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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF ROCKY MOUNTAIN)POWER'S 2017 INTEGRATED RESOURCE PLAN)Doct

Docket No. 17- 035-16

INITIAL COMMENTS OF THE INTERWEST ENERGY ALLIANCE

OCTOBER 24, 2017

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I. INTRODUCTION

The Interwest Energy Alliance ("Interwest"), is a 501(c)(6) nonprofit trade association of grid-scale renewable energy and storage project developers and equipment manufacturers working with the non-governmental conservation community to promote renewable energy in Utah, as well as Wyoming, Colorado, New Mexico, Arizona and Nevada.

PacifiCorp has chosen to make substantial new investments in new clean energy resources, as well as transmission assets which will help bring these new resources to market. Utah electricity consumers will benefit in multiple ways. PacifiCorp's preferred portfolio includes 1,100 MWs of new Wyoming wind resources that will connect to a new 140-mile 500 kV transmission line running from the Aeolus substation near Medicine Bow to the Jim Bridger plant. These time-sensitive projects require that the new wind and transmission assets achieve commercial operation by the end of 2020 to maximize federal production tax credit ("PTC") benefits. Vol 1, IRP, p. 178. To accomplish this development goal, decisions related to regulatory review are requested by the March 2018 time frame.

PacifiCorp also proposes to repower 905 MWs of its existing wind facilities located in Wyoming, Oregon and Washington by the end of 2020 to re-qualify these resources to receive the full value of PTC for an additional ten years. With the installation of modern technology and improved control systems, the repowered wind facilities will produce more energy for a longer life span at reduced operating costs, saving customers in all of PacifiCorp's service states. PacifiCorp will bring these savings by reducing its investments in new natural gas and in incremental selective catalytic reduction equipment for its coal generation.

The key components are supported by Interwest, as summarized below.

- A. 1,100 MW of new wind and transmission—Interwest supports significant new wind investment to benefit from the production tax credits and to represent benefits brought by the new transmission capacity. Interwest recommends careful review of the request for proposals and supports a fair, open and transparent acquisition process, because a mix of business models and ownership of renewables through competitive acquisitions will bring the most savings opportunities for electricity consumers.
- B. Repowering—Interwest supports the repowering proposals as a time-limited opportunity to benefit from the extended PTC. Due to the time sensitivity and need to meet IRS requirements for 100% PTC eligibility, Interwest supports the repowering upon commission review of evidence that it will provide customer savings.
- C. New solar -- Interwest also supports PacifiCorp's decision (after the IRP was filed, in response to urging by Utah stakeholders and the Utah Commission) to issue an RFP for new grid-scale solar resources to find cost-effective solar projects eligible for the ITC at the 40% level, which will reduce emissions, and recognizing help access the benefits of additional geographic and technical diversity throughout PacifiCorp's fleet.

Interwest notes improved integration methodologies and focus on valuation for storage resources in the 2017 IRP. These efforts will enable more least-cost integration of emissions reducing variable resources in the future. PacifiCorp's efforts to create a more regional grid operation also reflect its understanding that improved operation of the transmission system can lower costs for consumers by reducing reserve requirements and increasing grid awareness. Interwest continues to promote these efforts to expand the markets and grid coordination around the West.

II. THE PUBLIC INPUT PROCESS PROVIDES VALUABLE INPUT, INCLUDING INPUT ABOUT THE CURRENT STATE OF RENEWABLE ENERGY MARKETS.

The public input process brought forth discussion about PacifiCorp's analysis about potential acquisitions in renewable energy, some of which it incorporated into its IRP, and some of which it did not incorporate. These recommendations included accurate reflection of the benefits of the production tax credit on wind acquisitions and lower costs available from grid scale solar energy, with prompt action yielding benefits for ratepayers. Earlier adoption of some of these recommendations would have enabled PacifiCorp to gain acceptance of its requests for proposals with less controversy. PacifiCorp hosted nearly 11 full days of public meetings and additional phone calls to gather public input and discuss its studies, modeling and analysis used to create its 2017 IRP. Throughout this period PacifiCorp accepted written public comments in addition to numerous questions and answers discussed during the in-person meetings. This was an educational process during which a number of technical, engineering and policy experts were gathered to discuss its resource plan. PacifiCorp's IRP team responded, by adjusting the type of scenarios which were modeled and some of the assumptions used in each modeling run, all of which made for a better product. Some of the comments which were not incorporated into the IRP have now been adopted and incorporated into actions including issuance of a new solar request for proposals ("RFP") as a result of Commissioner and stakeholder concerns that PacifiCorp's willingness to consider new renewables is too restrictive.¹

By way of example, when PacifiCorp published its renewable energy cost assumptions in mid-2016, a number of parties recommended that PacifiCorp revise its cost assumptions to better reflect actual conditions in the renewable energy market. These commenting stakeholders urged PacifiCorp to realize that costs continued to fall, and that its 2016 request for proposals ("RFP") (from which it did not acquire resources) likely yielded bids with lower costs than the assumptions used in the Strategist modeling. Interwest submitted similar comments recommending lower cost assumptions, removal of the transmission constraints to "test" for additional cost savings, and to eliminate the utility ownership constraint. See attached **Exhibits A** (re wind, transmission and

¹ <u>See</u> related proceeding, which relates to implementation of the IRP, Docket No. 17-035-23, Utah Public Service Commission, *In re Matter of the Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources*, https://psc.utah.gov/2017/04/18/docket-no-17-035-23/.

storage) and **Exhibit B** (re grid-scale solar energy), Interwest comments submitted in the public process, dated August 24, 2016 and September 15, 2016, respectively. These are simple examples of the type of feedback stakeholders regularly submit, encouraging PacifiCorp to update its assumptions to recognize the cost savings provided by renewables.

PacifiCorp did recognize that in nearly every modeling case, the availability of federal tax credits drove the addition of approximately 300 MW of renewable wind capacity in Wyoming in the early planning years, with that figure constrained by limited available transmission injection capacity. IRP Vol 1, p. 180.² The modeling also revealed significant incremental renewable additions in years would also bring additional savings following 2021. When PacifiCorp did investigate further whether wind energy could be released in greater amounts upon removing transmission constraints, wind energy was chosen as the least cost resource in substantially greater amounts – resulting in the large wind and transmission acquisitions in the IRP and proposals which are now pending before several commissions, including the Utah Commission. Transmission constraints were preventing the new wind from showing up in the modeling results in greater penetrations. Only when PacifiCorp adjusted the assumptions to remove the constraint in available injection capability were the cost savings for over 1100 MW of new wind revealed.

Similarly, a number of stakeholders also expressed concern and questions about why grid scale solar energy was not chosen by Strategist as the least-cost resource until the late 2020s. Vol. 1, IRP, Fig 8.69, p. 239. PacifiCorp's modeling delayed solar energy acquisitions in any significant amounts for over a decade, despite the declining Investment Tax Credit ("ITC"), which

² Capacity Expansion Results are detailed in Vol. II, App. K, and are summarized in Vol II, App. M. Fig. 8.1, p. 181 includes the Regional Haze Reference Case.

drops to 10% from its current 30% level at the end of 2021. Stakeholders predicted that more accurate reflection of grid scale solar energy would make solar energy show up as a cost–effective resource earlier in the planning period, expressing concern that utility-scale solar, including facilities owned by independent power producers were not being considered on a level playing field, potentially resulting in inefficient resource planning and acquisitions. A mix of renewables is appropriate to reduce costs and risks overall. Diversity of technologies and ownership will bring compliance opportunities and benefits from the EIM diversity, ownership diversity, and geographic diversity.

Interwest also recommended specific lower price points for solar PV installed costs, operations and maintenance costs, and, as with wind, recommended lower PPA prices to be used as a proxy rather than limiting the scenario modeling to utility-owned projects. If PacifiCorp had incorporated these recommendations into its resource plan modeling, grid–scale solar may have shown up earlier in the planning period, providing a basis for near-term cost-effective acquisitions to be included in the Action Plan. As it is, the parties will have to await the results of the solar RFP issued by PacifiCorp in response to concerns from Utah parties and the Commission, expressed in Docket No. 17-035-23.³

³ Rocky Mountain Power ("RMP") has indicated to this Commission that it will issue a separate solicitation for solar resources, the 2017S RFP, in Nov. 2017, to: 1) evaluate how solar resource bids might impact the economic analysis of bids selected to the final short list in the 2017R RFP ... and 2) proceed with procuring solar resource opportunities that could provide all-in economic benefits for customers. <u>See</u> attached **Exhibit C**, corr. from RMP to Commission, October 10, 2017, filed in Docket No. 17-035-23, Utah Public Service Commission, *In re Matter of the Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources*, <u>https://pscdocs.utah.gov/electric/17docs/1703523/297220RMP2017R_RFPUpdate10-10-2017.pdf</u>.

III. PACIFICORP CONTINUES TO SIDE-STEP LEAST-COST OPTIMIZATION OF ITS COAL UNITS WHICH ACCURATELY ASSUMES ALL COSTS AND RISKS OF EXISTING REGULATIONS.

Interwest will only briefly touch on the five fundamental planning steps used to create the IRP. IRP Vol 1, p. 1. Optimized portfolios created by System Optimizer ("SO") were used to create Regional Haze ("RH") cases 1 through 7, each as alternative means of addressing regulatory requirements. Each RH case assumes a different set of coal plant retirement assumptions, which include a range of compliance strategies for modeling and comparative analysis. IRP Vol 1, p. 180. The IRP team indicated they believe all of the RH cases to be compliant with applicable regulations.⁴

Importantly, only Regional Haze case 6 enabled endogenous early retirements.⁵ In this case net system costs are reduced relative to the Reference Case, but net costs are higher relative to other RH cases that reflect the range of potential negotiated compliance alternatives. This discussion and screening produced the following key Regional Haze outcomes from the endogenous coal retirement sensitivity:

⁴ In previous comments Interwest has expressed concerns about PacifiCorp's coal plant modeling and planning, and the potential for coal plant retirements to increase available transmission injection capability. PacifiCorp bases its various Regional Haze scenarios on its litigation strategies, with alternatives based on potential settlement of the litigation in various time frames. This places the utility, and certainly its ratepayers, at a disadvantage in numerous ways, because of the extensive cost and risks that complex environmental and regulatory litigation can entail. Interwest would promote a more straightforward cost/benefit analysis of PacifiCorp's coal fleet with optimization to determine the most cost-effective strategies, incorporating reasonable carbon prices and regulatory projections. That said, Interwest is unable to detail that analysis in these comments due to constraints in its resources and expertise, and generally supports the approach recommended by other stakeholders, including Western Resource Advocates and Utah Clean Energy.

⁵ CO₂ shadow prices from SO are input into PaR to influence thermal dispatch, as required, to achieve Clean Power Plan mass cap emission limits. The resulting CO₂ costs reported by PaR represent the opportunity cost of the CPP, but are not real expenses assessed to the utility, so they are removed from the final PVRR reporting. IRP Vol. 1, p. 186.

Jim Bridger Unit 2 retired end of 2021

Selective catalytic reduction (SCR) equipment installed on Hunter Units 1 & 2, Huntington units 1 & 2 and Jim Bridger Unit 1.

IRP Vol 1, p. 181. This result appears to be compliant with current environmental regulations, and is the only scenario that is legally available without further litigated or negotiated regulatory changes. Case RH-5a does not require incremental selective catalytic reduction (SCR) emission control installations and no natural gas conversions.⁶ Interwest appreciates that no additional SCR investments are planned. However, the coal unit strategy continues to rely upon negotiations to extend the life of coal units and to resolve litigation rather than least-cost planning related to coal unit transitions.

The IRP team developed a set of six core cases and select sensitivity cases which were deemed to be more complete as to its system needs, compliance requirements, and resource planning requirements, and therefore eligible for selection as the preferred portfolio. IRP Vol 1, p. 196. They developed renewable scenarios for RPS compliance. Limited amounts of wind were included in its modeling runs, leading them to find ways to lift the transmission constraints which were limiting wind additions.

At this point in the modeling (screening stage two, initially discussed with stakeholders attending the public meetings in early March 2017) the IRP team announced its repowering plan and added Energy Gateway transmission sensitivity cases for preferred portfolio consideration.⁷ At the public meetings held in March 2017, the IRP team presented draft preferred portfolio

⁶ RH-5a is referred to as core case 1 and "OP-NT3" to reflect the assumed Naughton 3 retirement at the end of 2018. IRP Vol. 1, pp 195-96.

⁷ Table 8.5, Gateway Sensitivities, IRP Vol 1, p. 204.

descriptions which included a proposed wind repowering plan as well as the addition of 428 MW of wind by the end of 2020. The repowering proposal arose as part of a business opportunity identified by PacifiCorp in late 2016 to provide benefits to its consumers through the available tax credits (further discussed in Sec. III, below). The proposed repowered was thereafter inserted as an assumed input.

The savings reflected by the modeling comparison of the repowering plan with the optimized OP-NT3 plan are revealed in Table 8.6, IRP Vol 1, p. 806. Repowering will provide substantial savings through incremental annual energy production in excess of 500 GWh. In addition, due to the extended life of repowered wind units, incremental annual energy production beyond the current existing life (beyond the IRP planning horizon) exceeds 3,100 GWh. Therefore, significant savings are anticipated between 2036 and 2050, as well as the additional production tax credits. IRP Vol 1, p. 806.

The IRP team then added OP-GW4 to study the cumulative impacts of layering the most favorable Energy Gateway scenarios on top of the Wind Repower case. IRP Vol. 1, pp. 203-04 (emphasis added). "Gateway 4" assumed the addition of transmission segment D2-Aeolus to Bridger/Anticline, and enabled 900 MW of new wind facilities to be added by the end of 2020, in addition to the 300 MW of wind assumed to be part of case OP-NT3. Savings were revealed at high gas prices, as shows by IRP Vol. 1, Table 8.10, p. 209. This model run is also important because it reveals the savings which can be acquired due to new wind facilities through the PTC benefits, *even without the repowering project*, and even after incorporating the cost to build this segment of Energy Gateway.⁸ This sensitivity showed improved overall economics, with savings

⁸ In fact, Table 8.12 "Risk-adjusted PVRR among Top Performing Portfolios, Phase Two", discussed further below, reveals that additional wind, enabled by the expansion of transmission in

over \$100 million at medium gas prices, and even greater savings at higher natural gas prices, as shown in IRP Vol. 1, Table 8.11, p. 209. Additional transmission development is cost effective increase in access to clean energy and low-cost generation, improved efficient use of existing grid, reliability.

The new transmission line will also bring reliability benefits. The new 500 kV transmission segment will significantly reduce, if not eliminate, many of the impacts caused by outages in the existing 230 kV line. Additional system capacity will also bring increased energy imbalance market ("EIM") and transmission wheeling opportunities under the OATT. Capacity and energy losses on the transmission system are reduced. IRP Vol 1, p. 63, 221.

Interwest appreciates PacifiCorp's efforts to itemize and calculate values for the incremental benefits of the new transmission, which is an elusive subject. Table 8.14 analyzes these costs, which are illustrative even if some of the elements are not completely quantifiable:

Wyoming, is only \$150 million higher than the OP-NT3 case, is ranked No. 2 in Risk-adjusted PVRR (second only to OP-REP, the repowering plan which is No. 1), is ranked No. 3 in upper-tail energy not served, and is the lowest (ranked No. 1) in CO₂ emissions reductions throughout the planning period.

Gateway 4 (\$ millions)	System Optimi zer	PaR	PaR	PaR	PaR	PaR	PaR
Natural Gas Price Scenario	Base	Low	Base	High	Low	Base	High
Clean Power Plan Scenario	Mass B	Mass B	Mass B	Mass B	Mass A	Mass A	Mass A
Wind QF PPA Price Increase	\$3	\$3	\$3	\$3	\$3	\$3	\$3
Wind CF Adjustment	\$29	\$24	\$28	\$45	\$24	\$27	\$45
Wind CapEx Adjustment	(\$84)	(\$84)	(\$84)	(\$84)	(\$84)	(\$84)	(\$84)
Transmission CapEx Adjustment	(\$71)	(\$71)	(\$71)	(\$71)	(\$71)	(\$71)	(\$71)
Line Loss Value Adjustment	(\$22)	(\$19)	(\$22)	(\$37)	(\$19)	(\$22)	(\$36)
Reliability Value Adjustment	(\$17)	(\$14)	(\$17)	(\$27)	(\$14)	(\$16)	(\$27)
EIM Value	(\$24)	(\$20)	(\$24)	(\$39)	(\$20)	(\$24)	(\$39)
Adjustment							
Total Adjustments	(\$185)	(\$181	(\$186	(\$209	(\$181)	(\$186	(\$209

 Table 8.14 – Gateway 4 Quantifiable Benefits

Table 8.14, IRP Vol 1, p. 221. The increased savings resulting from the repowering, greater than simply adding the Energy Gateway segment and new wind, result from the enhanced energy production and a myriad of benefits brought by the anticipated long life of the new repowered turbines. The PTC will inure to hundreds of millions in savings for PacifiCorp customers in all of its service states. The repowering scenario along with new wind is ranked No. 1 in overall Risk Adjusted PVRR among all of the final eligible portfolios and No. 2 as to energy not served (reliability testing). The repowering scenario is lower in CO₂ emissions ranking, but the CO₂ emissions levels are not deemed to be significant enough for use as a key decision point in these rankings. See Table 8.12, IRP Vol 1, p. 218.⁹

⁹ As noted above, OP-GW4 is ranked No. 2 overall in Risk-Adjusted PVRR, No. 1 in CO2 emissions levels (lowest emissions), No. 5 in energy not served, and No. 3 in the energy not served upper tail average – all good rankings.

The modeling results and choice of repowering with hundreds of MW of new wind marks a fundamental change from past IRPs. PacifiCorp has joined the utilities which are recognizing that renewable energy should be acquired in the near term because they will reduce overall costs for consumers, in addition to reducing greenhouse gas emissions, enabling compliance with renewable energy standards and public clean energy goals, and meeting a myriad of applicable environmental regulations. RPS requirements are not driving these acquisitions. These cost savings come in the form of fuel-cost free capacity and energy generation with long-term stable prices, hedge value against potentially volatile and increasing fuel costs, and by reducing risks from overreliance on fossil fuel supplies and limited types of generation technologies. PacifiCorp forecasts natural gas prices to remain volatile, even while dropping slightly since the 2015 IRP.

IV. TAX BENEFITS ARE TIME-LIMITED AND REQUIRE PROMPT REGULATORY AND UTILITY ACTION.

The fast-moving tax credit opportunities and strict compliance requirements required a late scramble by PacifiCorp during the IRP development process, and warrant prompt review by the regulatory commissions. The tax credits require prompt action and completion of construction of new facilities by December 31, 2020, after initially meeting safe harbor requirements by 5% investment or "significant physical work" by December 31, 2016. IRS Notice 2016-04, released on December 15, 2016, clarified the tax credit safe harbor rules issued in December 2016 and responded to a number of questions, including those related to qualification requirements for retrofitting or repowering existing wind projects.¹⁰

¹⁰ Internal Revenue Service, Notice 2017-04, "Beginning of Construction Under Sections 45 and 48", issued Dec. 15, 2016, https://www.irs.gov/irb/2017-04_IRB/ar10.html. The IRS issued Notice 2017-04 in response to requests for clarification of its previous Notices interpreting the PTC requirements, including Notice 2016-31, issued June 6, 2016. https://www.irs.gov/irb/2016-23_IRB/ar07.html. In Dec. 2015, Congress extended the PTC

Under Notice 2017-04, the IRS indicated that the taxpaying entity may satisfy the continuity safe harbor if the entity places the facility into service by the alter of (1) four years from the end of the year in which construction began and (2) December 31, 2018. Under this rule, the taxpaying entity has two more years to complete projects beyond what was specified in Notice 2016-31 (June 6, 2016) which set the deadline for completion at December 31, 2016. Notice 2016-31 signaled that further clarify would be forthcoming. Therefore, utilities and renewable developers awaited completion of certain purchases until after the December 15, 2016 issuance of notice 2017-04. In addition to providing this clarity about continuity requirement, Notice 2017-04 clarified the treatment of retrofitted facilities and the 80/20 rule, in three areas:

1) the continuity safe harbor provision;

2) the ability to select the start of construction method; and

3) application of the safe harbor provisions to retrofitted facilities.

Notice 2017-04. The safe harbor clarification indicates the safe harbor could be gained for facilities that come into service by the later of a) four years after construction begins or b) December 31, 2018.¹¹ The taxpayer can elect one of two options for designating when construction

under Section 45 of the Internal Revenue Code of 1986, as amended, for two years with respect to certain facilities and instituted a phase-out of the PTC for wind facilities. Under the phaseout, for wind facilities that commence construction during 2017, the PTC will be reduced by 20 percent. For wind facilities that commence construction during 2018, the PTC will be reduced by 40 percent. For wind facilities that commence construction during 2019, the PTC will be reduced by 60 percent. To be eligible for the PTC or the ITC, construction of the qualifying facility must begin before the appropriate date (the "commencement of construction" requirement set forth in Notice 2013-29, two alternative tests - the physical work test and the five percent safe harbor.) In either situation, the taxpaying entity must make continuous progress completion of the facility (the continuity requirement). towards Law 360. https://www.law360.com/articles/883320/irs-offers-clarity-on-production-tax-credit-safeharbors.

¹¹ IRS Notice 2017-04, Sec. 3, "Extension and Modification of the Continuity Safe Harbor", which indicates that the costs of new property to be taken into account includes all costs properly included in the depreciable basis of the new property, which includes indirect costs.

begins, either the "physical work test" or the five percent safe harbor". The "physical work test" requires that "physical work of a significant nature" is begun, for which a wind facility could include work associated with laying the foundation for a wind turbine. Alternatively, the "Five Percent Safe harbor" requires "five percent or more of the total cost of the facility" to be incurred and thereafter, continuous efforts to advance towards completion of the facility". Notice 2017-04, Sec. 4, "Prohibition Against combining Methods by which to Satisfy the Beginning of Construction Requirement." <u>https://www.irs.gov/irb/2017-04_IRB/ar10.html</u>.

The application of the safe harbor rules towards retrofitting (repowering) facilities was clarified to indicate that all costs properly included in the depreciable basis of the facility are taken into account, thereby including indirect costs that may be capitalized into the tax basis of the new facility, when applying previous IRS guidance, which had indicated that a facility could qualify as "originally placed in service" and hence be eligible for the PTCs at a given level even though it contains some used property, provided that the fair market value of the used property is not more than 20 percent of the facility's total value (the cost of the new property plus the value of the used property (80/20 Rule).¹²

Together, this clarification provided more assurance that the PTCs would be available for repowered wind plants owned by PacifiCorp so long as they met the safe harbor requirements. PacifiCorp apparently planned for, but understandably awaited the issuance of Notice 2017-04 before completing its WTG (wind turbine generator) investments in late 2016, in time to meet the 100% eligibility requirements. While PacifiCorp had met with the stakeholders in November

¹² See generally, Baker Botts, IRS Clarifies Earlier guidance on Production Tax Credit Safe Harbors, Jan. 5, 2017, http://www.bakerbotts.com/ideas/publications/2017/01/irs-clarifiesearlier.

2016, and conducted a two-day meeting on January 26-27, 2017, and a final stakeholder meeting on March 2-3, 2017. PacifiCorp did not discuss repowering until the March 2017 meeting, after months of input about modeling assumptions and inputs.¹³ This delay was unfortunate and disconcerting in the context of the well-informed and intensive series of public input meetings which comprises the year-long IRP public input process. However, it should not overshadow the benefits which PacifiCorp's plans will achieve for its electricity consumers.

V. OVERSIGHT OF THE ACQUISITIONS PROCESS IS REQUIRED FOR FAIR ANALYSIS OF NEW RESOURCES.

Transmission constraints can result in utility control of the markets. The growth of grid-scale renewable supplies and their associated benefits requires transmission availability. In the 2017 IRP, potential acquisitions of new resources are constrained by available transmission capacity. <u>See</u> Table 6.6 and discussion, IRP Vol 1 p. 123. Where transmission is determined to be available, the modeling includes estimated transmission integration and transmission reinforcement costs specific to each resource portfolio. IRP Vol 1, p. 146. While this is an appropriate acknowledgement of costs, the authority to determine and apply costs for transmission upgrades gives the utility potential influence on the availability of resources which are constrained by location, like renewables. Within the bounds of FERC open access, coordinated planning and associated requirements, the utility has expansive control over the availability and access to markets for renewables, and therefore careful oversight of the handling of this market access is

¹³ Interwest notes that PacifiCorp's SEC Filing in Feb 2017 contained discussion about the wind turbine acquisitions, but many stakeholders would not find that information through their ordinary monitoring of utility activities as part of the IRP modeling and drafting process. U.S. Securities and Exchange Commission, Form 10-K, Annual Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Commission Act of 1934, for the fiscal year ended December 31, 2016, PACIFICORP (with Berkshire Hathaway Energy Company), accepted on February 24, 2017, Commission file number 001-14905, http://berkshirehathaway.com/2016ar/201610-K.pdf.

appropriate for the protection of consumers. PacifiCorp's proposal to expand the transmission line should enhance rather than limit competitive alternatives. As a result, Interwest recommends close independent evaluator monitoring of the handling of interconnection requests and system upgrades required as part of the bid review process.

A mix of ownership models is best for consumers. PacifiCorp promotes the benefits of utility ownership in its IRP. IRP Vol 1, p. 283-84. Utility ownership can result from self-built projects or from build-transfer projects which the utility purchases upon completion, each of which are most competitive when compared with facilities to be acquired through a variety of business models available in the market at or near the time of acquisition. Interwest recommends that the least-cost/least-risk resources should be chosen, through fair, open and transparent competitive acquisition processes. Competitive acquisitions of the overall supplies and access to transmission capacity will result in long term consumer savings.

A mix of ownership models is preferred. PacifiCorp already owns 1032 MW of wind, with a total of 148 MW of capacity credit at its summer peak, and owns purchase power agreements and exchanges for 1301 MW of wind, with 191 MW of capacity credit at its summer peak. This is currently a fairly well-balanced mix of utility-owned and IPP-owned projects. PacifiCorp's IRP reveals a plan to reduce its purchases of contract capacity over the planning period, with a large purchase reduction commencing in 2025, resulting in apparent elimination of contracts for wind and (never appearing) solar by 2030.



Figure 5.2 – Contract Capacity in the 2017 Summer Load and Resource Balance

IRP Vol 1, Fig 5.2, p. 86. This trend fails to recognize the benefits of IPP-owned resources as part of a balanced portfolio, with reduced risks and costs to consumers. Interwest supports critical scrutiny of the competitive acquisition processes to ensure there is a level playing field, so that the least-cost resources of all types of business model can be compared and the most cost-effective resources acquired for long term savings. Best regulatory practices include steps to protect a robust competitive environment for renewable and other energy and capacity acquisitions over the long run throughout the PacifiCorp purchasing area.

Interwest recommends more scrutiny and encouragement of solar acquisitions. The IRP team modeled only utility-owned projects, rather than a mix of ownership models for renewable energy, when developing its pricing and characteristics of renewable energy resources.¹⁴ As reflected above, Interwest and other stakeholders noted that this may skew modeling results. Assumed utility ownership may have the potential to skew the projected costs

¹⁴ IRP Vol 1, p. 121. <u>See also</u> Table 6.1 "2017 Supply Side Resource Table (2016\$)", Vol 1, pp. 102-03.

for grid-scale solar energy, for example, since the utility cannot as efficiently incorporate the ITC into its financial planning as an independent power producer is likely to do. The solar RFP issued by PacifiCorp in response to Utah Commission and stakeholder concerns should cure some of these modeling weaknesses by replacing outdated assumptions with actual bid prices.

Interwest welcomes the issuance of the RFP for grid scale solar resources, and anticipates a high level of response from the independent power producers producing solar resources of all business models. Interwest recommends that the Utah Commission establish a process in which stakeholders can provide input as to how the bid responses may reveal cost-effective resources which should be acquired by PacifiCorp to ensure eligibility for the higher levels of the ITC. This process should not be as truncated as required for the PTC analysis for the wind resources (to be acquired in the separate fast-moving Docket No. 17-035-40); rather the process should be extended to allow a more thorough review to ensure that the potential benefits of these new solar resources can be thoroughly vetted through discovery and hearing, if warranted. Interwest recommends that PacifiCorp review the bid responses in good faith with an intent to acquire the most cost-effective facilities, which are likely to reduce costs over time through stable prices and reducing fuel consumption.

VI. PACIFICORP'S ENERGY STORAGE STUDY WARRANTS INPUT.

Flex Reserve Study reflects improved integration. The Flex Reserve Study is an appropriate analysis for impacts from integration of variable resources. PacifiCorp is improving its integration practices, assessment of impacts of variable resources, and lowering its costs. These improvements are reflected by its efforts to engage in coordinated grid operations, including the Western Energy Imbalance Market ("EIM"). The EIM has already reduced costs and will

continue to do so, and Interwest supports these efforts with savings to be passed on to Utah consumers.

Energy Storage requires further analysis. Interwest appreciates PacifiCorp's work to develop methodologies for valuation of energy storage resources. The Battery Energy Storage Summary Supply Side Resource Table starts to acknowledge the likely benefit from energy storage resources and the growth of methodologies to recognize the value of these benefits. Interwest recommended further recognition of the myriad of benefits provided by energy storage, and quantification of these benefits in the modeling, at least by proxy credits. PacifiCorp has been working with consultants on these issues since 2015, and the results of its analysis will be critical to fully capture the benefits of a changing diverse power supply portfolios in the future. IRP Vol 1, p. 129. Interwest recommends that PacifiCorp accept comments on these assumptions and its modeling of energy storage resources from industry experts prior to its next IRP, if not the 2018 IRP update, through a peer-review technical advisory committee which is not unduly constrained by confidentiality requirements, with additional input allowed from its stakeholders, prior to finalizing and using the studies in the next IRP.

VII. SUMMARY

Interwest recommends that the IRP be approved and acknowledged with the following additions, because the resource plan will yield customers savings.

1. The repowering and new wind resources will bring substantial savings for Utah consumers. The new transmission planned in Wyoming will enable these new resources, with attendant economic development benefits. Time-limited opportunities of the production tax credit substantiate the appropriateness of these investments because of the long-term cost savings to be gained for Utah electricity consumers. Interwest recommends the most cost-effective resources be acquired through fair, open and transparent competitive bidding processes, along the timeline currently adopted in Commission procedures for the various pending dockets, so that prompt

decisions can be made and if the acquisitions are approved, for construction of the transmission and wind projects to be completed in time for 100% PTC eligibility to be retained.

2. In addition, as further process, Interwest recommends that the Commission require the following:

A. Additional time to allow stakeholders and Commission staff to carefully review PacifiCorp's modeling of the grid-scale solar bids received in its 2017S RFP so that cost-effective resources can be acquired on a timeline to enable eligibility for the 30% ITC which expires at the end of 2021;

B. PacifiCorp be required to open up its assumptions and its modeling of energy storage resources for input from industry experts prior to its next IRP, if not the 2018 IRP update, through a peer-review technical advisory committee which is not unduly constrained by confidentiality requirements, with additional input allowed from its stakeholders, prior to finalizing and using the studies in the next IRP.

Interwest appreciates the opportunity to submit these comments.

/s/ Mitch M. Longson

Mitch M. Longson MANNING CURTIS BRADSHAW & BEDNAR PLLC 136 East South Temple, Suite 1300 Salt Lake City, Utah 84111 Telephone: (801) 363-5678 Facsimile: (801) 364-5678 <u>mlongson@mc2b.com</u> For the Interwest Energy Alliance

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was filed and served on the following, by email unless noted otherwise, on this 24th day of October, 2017:

psc@utah.gov, Utah Public Service Commission

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/s/ Mitch M. Longson

Exhibit A

PacifiCorp - Stakeholder Feedback Form 2017 Integrated Resource Plan

PacifiCorp (the Company) requests that stakeholders provide feedback to the Company upon the conclusion of each public input meeting and/or stakeholder conference calls, as scheduled. PacifiCorp values the input of its active and engaged stakeholder group, and stakeholder feedback is critical to the IRP public input process. PacifiCorp requests that stakeholders provide comments using this form, which will allow the Company to more easily review and summarize comments by topic and to readily identify specific recommendations, if any, being provided. Information collected will be used to better inform issues included in the 2017 IRP, including, but not limited to the process, assumptions, and analysis. In providing your feedback, PacifiCorp requests that the stakeholders identify whether they are okay with the Company posting their comments on the IRP website.

\boxtimes Yes \Box No	May we post these comments to the IRP webpage?				Date of Submittal	8/24/2016	
*Name:	Lisa Tormoen Hickey		Title:	Senior Regulatory Attorney			
*E-mail:	lisahickey@newlawgroup.com			Phone:	719.302.2142		
*Organization:	Interwest Energy Alliance						
Address:	P.O. Box 8526						
City:	Santa Fe	State:	NM		Zip:	87504-8526	
Public Meeting Date comments address: 7/20/2016				Check here if not related to specific meeting			
List additional organization attendees at cited meeting:			ck here t	to enter te	xt.		

***IRP Topic(s) and/or Agenda Items:** List the specific topics that are being addressed in your comments. RFP for Renewables, Renewable pricing, EIM/RSO Expansion, Energy Storage

Check here if any of the following information being submitted is copyrighted or confidential.

***Respondent Comment:** Please provide your feedback for each IRP topic listed above.

The Interwest Energy Alliance ("Interwest") appreciates this opportunity to provide comments as part of the 2017 IRP public process. Thank you for the detailed discussion and expertise available for these meetings. References below relate to the presentations at the public meeting where indicated. We don't indicate all questions in these comments but want to provide specific requests as early as possible, and we will follow up as the public process continues.

New renewables and the RFP: (July 21, Slides 64 et seq.):

We noted that although you had a robust response to the RFP, PacifiCorp chose not to acquire resources and instead to use unbundled RECs to meet RPS compliance. (Slide 68). This discussion is confusing, however, because it is not incorporated into the modeling and scenario analysis. We understand that you have decided not to acquire any new resources from this RFP. (IRP Update Comments, August 19, 2016, Docket No. 15-035-04.) This decision seems to require more explanation in light of the generous tax credits available to PacifiCorp ratepayers from near-term acquisitions of renewable energy.

Please include more explanation of the pricing, costs or benefits from purchase of RECs versus REC bundled with energy. You would receive benefits including capacity, energy and reliability support from purchasing contracts for new renewable resources. These benefits should be quantified and compared to the risks and costs of purchasing unbundled RECs in the context and timing of the PTC, ITC, your RPS compliance and the overall IRP. We believe that the benefits of bringing on new emissions-free, zero fuel cost renewable energy will not be adequately evaluated in the modeling, for RPS compliance purposes or for potential cost savings.

* Required fields

We also believe that your discussion does not fully recognize the purpose of RPS statutes. For example, Oregon SB 1547 requires integration of the RPS planning with the IRP planning to develop a plan for the least-cost, least-risk acquisition of resources. Also PacifiCorp is required to use the plan to determine if the costs of constructing a facility or acquiring RECs are consistent with least cost planning (Oregon Revised Statutes 469A.075.6(4)(c) and 469A.075.6(5)).

Therefore, more information about the results of the RFP and how these bids and prices are incorporated into the IRP modeling would be helpful. The analysis should include quantification of the costs and risks of REC purchases compared with purchase of renewables consistent with the RFP results. In addition, your assumptions used for the costs and production capabilities of renewables should be consistent with the results of this RFP. To that end, information about the costs and production characteristics of the bids received (without revealing confidential information, but on a broad aggregated basis) should be disclosed and fully analyzed as part of your renewable assumptions included in the scenario development and modeling. If necessary, please disclose this information on a confidential basis upon request for purposes of verification of your assumptions used in your analysis in this IRP.

Also, in the context of this RFP, to what extent are transmission constraints an impediment to: a) purchasing renewables based on cost-effectiveness (i.e. which would otherwise be cost-effective but cannot be acquired until transmission is available); and b) purchasing renewables for RPS compliance purposes? That discussion would be helpful to promote updated analysis of the costs and benefits of additional transmission expansion as it relates to the IRP, both related to the grid expansion (discussed below) and Gateway development overall. Therefore, some sort of high level description of where transmission constraints currently prevent such acquisitions, and to what extent, would be helpful. Do transmission constraints prevent PacifiCorp from acquiring PTC-eligible wind? What is the plan to enable you to bring ITC-eligible solar online before these benefits are reduced and eventually expire? Also, how does Strategist deal with transmission constraints? Are they clearly identified, with the opportunity costs of such constraints included (i.e. the need to forego cost-effective renewables eligible for tax credits in the near term?) The more clearly the impacts of these constraints are identified the more transparent the IRP.

Regional grid expansion (July 21, Slides 46 et seq.):

Interwest promotes increasing coordination of grid operations in the West, because such coordination will have an impact on the resource portfolios which are reasonably available, reducing costs over time. Coordinated grid operations will likely reduce reserve requirements and integration costs and enable a more geographically and technological diverse set of resources to be made available across your service territory. We understand that the addition of other utilities to the proposed regional grid operation would further reduce costs. Therefore, we ask that you:

a) Clarify the expected impacts of the CAISO merger on the planning process, reserve margin, system costs, and resource decisions; and

b) Indicate if the addition of other western utilities changes how PacifiCorp's long-term model is treated;

Energy storage:

Interwest requests that you form a working group on modeling storage systems so that you can fully analyze how to benefit from storage in the resource plan and portfolio development. This is a rapidly changing technologies, with costs dropping faster than expected. See, e.g., Vorrath, Sophie, "Energy Storage Could Reach Big Breakthrough Price Within 5 Years", CleanTechnica, March 4, 2015, <u>http://cleantechnica.com/2015/03/04/energy-storage-could-reach-cost-holy-grail-within-5-years/</u>. We believe that you should not rely solely on System Optimizer ("SO") results as your only * Required fields

indication of whether or not storage resources are part of a least-cost portfolio. SO is does not have sufficient temporal and locational specificity to capture many of the benefits of grid-connected storage. For example, SO cannot model sub-hourly behavior of resources, meaning that it cannot capture the value provided by storage facilities used for frequency regulation or voltage support. SO also cannot incorporate the possible transmission or distribution system upgrade deferral or congestion relief benefits of storage, which depend highly on the exact location of a storage system on the grid. Therefore, separate testing and reporting, to supplement your SO analysis, is appropriate to fully analyze these benefits.

Thank you!

Data Support: If applicable, provide any documents, hyper-links, etc. in support of comments. (i.e. gas forecast is too high - this forecast from EIA is more appropriate). If electronic attachments are provided with your comments, please list those attachment names here. Click here to enter text.

Recommendations: Provide any additional recommendations if not included above - specificity is greatly appreciated. Click here to enter text.

Thank you for participating.

Exhibit B

PacifiCorp - Stakeholder Feedback Form 2017 Integrated Resource Plan

PacifiCorp (the Company) requests that stakeholders provide feedback to the Company upon the conclusion of each public input meeting and/or stakeholder conference calls, as scheduled. PacifiCorp values the input of its active and engaged stakeholder group, and stakeholder feedback is critical to the IRP public input process. PacifiCorp requests that stakeholders provide comments using this form, which will allow the Company to more easily review and summarize comments by topic and to readily identify specific recommendations, if any, being provided. Information collected will be used to better inform issues included in the 2017 IRP, including, but not limited to the process, assumptions, and analysis. In providing your feedback, PacifiCorp requests that the stakeholders identify whether they are okay with the Company posting their comments on the IRP website.

\boxtimes Yes \Box No	May we post these comments to the IRP webpage?				Date of Submittal	9/15/2016	
*Name:	Lisa Tormoen Hickey			Title:	Regulatory Cou	insel	
*E-mail:	lisahickey@newlawgroup.com			Phone:	719.302.2142		
*Organization:	Interwest Energy Alliance						
Address:	P.O. Box 8526						
City:	Santa Fe	State:	NM		Zip:	87504-8526	
Public Meeting Date comments address:		_		$\boxtimes C$	\boxtimes Check here if not related to specific meeting		
List additional orga	anization attendees at cited meeting:						

*IRP Topic(s) and/or Agenda Items: List the specific topics that are being addressed in your comments.

Supply Side Assumptions

Solar PV pricing Assumptions, Wind pricing assumptions Battery Storage Assumptions

□ Check here if any of the following information being submitted is copyrighted or confidential.

***Respondent Comment:** Please provide your feedback for each IRP topic listed above.

Interwest Energy Alliance ("Interwest") appreciates this opportunity to provide comments as part of the 2017 IRP public process. Thank you for the detailed discussion and expertise available for these meetings.

We have reviewed the Supply Side Resource assumptions with several of our members, and have the following input:

1. The solar PV assumptions appear to be dated, so they should be updated to avoid missing cost- savings opportunities and inefficient investments:

A. The Capex is too high. What assumptions have you made related to the Investment Tax Credit? The ITC has been renewed, as you are aware, providing additional cost savings to your consumers. See, e.g., <u>http://energy.gov/savings/business-energy-investment-tax-credit-itc</u>. These savings for large solar will incentivize additional acquisitions of grid-scale solar energy around the West, and developers are actively preparing to bid these resources into near-term requests for proposals.

B. See generally, Bolinger, M. Seel, J., LBNL: Utility Scale Solar 2015: An Empirical Analysis of Project Cost, Performance and Pricing Trends in the United States: https://emp.lbl.gov/publications/utility-scale-solar-2015-empirical.

* Required fields

C. The fixed O&M figures also seems too high. \$20/kW/yr is almost double than prices expected in the marketplace for projects of the size of your proxies. We recommend that you use a figure of \$15/kW/hr as your assumed O&M cost, which is still conservative, higher than what is generally modeled by developers and operators of larger PV systems.

D. The design life for a grid-scale solar PV project should be 30 years. Design and manufacturing improvements have increased the durability of the equipment, and the larger projects make regular investments for maintenance and repair cost effective.

2. The battery storage assumptions also appear to be dated.

A. Due to rapid cost declines of energy storage, it is critical that battery COD is aligned with the COD in your IRP modeling. If not closely aligned, the pricing will be stale and far too conservative. Mid-2016 pricing estimates will be stale within a few months. Therefore, we recommend that you include a range of CODs in the battery storage table.

B. The Mid-2016 Capex estimates are already higher than what is currently available in the market.

C. Interwest recommends that you review larger energy storage system sizes that are closer to the size of aeroderivatives shown in the resource table, since this is the competing resource. There are significant economies of scale which are not being recognized in a 1 MW or even as large a project as 8 MW.

D. The Li-ion efficiency assumption is low - should be 85%. See page 10: http://aesenergystorage.com/wp-content/uploads/2016/05/AESEN-AdvancionBrochure-FINAL-0420.pdf

E. Sodium sulfur is too expensive compared to other battery technologies. We recommend removing it from the study altogether until it reaches a level of market viability to make it more likely competitive.

3. The wind energy assumptions related to overall capital costs and O&M costs are also too high. The 600 MW Rush Creek project proposed by PSCo has been stipulated to be approved by a number of parties and is now pending Commission approval of this project by the Colorado PUC. (See Docket No. 16A-0117E). It provides a recently-vetted review of the prices of a new wind project, which can inform your modeling:

A. Please see the Independent Evaluator Report reviewing recent wind projects installed in and around the Xcel service area as well as the Rush Creek Project to be acquired by Public Service Company of Colorado. The Rush Creek IE studied projects spanning the period since 2007, and since that time wind installation and operational costs have plummeted, so these averages are quite high compared to projects currently available to PacifiCorp.

B. The O&M costs are stated in cost per MWh, with Rush Creek projected costs at 9.87/MWh, and the other projects studied were reported to have O&M costs as follows: low-\$8.59, average- \$12.51, high-\$17.37. (See page 23 of the attached Rush Creek Independent Evaluator Report.)

C. The overall capital costs are also overstated, and we recommend you use a still-conservative figure of \$1,543. The Rush Creek IE report found costs of \$1,337, average of \$1,543, and high costs of \$1,972. We recommend you use the average cost of \$1,543 because of the multitude of locations. Please provide a summary of bid prices (which still preserves confidentiality), such as aggregated prices, with low and high ranges from your recent RFP so we can compare, because we are confident that will support a capital cost assumption which is in this conservative range going forward.

We are available to discuss these assumptions further if helpful.

* Required fields

Data Support: If applicable, provide any documents, hyper-links, etc. in support of comments. (i.e. gas forecast is too high - this forecast from EIA is more appropriate). If electronic attachments are provided with your comments, please list those attachment names here.

http://aesenergystorage.com/wp-content/uploads/2016/05/AESEN-AdvancionBrochure-FINAL-0420.pdf

Recommendations: Provide any additional recommendations if not included above - specificity is greatly appreciated. See above recommendations. Thank you!

Thank you for participating.

Exhibit C

1407 W. North Temple, Suite 310 Salt Lake City, UT 84116



October 10, 2017

VIA ELECTRONIC FILING

Public Service Commission of Utah Heber M. Wells Building, 4th Floor 160 East 300 South Salt Lake City, UT 84114

Attention: Gary Widerburg Commission Secretary

RE: In the Matter of the Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources Docket No. 17-035-23

PacifiCorp, d/b/a Rocky Mountain Power (the "Company"), submits this letter to provide an update on the Company's 2017 Renewables Resources Request For Proposals ("2017R RFP") and to explain how the Company intends to address the suggested modification in the Public Service Commission's September 22, 2017 Order Approving RFP with Suggested Modification ("Order") by issuing a separate request for proposals for solar resources ("2017S RFP").

Following Commission approval of the 2017R RFP, as provided in paragraph 1 in the Order, and approval by the Public Utility Commission of Oregon on September 27, 2017, the Company issued the 2017R RFP on September 27, 2017. The Company has set a schedule for the 2017R RFP that will permit it to file the results of the 2017R RFP in supplemental testimony on January 16, 2018, consistent with the Scheduling Order in Docket No. 17-035-40.

The Company appreciates the Commission's thoughtful deliberation and decision in the Order on the 2017R RFP. In order to act expeditiously to issue the 2017R RFP, the Company has not adopted the Commission's suggested modification to expand the 2017R RFP to include solar resources. Instead, the Company is preparing to issue a separate solicitation for solar resources, the 2017S RFP, in November 2017. Bids in the 2017S RFP will be due in December 2017. The Company does not intend to submit benchmark resources into the 2017S RFP or seek pre-approval of the solicitation in Utah or Oregon. The Company intends to retain an independent evaluator with a scope of work consistent with the roles established in Utah and Oregon for approved RFPs.

In order to be able to address the concerns raised by the Commission in the Order, as well as the concerns in the Statement of Commissioner David R. Clark, the Company is establishing a schedule for the 2017S RFP that will allow the Company to: 1) evaluate how solar resource bids might impact the economic analysis of bids selected to the final shortlist in the 2017R RFP without delaying the schedule for the 2017R RFP or for the decision in Docket No. 17-035-40, and 2) proceed with procuring solar resource opportunities that could provide all-in economic benefits for customers. The Company anticipates that the supplemental testimony on January 16, 2018, in Docket No. 17-035-40 will include a quantification of how solar resource bids received through the 2017S RFP might impact the economic analysis of bids selected to the final shortlist through the 2017R RFP so that the Commission and parties to that proceeding will have an opportunity to

Utah Public Service Commission October 10, 2017 Page 2

review comparisons between wind and solar resource bids even though the wind and solar RFP's are separate. The Company will post additional information on our website as it's developed.

Informal inquiries may be directed to Bob Lively, Manager, Utah Regulatory Affairs at (801) 220-4052.

Sincerely,

aus

Jeffrey K. Larsen Vice President, Regulation

Cc: Service List

CERTIFICATE OF SERVICE

Docket No. 17-035-23

I hereby certify that on October 10, 2017, a true and correct copy of the foregoing was served by electronic mail to the following:

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