateway South is modeled as an incremental \$0.5 billion to expand the line beyond the \$1.4 billion cost for a 230-kV alternative that would accommodate a 500 MW signed Transmission Service Agreement (TSA). PacifiCorp stated, "in-service costs for GWS

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<sup>18</sup> IE Presentation for the August 5, 2021 Special Public Meeting at 15 (Aug 4, 2021).

<sup>19</sup> *Id.* at 10.

and D.1 (\$263m) reflects an offset for the 230-kV alternative (i.e., \$1.9b - \$1.4b + \$263m = \$763m).”<sup>20</sup>

After the workshop, PacifiCorp filed its updated request for acknowledgment of the final shortlist. This filing shows the final shortlist outperforms all other sensitivity portfolios with a PVRR of \$23,530 million. The final shortlist portfolio has \$630 million in benefits compared to a portfolio with no bids.<sup>21</sup>

A bench request sought additional detail on how the model achieves the shown CO<sub>2</sub> emissions reductions and whether the emissions reductions are from planned coal unit retirements or reduced coal unit dispatch. PacifiCorp responded with data showing the capacity factors and production levels of the thermal fleet in 2024, 2025, and 2026, the volumes of coal consumed, and the price of coal consumed. PacifiCorp’s modeling shows that as renewable resources are added and delivered in Utah South, coal generation decreases at the large Utah coal plants—Hunter and Huntington, as well as at Jim Bridger.<sup>22</sup>

PacifiCorp also clarified its rate impacts estimate. PacifiCorp’s estimate shows an estimated 4.8 percent to 5.7 percent increase from the final shortlist procurement. PacifiCorp states this encompasses the expected annual customer rate impact of \$2.31 billion of new transmission investment (minus an estimated 20 percent wheeling credit) and the generation costs, offset by generation benefits from PTCs, fuel savings, market savings, and CO<sub>2</sub> cost savings.<sup>23</sup>

PacifiCorp answered questions about its signed LGIAs, explaining that not all of the signed LGIAs for Gateway South are on the final shortlist. PacifiCorp also provided the executed agreement for the 500 MW point-to-point TSA that is the rationale for excluding 500 MW of transmission capacity from the RFP analysis and for subtracting \$1.4 billion of the Gateway South transmission cost.<sup>24</sup> A second bench request asked how the 500 MW TSA would be able to get on Gateway South in 2024 without a signed LGIA associated with the serial queue positions provided for Gateway South. PacifiCorp responded that a request for transmission service on PacifiCorp’s system can be made for resources connected to another transmission provider’s system where the customer

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<sup>20</sup> PacifiCorp Presentation for the August 5, 2021 Special Public Meeting (Aug 4, 2021).

<sup>21</sup> PacifiCorp Updated Request for Acknowledgment of Final Shortlist at 4 (Aug 12, 2021); PacifiCorp’s Reply Comments at 11 (Sep 9, 2021).

<sup>22</sup> PacifiCorp Response to Bench Requests 1- 9 at 12 (Aug 17, 2021).

<sup>23</sup> *Id.* at 17 (Aug 17, 2021).

<sup>24</sup> *Id.* at 18-20 (Aug 17, 2021).

wishes to wheel that resource off the other provider's system, across PacifiCorp's system.<sup>25</sup>

#### **E. Staff Comments on Sensitivities**

Staff filed comments that summarized PacifiCorp's shortlist filings with helpful summaries of many of the filings and presentations mentioned above.<sup>26</sup> We note several of Staff's key points. Staff explained the range of sensitivities, the acronyms, and the assumptions used for PacifiCorp's shortlist selection. Staff excerpted many illustrative figures from the reports and workshop presentations. Staff included a table showing the 19 final shortlist projects, the updated portfolio costs under the price-policy scenarios, and charts on market price risk, emissions reductions, rate impacts, and PVRR risks under different portfolios. Staff's comments contain sound conclusions about how the analysis in the docket supports the final shortlist as reasonable, and Staff's reasoning aligns with several of the decisions we explain below.

Staff's comments include six recommendations for future RFPs that are background for some of the recommendations in Staff's final report. Staff's recommendations and PacifiCorp's response are summarized:

- RFP Complexity and Timeline: Staff raises two issues in this category. First, Staff notes that PacifiCorp corrected its final shortlist analysis several times on a compressed timeline. Staff recommends that, if PacifiCorp plans a similar RFP in the future, it should acquire more staff and other resources to meet its scheduled deadlines. PacifiCorp responds that it did access additional support internally and externally.

A second issue is a concern with workpapers. Staff recommends that in the next PacifiCorp RFP, dates for providing workpapers and results to the IE should be formally included in the RFP docket schedule, with adequate time to process and discuss them with PacifiCorp. A delay in delivering workpapers should move the dates for the rest of the RFP schedule. PacifiCorp responds that it was responsive to requests and there was enough time for the IE to complete tasks.

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<sup>25</sup> PacifiCorp Response to Bench Requests 10-11 at 23 (Oct 6, 2021).

<sup>26</sup> Staff Comments on IE Report and PacifiCorp Sensitivities (Aug 19, 2021).

- RFP Study Time Horizon: The RFP analysis and PVRR was impacted by resource decisions more than 10 years away. Staff agrees with the IE's recommendation to explore ways to put greater evaluation weight on portfolio value earlier in the projection horizon or in certain key years.

PacifiCorp responds that annual cost comparisons can be used to identify trends and timing that are drivers for planning and may be qualitatively counted in favor or against particular portfolios.

- Information and Transparency for Bidders: Staff notes that the RFP contained little information for bidders about PacifiCorp's system. Staff supports the IE's recommendation that PacifiCorp provide information on capacity need and capacity contribution values.

PacifiCorp responds that it cannot definitively identify the ideal configuration for a given resource type because of the dynamic factors involved. PacifiCorp offers a possible change for modular co-located storage, where bidders could offer flexibility such that certain parameters of the final storage configuration are identified by PacifiCorp at the end of the RFP process, rather than up front in the bid. PacifiCorp states it will investigate ways to ensure bids can be targeted to its needs, including provision of more granular information for bidders.

- Cluster Study Interconnection Timelines: Staff points out that the bids that participated in the cluster study received timelines of 72 months as a general estimate from PacifiCorp transmission. Staff questions whether some projects could interconnect in less time and ultimately satisfy the RFP's online date. Staff agreed with the IE's recommendation that in future RFPs, PacifiCorp should allow cluster study participants to remain in the RFP, subject to acceptance of the schedule risk through contractual provisions or other solutions.<sup>27</sup>

PacifiCorp responds that separation of functions makes it difficult for PacifiCorp's merchant function to influence or change the cluster study process. PacifiCorp also recognizes there could be improvements to future RFP processes, timelines, and contractual provisions to allow bidders who have been selected to the initial shortlist to remain in consideration for a

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<sup>27</sup> *Id.* at 13 (Aug 19, 2021).

RFP final shortlist pending clarity around their interconnection timeline.

- Price Updates: Staff states it was difficult to differentiate price changes from interconnection costs versus other price increases. Staff supports the IE's recommendation that bid price updates be managed – either with a shorter time between bid submittal and bid price updates, a limit on the amount of price escalation, or by requiring bidders to justify their increase.

PacifiCorp responds that it could not have shortened the schedule in this RFP because of the fixed dates for the transition cluster and the timing of expiration of certain federal tax credits. PacifiCorp describes its experience from past RFPs where a cap on price escalation may result in a price premium for initial bids to cover the price risk from holding a bid open for a significant time. PacifiCorp will consider returning to price escalation caps going forward because future RFP schedules are not anticipated to be shorter in length.

- StorageVet: Staff states this tool was used to determine the value of storage. Staff supports the IE's recommendation that PacifiCorp participate in the development of the next version of StorageVet to improve the tool. PacifiCorp agrees with Staff and the IE. PacifiCorp also notes that it is investigating using Plexos (the model used for the 2021 IRP) to model battery storage.

Staff explained that PacifiCorp's final shortlist presentation filed July 30, 2021, contains the capital cost information provided for BTA bids and Staff requested operations and maintenance (O&M) assumptions for the BTA bids, and the PPA prices. This information is helpful for reviewing the prudence and costs of projects after they are built. PacifiCorp provided the information in its reply comments.<sup>28</sup>

The Oregon and Southern Idaho District Council of Laborers (LIUNA) raised concerns with the RFP. LIUNA points out that only two of the 19 projects on the final shortlist are located in Oregon, reducing the benefits to Oregon workers and communities from PacifiCorp's historic capital investment. LIUNA asserts that through House Bill (HB) 2021, legislators provided a blueprint for contractors and subcontractors on clean power projects over 10 MW by establishing: 1) 15 percent apprenticeship goal; 2) 15 percent equity goal for hiring women, BIPOC workers, veterans, and people with disabilities; 3) requirement for a positive job site culture program, current prevailing wages, and

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<sup>28</sup> PacifiCorp Reply Comments at Exhibits 1 and 2 (Sep 9, 2021).

health and retirement benefits; 4) requirement to comply with state and federal laws; and 5) use of a pre-hire agreement to establish wage and benefit levels for workers on the project. LIUNA recommends these labor standards be applied to the final shortlist projects and to future RFPs, and LIUNA includes a table with model labor language. Alternatively, LIUNA recommends that PacifiCorp collect data on the five standards from developers and their contractors. LIUNA communicated its concerns to developers and PacifiCorp but did not received a response.

PacifiCorp responds the 2020AS RFP was prepared in accordance with Oregon's competitive bidding rules and was approved for release by our July 2020 order that preceded the passage of HB 2021. PacifiCorp states the RFP was conducted for the benefit of all of PacifiCorp's customers across its six-state territory, not just for the benefit of Oregon and its construction industry. PacifiCorp concludes that the RFP had oversight from two IEs as well as Commission Staff and stakeholders and results in the selection of several thousand megawatts of new renewable resources including two large solar and battery storage projects in Oregon.

## **II. DISCUSSION**

### **A. Process Determinations for Future RFPs**

Staff's report for the October 12, 2021 Public Meeting recommends that we acknowledge the 2020AS RFP final shortlist and direct PacifiCorp to follow seven Staff recommendations listed in the memo. Recommendations three through seven were not specifically contested by PacifiCorp, although PacifiCorp preferred to address these issues in its 2022 RFP docket that recently began in UM 2193. We decided to adopt Staff's recommendations as follows:<sup>29</sup>

- In future RFPs, if PacifiCorp continues to utilize the second track for bid scoring methodology review, then a general guideline should be to allow more than three months, and ideally six months, for stakeholders and Staff to review the bid scoring methodology.
- The dates on which PacifiCorp will provide workpapers and results to Staff and the IE in advance of comment filing dates be published in the RFP docket as a part of the docket schedule. Any delay in providing this information to Staff and the IE may result in a corresponding delay to the RFP schedule.

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<sup>29</sup> We have not included recommendation four regarding reporting at the October 12 public meeting on how PacifiCorp can allow bidders to remain in consideration pending clarity around interconnection timelines because that conversation occurred and our action is not required.

- In future RFPs, PacifiCorp provide up-to-date interconnection costs associated with each bid, as well as up-to-date cost estimates for each transmission project that will be constructed to facilitate RFP projects. This information should be included as a part of the final shortlist filing.
- Staff recommends PacifiCorp provide a stakeholder workshop with technical details of energy storage modeling in its 2022 AS RFP. The workshop should walk through the actual use of the model and the interpretation of actual model results.

## **B. Resolution of Issues in Current RFP**

### ***1. Generation Projects on the Final Shortlist***

#### ***a. Staff Report***

Staff's report explains how scenario analysis shows that, in a future with medium gas prices and a medium carbon price, the final shortlist portfolio is valuable to customers regardless of tax credits and market sales revenues. Staff states the final shortlist contributes energy and capacity with enough value for the bids to be selected by the IRP models even if tax credits were extended through 2030 and no market sales were possible.<sup>30</sup> Staff states the RFP was a reasonable and fair process for moving forward with resource acquisition for new resources and recommends acknowledgment of the final shortlist because it is robust to a variety of sensitivities and includes resources that will be needed for energy and reliability purposes in the years immediately following acquisition.

#### ***b. Resolution***

Our competitive bidding rules provide that acknowledgment of a RFP final shortlist is our finding that the final shortlist appears reasonable at the time of acknowledgment and was determined in a manner consistent with the competitive bidding rules.<sup>31</sup> The shortlist acknowledgment proceeding has the same legal force and effect as a Commission-acknowledged IRP in any future cost recovery proceeding.<sup>32</sup> We acknowledge PacifiCorp's final shortlist.

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<sup>30</sup> Staff Report for the October 12, 2021 Special Public Meeting at 3 (Oct 6, 2021).

<sup>31</sup> OAR 860-089-0500(1).

<sup>32</sup> OAR 860-089-0500(2).



We memorialize points from our acknowledgment deliberations. First, we all thanked Staff, the IE, and PacifiCorp for the continued work throughout this proceeding. We have come a long way since our decision on the 2019 IRP, with many workshops and detailed discussions on the technical analysis in this proceeding. The 2019 IRP presented the proposition of an economic build of new renewables with transmission, bringing to this RFP process a keen focus on whether these resources were needed from a capacity perspective, and what kind of risk they posed if excess energy could not be sold at projected market prices. We discussed how the process in this docket tackled those questions with PacifiCorp, Staff, the IE intensely collaborating to test and answer key areas of uncertainty. The analysis showed the portfolio performed well even without market sales. We found this and the other sensitivity analyses to be a meaningful exercise that helped us review the impacts on customers that would result from the acquisition in a future where important characteristics of the energy industry turned out to be different than those reasonably assumed. Based on what we know now, we are comfortable that this RFP shortlist is a reasonable capacity and energy blend, with diversity in contract structures (and therefore rate impact profiles), technology types, and geography.

## ***2. Transmission Projects Associated with the Final Shortlist***

### ***a. Staff Report***

For transmission, Staff challenges PacifiCorp's assumption that it would be required to construct a 230-kV line for transmission customers if it did not build Gateway South for electric ratepayers. Staff finds it to be a logically questionable reason to discount the price of Gateway South by \$1.4 billion, as PacifiCorp has done in this RFP. Staff states there may be some FERC obligations for transmission requests, but that does not mean PacifiCorp is required to place the project in state-jurisdictional rate base, or to model a \$1.4 billion offset to the costs of Gateway South.<sup>33</sup>

Staff would like to continue a conversation with PacifiCorp about whether transmission customers could pay upfront for major transmission upgrades in certain instances, and avoid the need to place the transmission resource in state-jurisdictional rate base. Staff states modeling should reflect this optionality to allow ratepayers to more precisely elect to utilize and pay for portions of future transmission upgrades that PacifiCorp believes it is required to construct under the OATT.

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<sup>33</sup> Staff Report at 6.

Staff states that at the very least, PacifiCorp should have made the Gateway South offset assumption clear to the IE and Staff during the sensitivity discussion, if not sooner. Staff believes that if the assumption had been revealed before August 2021, more analysis could have been done to determine the value of Gateway South for customers.

Staff explains how Gateway South may provide value in terms of tax credits, reliability, and the opportunity to connect high-quality renewable resources to PacifiCorp's system. Staff states that for the 590 MW of Wyoming wind that will be owned by PacifiCorp, PTC value will be directly passed to customers at \$14/MWh for ten years. Staff states the Wyoming wind connected to Gateway South will meet PacifiCorp's capacity needs in 2025. Staff estimates that if the Wyoming wind was excluded from the final shortlist, PacifiCorp's short position would be 591 MW in 2026, beyond the 2021 IRP market capacity limit. Staff also notes that excluding Gateway South from the 2021 IRP causes substantial increases to carbon emissions. Staff concludes that Gateway South is a long transmission line and represents a significant investment, but it allows for the interconnection of an exceptionally large amount of high capacity factor and capacity contribution wind resources.

Staff made two recommendations involving transmission:

- The Commission should direct PacifiCorp in its next RFP to host a workshop with Oregon Staff and stakeholders to discuss how to model alternate financing of future transmission investments, including transmission customer funding. PacifiCorp should report to the Commission on the discussion at a public meeting within five months of the October 12, 2021 Public Meeting. PacifiCorp's report should include a table of the transmission resources planned over the next 20 years, and which, if any, of them PacifiCorp believes it is obligated to construct for transmission customers.
- The Commission should acknowledge the FSL resources associated with EGS, and clearly state that the RFP has met the EGS acknowledgement conditions of the 2019 IRP Acknowledgment Order. Alternatively, if the Commission finds that the 2020AS RFP modeling has not met the conditions of the 2019 IRP Order, that finding should be clearly stated in the FSL acknowledgment Order.

*b. Resolution*

We will require continued engagement on this issue and adopt Staff's first transmission recommendation with a change. For the workshop recommendation, we direct

PacifiCorp to present discussion of the federal-state relationship around transmission decisions and the obligations that transmission providers have under federal law, and if appropriate, alternate financing of future transmission investments. The intent of that workshop is to advance our understanding and to allow for general discussion.

For Staff's second transmission recommendation, we declined to follow the IRP order's condition regarding the transmission line being selected for the resources and instead decided that in acknowledging the final shortlist we are relying on the company's view about its federal transmission obligations. We discussed how a prudence review of Gateway South costs would look at all the normal aspects of prudence review, and for Gateway South that may include a review of federal transmission obligations (informed by the federal-state discussion we require above), and actual benefits and costs of the project as built, with the opportunity to look at aspects like HB 2021 compliance, increased reliability, and diversified resources.

We discussed frustrations around the unknowns with the transmission decision. It was difficult to find out at the end of a long process that \$1.4 billion in transmission costs, which retail customers will be asked to pay for, are excluded in PacifiCorp's analysis. We noted how the federal-state regulatory framework makes it difficult to navigate between the utility's long-term planning, FERC requirements, regional planning, and evaluating least-cost, least-risk procurement for retail customers.<sup>34</sup> We also stated that PacifiCorp could be more proactive and transparent in presenting its transmission costs to us.

We asked PacifiCorp about the likely modeling impact if the full cost of the line had been modeled and heard an approximation that modeling the full cost of Gateway South would roughly negate the PVRR(d) benefits of the final shortlist. Because of the impact of the offset, we could not strictly find – in the terms of the IRP order – that the transmission line was selected with the generation. Here the transmission line was selected because PacifiCorp's view of its OATT obligations led it to use a modeling approach that significantly discounted the cost of the transmission line within generation resource selection modeling. Without more significant legal briefing, we could not and do not reach a firm conclusion as to whether PacifiCorp's view of its OATT obligations supports acknowledgment of the portion of the line's costs that were excluded from resource selection modeling.

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<sup>34</sup> We voiced concerns with PacifiCorp's presentation of a sequence where a transmission line is included in a long-term plan that we are not involved in, a LGIA or TSA is signed triggering federal preemption, and retail ratepayers are expected to pay for the transmission construction.

We do agree with Staff that several important factors weigh in favor of PacifiCorp's conclusion that bringing on the Gateway South transmission line is reasonable at this time, including increased regional electric system reliability, delivery of generation resources, and satisfaction of what may indeed be federal legal obligations.

### ***3. Projected Carbon Emissions Reductions from the Coal Plants***

In July and August 2021 we sought granular information from PacifiCorp about the projected carbon dioxide emissions reductions from the final shortlist portfolio. The IE and Staff similarly focused on the emissions reduction benefit and produced charts and tables comparing the renewable production of the final shortlist against the sensitivities' portfolios and the carbon intensity of PacifiCorp's system in 2025 under different carbon price assumptions.<sup>35</sup> The analysis showed that increased renewable generation and reduced carbon emissions will be an immediate benefit when the final shortlist resources come online.

We noted that the emissions reductions associated with the final shortlist are an important additional benefit that is additive to the capacity and energy benefits. The final shortlist has been shown as a cost-effective plan that also significantly reduces PacifiCorp's greenhouse gas emissions. We discussed how the emissions reductions from the final shortlist are dependent on the dispatch of PacifiCorp's thermal plants as the modeling shows the thermal fleet flexing to enable the economic value from the new resources for customers. We stated that we rely on the modeled emissions reductions as a benefit that supports our acknowledgement.

While PacifiCorp's portfolio emissions will be subject to much more work to come with HB 2021 implementation, we had some concerns with PacifiCorp's data that showed significant reductions at PacifiCorp's three largest coal plants: Jim Bridger, Hunter, and Huntington.<sup>36</sup> We discussed whether the lower generation levels for these plants will be realized in operations that consider the plants' fuel contracts. We agreed to flag for future review the importance of PacifiCorp reducing its overall thermal operations to realize the full benefits that PacifiCorp itself has projected to come from the final shortlist resources. We highlighted that our oversight may involve ensuring that PacifiCorp's future actions, for items that are within its control, make it more likely that the modeled emissions reductions may be achieved.

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<sup>35</sup> IE's Presentation for the August 5, 2021 Special Public Meeting at 12 (Aug 4, 2021).

<sup>36</sup> PacifiCorp's Response to Bench Requests 1-9 (Aug 17, 2021).

#### 4. *Information About Labor Standards*

At the October 12, 2021 Public Meeting, we asked both PacifiCorp and Staff whether, despite this RFP being issued and this decision being made before the effective date of HB 2021, it would be feasible and reasonable to seek information from developers or contractors on the final shortlist about whether their labor practices would meet the terms of HB 2021. As mentioned above, LIUNA requested that PacifiCorp collect data from its developers and contractors on their status relative to the five labor standards in HB 2021. We stated that any data collection would be for informational purposes only, as HB 2021 is not yet effective and we are not yet certain how these provisions will be implemented.

We asked Staff if the questions could be framed to elicit information that would be helpful to our implementation of HB 2021 (beyond a yes/no answer as to whether they currently meet HB 2021's standards). Staff responded that it would like to have input into the information collection and would also find it helpful to ask more nuanced questions. PacifiCorp did not object to working with Staff to seek information relevant to HB 2021. Accordingly, we direct PacifiCorp to work with Staff to draft questions for the developers or contractors on the final shortlist to gather information about the contractors' current practices relative to the HB 2021 standards. The purpose of gathering data is to provide background for when we may need to implement HB 2021 labor standards in future RFPs, not to impose the requirements of HB 2021 in this procurement cycle.

### III. ORDER

IT IS ORDERED that the 2020 All-Source RFP shortlist is acknowledged as described within this order.

Made, entered, and effective Nov 24 2021.



**Megan W. Decker**  
Chair



**Letha Tawney**  
Commissioner



**Mark R. Thompson**  
Commissioner

