



State of Utah
Department of Commerce
Division of Public Utilities

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COMMENTS OF THE DIVISION OF PUBLIC UTILITIES

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Brenda Salter, Technical Consultant
Charles Peterson, Technical Consultant

Date: August 4, 2017

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

Recommendation (Approve with Conditions)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) approve Rocky Mountain Power’s (“Company”) Application for Approval of Solicitation Process of Wind Resources conditioned on the Division’s recommended changes discussed below.

Issue

On April 17, 2017, the Company, pursuant to Utah statute,¹ filed with the Commission a notice of its intent to file a solicitation process 60 days after the notice date. Pursuant to UCA 54-17-203 the Commission engaged an Independent Evaluator, Merrimack Energy (IE) to oversee the solicitation process during that time period. The Commission directed that the Division oversee the activities of the IE.

The Company filed its Application for the Approval of a Solicitation Process of Wind Resources (Application) on June 16, 2017. Following a scheduling conference held on June 27, 2017, the Commission issued a schedule requiring interested parties to file initial comments on the Application by August 4, 2017, and the IE to file initial comments on or before August 11, 2017. Reply comments by all parties including the Company are due on August 18, 2017. The Company requested that the Commission issue an Order approving the Company's RFP by August 25, 2017, so that the Company could officially issue its solicitation a few days later.

Subsequent to the Company's filing with the Commission, the Company distributed its draft RFP to its Oregon stakeholders.² The Division was provided a redlined copy of the Oregon filing on July 26, 2017. The differences between the Oregon filing and the Utah filed document appear generally to be minor. The Division has attached the redlined version of the Oregon filing with these comments. The Division's comments will be based upon the updated Oregon RFP document.

Description of the Application

The Application is for approval of a solicitation to acquire up to 1,270 MW of wind energy that could be delivered to the Company's transmission system in Wyoming, preferably using the new transmission line known as Gateway Segment "D2" in the Company's 2017 Integrated Resource Plan (IRP). This transmission line and related facilities are not part of the Application, rather any application for approval of the transmission line is expected to occur in the first half of 2018

¹ UCA 54-17-201

² At the August 2, 2017 Oregon workshop on the RFP, the Company indicated that it would file the RFP with the Oregon Commission on August 4, 2017.

after the completion of the proceeding in Wyoming for a CPCN³ for the line. In addition to the main RFP document, there are appendices A to O that provide detailed instructions, technical details, forms and other information on the RFP.

The Company will accept proposals for build-transfer agreements and twenty-year power purchase agreements. In both cases the Company intends to have full ownership of the environmental attributes of the projects, i.e. renewable energy credits (RECs). The Company also intends to submit for evaluation self-build projects totaling 860 MW. A description of the Company's intended self-build projects is provided in Appendix L of the RFP. The Company's team that will be submitting the self-build proposals will be separate from the Company's evaluation team. Any interactions between these two teams will be overseen by the IE.

There are two apparently mandatory features⁴ of the RFP as proposed by the Company as indicated by the following quotes: first, and foremost, a successful project must qualify for the full federal production tax credits (PTCs) and second, the energy must be delivered to Wyoming.

PacifiCorp (sometimes also referred to herein as the "Company") is seeking proposals for competitively-priced new wind projects to deliver to PacifiCorp's transmission system in Wyoming. Proposals for new wind resources must demonstrate as interpreted by applicable guidance of the Internal Revenue Service (IRS), to PacifiCorp's satisfaction, that projects will qualify for the full value of the federal PTC, if applicable. Proposals must further demonstrate to PacifiCorp's satisfaction, and as determined in its sole discretion, that the proposed project can achieve commercial operation prior to December 31, 2020. PacifiCorp is not bound to accept any bids, and may cancel this solicitation at any time and at its own discretion.⁵

PacifiCorp will accept proposals for new wind resources capable of directly interconnecting and delivering energy to PacifiCorp's network transmission system in Wyoming inclusive of the proposed 500-kV Gateway Segment D2 Aeolus to Bridger Anticline substation and transmission system, or capable of delivering energy into PacifiCorp's transmission system in Wyoming with the use of third-party firm transmission service.^{6,7}

³ Certificate of Public Convenience and Necessity.

⁴ The Company may accept proposals that receive less than the full PTCs or are located outside of Wyoming, but the lack of full PTCs and/or the requirement that the energy be delivered to the Wyoming transmission system likely makes such projects uncompetitive compared with those that satisfy those requirements.

⁵ Draft RFP, page 1. [Oregon redline version].

⁶ See RFP Appendix O for description of proposed Gateway Segment D2 or go to the interactive Gateway project map at <http://www.gatewaywestmaps.com/>.

⁷ Id. Pages 1-2.

At the Oregon Stakeholder and Bidder Workshop on August 2, 2017, the Company verbally seemed to be relaxing the PTC requirement, with the understanding that its self-build options would have the full benefit of the PTCs.

Discussion

As discussed by the Company in its Application and testimony⁸ in this Docket and in the parallel Commission Docket No. 17-035-40⁹ and implied by the above quotation from the RFP, a principal motivation for doing these wind projects in Wyoming at this time is to receive the benefit that can be derived from the PTCs that were extended by Congress in 2015. Part and parcel to the Company's plans is the construction of the D2 transmission segment in Wyoming. However, the Company states that this RFP pertains only to the acquisition of the wind resources that are able to benefit from the PTCs. The Division understands that this docket is for the limited purpose of approving, not approving, or approving with changes, the Company's proposed RFP and subsequently overseeing the process as the Company evaluates bids and develops a short list of bidders. The economic and prudence analysis of the Company's proposals will be undertaken in Docket No. 17-035-40.

In reviewing the Oregon updated draft RFP (hereafter, "Redline Draft"), the Division has noted what may be a material change from the filing in Utah. First, in what is shown as footnote 4 in the Redline Draft, the Company notes that Oregon guidelines require that facilities of 10 MW and greater may bid. The main text indicates that the minimum size is 20 MW. If the Company is required to accept bids from projects as small as 10 MW, it should change the main text to reflect that fact.

⁸ See Docket No. 17-035-23, Direct Testimony of Rick Link, pages 2-4.

⁹ Docket No. 17-035-40, Rocky Mountain Power's Application for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision, Filed June 30, 2017.

The other changes were of a relatively minor nature but included changing the issuance date from August 25, 2017 to August 31, 2017, as well as slight updates to the other dates on the schedule; and adding the name and contact information for the Oregon IE.

Since the Company intends these resources to be system resources, one of the questions that the Division has had with this process is the requirement that energy from a bidder's project must be delivered to Wyoming, which is not close to major load centers outside of Wyoming.

Presumably a bidder outside of Wyoming would also qualify for PTCs, which appears to be the primary benefit to ratepayers for these projects and helps to cover the cost of the D2 transmission segment. For example, a bidder might propose to tie into the Company's system at Populus, Idaho, which would readily serve the Wasatch Front load centers in Utah.¹⁰ The Company is requiring that such a bidder acquire transmission rights to deliver the power from Populus to Wyoming, thus increasing the cost of the bidder's project.

The Company in a confidential response to an IE question¹¹ ties the reason for the Wyoming delivery requirement to the Company's 2017 Integrated Resource Plan (2017 IRP).

[REDACTED]

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¹⁰ The Company's Gateway Segment B, the 345 kV Populus to Terminal transmission line, was completed in November, 2010.

¹¹ Confidential response to Merrimack Energy questions dated July 28, 2017. Also refer to Mr. Link's testimony cited above.



It is unclear to the Division to what extent the Company tested other PTC-ready options, besides its Wyoming wind and transmission plan between the end of the public IRP input process and the filing of the 2017 IRP. It appears that the Company independently updated certain assumptions and conducted additional sensitivity analyses to develop its plans for the Wyoming wind and transmission, which subsequently became part of its filed 2017 IRP. The tie-in to the 2017 IRP is controversial since this project showed up in the 2017 IRP subsequent to the end of the public input process to the IRP. Comments already on file in Oregon give a flavor of the controversy.¹² The Division may file similar comments in the 2017 IRP Docket No. 17-035-16.

The Division understands that the eastern Wyoming location is prime territory for wind resources, but it may be possible for a bidder/developer to be competitive with a project location outside of Wyoming. Granted that the chance for the selection of significant amounts of wind generation in this RFP outside of Wyoming may impact the viability of the D2 transmission segment, that situation might enhance ratepayer benefits. The mere fact that something was not selected in a necessarily limited and restricted IRP process does not lead to the conclusion that no other possibilities should be considered in the RFP.

¹² See comments filed with the Oregon Public Utilities Commission at <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=20532> . See, for example: Comments of the Oregon Citizens' Utility Board, Oregon Docket LC 67, June 23, 2017, pp. 1-2; Opening Comments of the Industrial Customers of Northwest Utilities, Oregon Docket LC 67, June 23, 2017, pp. 7-8; Staff of the Public Utility Commission of Oregon's Initial Comments, Oregon Docket LC 67, June 23, 2017, p. 1.

Conclusions and Recommendations

At a high level, the Division believes that the Company's proposed RFP complies with Commission rules and generally is thorough in its scope. The Division understands that the IE will have a number of recommendations, perhaps technical in nature, to improve the RFP. The Division does recommend that the Company clarify whether the minimum size project is 10 MW or 20 MW. The Division also recommends that the Company relax its demand that the bids necessarily tie into its Wyoming system.

With these recommendations, the Division is otherwise supportive of approving the Application and allowing the Company to issue its RFP. The Division understands that questions regarding the prudence or whether these projects are in the public interest will be determined in the parallel Docket No. 17-035-40.

CC: Bob Lively, RMP
Michele Beck, OCS
Wayne Oliver, Merrimack Energy (Utah IE)