

CONFIDENTIAL INFORMATION SUBJECT TO UTAH PUBLIC SERVICE COMMISSION RULE 746-100-1

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Rebuttal Testimony of Charles E. Peterson

I. INTRODUCTION

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson. My business address is 160 East 300 South, Salt Lake City, Utah 84114. I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Would you summarize your background for the record?

A. I am currently a Technical Consultant for the Division. I have been employed by the Division for over 12 years, during which time I have filed testimony and memoranda with the Public Service Commission of Utah (Commission) involving a variety of economic, financial, and policy topics. I was the lead staff member writing the Division’s memoranda that were previously filed in this docket. Additionally, I was the lead DPU staff in the PacifiCorp’s (Company) Lakeside RFP, Docket No. 10-035-126 and the Company’s all source RFP for a 2016 resource, Docket No. 11-035-73.

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23 I have an M.S. in Economics and Master of Statistics degree, both from the University of
24 Utah. My resume is attached as DPU Exhibit 1.1 REB.

25

26 **Q. What is the purpose of your testimony?**

27 In its order in this docket issued August 22, 2017 (Order), the Commission stated

28 “[a]s we evaluate the RFP, we are bound by the statutory requirement that we must
29 determine whether the RFP is in the public interest, considering factors including
30 whether the RFP ‘will most likely result in the acquisition, production, and delivery
31 of electricity at the lowest reasonable cost to the retail customers of an affected
32 electrical utility located in this state[.]’¹

33 ... We have an insufficient record before us to make a finding of fact pertinent to that
34 decision by RMP.

35 ... We recognize the time sensitivity with the upcoming expiration of the production
36 tax credits. We cannot, however, bypass our statutory obligations...

37 ... To approve the RFP, we must find that the decision to limit the RFP to a wind
38 resource so apparently satisfies the “lowest reasonable cost” standard that it warrants
39 bypassing the opportunity to test that decision in the open market against other
40 bidders who might choose to bid different resource types. We simply cannot make
41 that finding based on the limited regulatory review that has occurred thus far,
42 including the comments and replies filed in this docket. At the least, considering the
43 opposition of some parties and the fact that neither the DPU nor the IE made a
44 specific recommendation with respect to RMP’s selection of resource type, we must
45 conduct additional review of that issue.”²

46

47 I will provide the Division’s response to the Commission’s Order. Specifically I will respond

48 to the Commission’s implicit request for the Division to make a specific resource

49 recommendation, and discuss the “lowest reasonable cost” standard. Additionally, I am

50 including with my testimony the Division’s previous memoranda filed in this docket: DPU

51 Exhibit 1.2 REB (Exhibit 2) is the confidential DPU memorandum dated August 4, 2017;

¹ Utah Code Ann. § 54-17-201(2)(c)(ii)(A).

² Order, pages 1-3.

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52 DPU Exhibit 1.3 REB (Exhibit 3) is the DPU reply memorandum dated August 18, 2017. My
53 testimony is based upon the evidence solely in this docket to date.³

54

55 **Q. Based upon the Company’s filings in this docket including the Supplemental Testimony**
56 **of Mr. Rick T. Link, or the filings of any other party, is the Division making any**
57 **changes to its conclusions and recommendations that are set forth in Exhibits 2 and 3?**

58 A. No. However, I will clarify and expand upon the points raised in those memoranda to answer
59 the Commission’s implicit questions in its Order.

60

61 **Q. Does the Division believe that the Company has made the case that its RFP likely will**
62 **result in the acquisition of least cost, least risk resources for Utah ratepayers?**

63 A. Yes, but with some caveats. The Division believes that the Company is correct that the
64 extension of the production tax credits (PTCs) for wind resources by the U.S. Congress
65 creates a potential and particular opportunity for wind resource development. The PTCs are
66 very generous, amounting to \$23 per MWh in 2016 for ten years.⁴ The Company’s case as set
67 forth in Mr. Link’s direct and supplemental testimony along with the “2017 Integrated
68 Resource Plan, Energy Vision 2020 Update” dated August 2, 2017 and attached as an exhibit
69 to Mr. Link’s supplemental testimony, attempts to set forth that the wind projects proposed

³ On June 30, 2017, the Company filed its “Application for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision” in Docket No. 17-035-40. A Commission approved RFP from this docket would be used in Docket No. 17-035-40.

⁴ See IRS form 8835, page 2, column one which shows 2.3 cents per kWh, which is equivalent to \$23 per MWh. The \$23 per MWh will increase at the inflation rate. <https://www.irs.gov/pub/irs-pdf/i8835.pdf>.

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70 by the Company will likely result in the acquisition of least cost, least risk resources for Utah
71 ratepayers.

72 **Q. Isn't least cost, least risk different in this context than the usual Integrated Resource**
73 **Plan (IRP) context?**

74 A. Yes. Generally, the IRP is designed to determine future resource acquisitions in order to meet
75 forecast resource needs primarily based upon the Company's load forecast. The IRP process
76 is designed to determine an action plan to meet those expected future needs based on least
77 reasonable cost, least risk criteria. The IRP studies a wide range of different plausible
78 scenarios and potential combinations of new resources, but these studies are necessarily
79 limited to a fairly finite number of scenarios and possible new resources in order to arrive at
80 an actionable plan in a finite time period. A fully-vetted and acknowledged IRP thus gives
81 the Company, its regulators, and other interested parties reasonable confidence that when the
82 Company executes on its IRP-based action plan, that the Company is likely receiving the
83 lowest reasonable cost along with reasonable risk.

84

85 In the Company's most recent acknowledged IRP, the 2015 IRP, the preferred portfolio
86 shows the first major new resource coming online in 2028.⁵ The Company did not produce a
87 preferred portfolio in its 2017 IRP before it included its "Energy Vision 2020" in the
88 preferred portfolio. However, absent the "Energy Vision 2020" projects, the Company might

⁵ PacifiCorp 2015 IRP, Vol. I, page 196. There was also a project for 337 MW to repower the Naughton 3 coal unit, which offsets 280 reduction due to the early retirement of the Naughton 3 unit.

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89 have included 200-400 MW of wind resources in the 2021 time frame.⁶ There is thus no need
90 to acquire up to 1,270 MW of wind in Wyoming.

91
92 However, in this case the Company has identified a potential economic opportunity via the
93 PTCs, not a resource need in the usual sense. The Company ran its IRP models with the
94 proposed new/repowered wind and new transmission resources included as givens and
95 compared the results against those model runs that did not have these proposed projects
96 included as givens. As outlined in Mr. Link’s direct and supplemental testimony, under the
97 majority of the scenarios, the model runs with the proposed new/repowered wind and
98 transmission projects outperformed the other IRP models, both in terms of cost and in terms
99 of risk as the Company defines risk in the IRP. The Company concluded that both the
100 Company and ratepayers are better off with the projects than without and has brought these
101 proposed projects forward for Commission consideration.

102

103 **Q. But couldn’t there be other projects that could also be tested in the IRP models that**
104 **also would make ratepayers even better off?**

105 A. Possibly, but that could result in a never-ending search for the “best” set of new projects
106 without ever reaching a definite conclusion. There was a limited window of opportunity to
107 explore any such options before losing out on this opportunity.

108

⁶ See various portfolio runs in PacifiCorp 2017 IRP, Vol. II, pages 184-223.

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109

110 **Q. What are the caveats you mentioned?**

111 A. The scenario put forth by the Company has to more or less come to fruition. However, there
112 are risks that will mostly be borne by ratepayers, including the failure of the Company or its
113 contractors and suppliers to meet the timelines outlined by the Company to receive the PTCs.
114 With respect to this RFP that is the object of this docket, there are risks not only to the
115 timeline but also that the cost structures forecast by the Company in its IRP will be found to
116 be understated resulting in reduced, or perhaps the elimination of, benefits to ratepayers.

117

118 Another concern that the Division raised in its Reply Comments dated August 18, 2017, and
119 included as Exhibit 3, is that the RFP may not produce a “robust” response, which could cast
120 doubt on whether the costs proposed by the Company are the lowest reasonable costs.

121

122 The Company believes that it will receive a “robust” response and can point to support for
123 the RFP expressed by developer organizations at the Oregon commission hearing on August
124 29, 2017.

125

126 **Q. Given these considerations, what does the Division conclude regarding the question of**
127 **lowest reasonable cost for least amount of risk?**

128 A. Provisionally, the Division believes that the Company has made a showing that its proposal
129 meets the standard of lowest reasonable cost, least risk (reasonably arrived at). Mr. Link in
130 his direct testimony says that the Company’s IRP-based analyses show the short- and long-

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131 term effects of the proposal and that, when included with the proposed transmission line in
132 Wyoming, will increase reliability to the Company's system. Mr. Link assures us that the
133 Company has the financial wherewithal to proceed with the proposed projects.

134

135 **Q. Does the Division accept Mr. Link's representations regarding short- and long-term**
136 **effects, reliability and the financial capacity of the Company?**

137 A. Yes, provisionally. The Company has provided analyses that generally support Mr. Link's
138 conclusions. The Division does believe that the Company has the financial capacity to pursue
139 these projects.

140

141 **Q. What is/are the provision or provisions you mentioned above?**

142 A. The provision is that the Division's, and presumably other parties', research into questions
143 and issues surrounding the Company's proposal including risks to ratepayers, reliability and
144 long- and short-term impacts of the wind resource acquisition and the related transmission
145 line. The Division is not yet prepared to render an opinion about these issues. The Division's
146 expectation is that these issues will be fully brought forth in the related Docket No. 17-035-
147 40. In that docket the Division may, or may not, support the overall prudence of the
148 Company's proposals.

149

150 **Q. What is the Division's position with respect to the wind-only versus an all-source RFP?**

151 A. The Division believes that the RFP should be restricted to wind-only resources. The reason
152 for this is that the point of issuing the RFP is to potentially reap the benefits of the PTCs.

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153 Furthermore, the Company's analyses to this point suggest that ratepayers will be better off
154 with the wind resources the Company has proposed versus the more standard IRP resource
155 decisions. For whatever it is worth, the Company is not alone among utilities in making a
156 push for wind resources due to the PTC benefits.⁷

157

158 **Q. In its comments previously filed with the Commission and attached here as Exhibits 2**
159 **and 3, the Division indicated a preference that the RFP be expanded to include possible**
160 **wind resources outside of Wyoming. What is the Division's current position on this**
161 **issue?**

162 A. The Division continues to support opening the RFP to projects that are outside of Wyoming
163 and that do not necessarily connect directly to the proposed new Wyoming transmission line.
164 The Division believes this will enhance the possibility of getting a "robust" response and will
165 also allow for a better appraisal of the market. As indicated in Exhibit 3, this ultimately may
166 not be a primary concern for the Division in Docket No. 17-035-40.

167

168 **Q. The Company's position seems to be that it has already studied locating wind resources**
169 **outside of Wyoming in its IRP and that no wind resources outside of Wyoming are**
170 **included in its preferred portfolio. Therefore there is no need to take bids from outside**
171 **of Wyoming. What is your comment on that?**

⁷ "RRA Financial Focus: Race is on for rate-based utility wind," S&P Global Market Intelligence, August 15, 2017.

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172 A. The Division discussed this on pages 5 and 6 of Exhibit 2, in its initial comments on the RFP.
173 The Division notes again that the IRP analyses were necessarily made based upon restrictive
174 assumptions regarding what wind in other locations might be able to provide. The Company
175 may or may not be accurate in these assumptions.⁸ The Company is promoting the new wind
176 with new Wyoming transmission as a package deal; take it or leave it, apparently. However,
177 to the best of the Division's knowledge, wind projects in states other than Wyoming could
178 still qualify for the PTCs, which are the driving force behind the Company's proposals. Utah
179 ratepayers could potentially benefit from PTCs generated in other states as well as in
180 Wyoming. While the Division understands that the eastern Wyoming location is prime
181 territory for wind resources, it may be possible for a bidder/developer to be competitive with
182 a project location outside of Wyoming.

183
184 Table 4, on page 11 of Mr. Link's supplemental testimony shows a number of IRP model
185 runs in which Idaho wind is selected. One of the scenarios in which Idaho wind was selected
186 was the Company's business plan. While it is true that Idaho wind was not selected when the
187 proposed Wyoming wind was locked into the model, there appears to be some possibility that
188 Idaho wind may be competitive.

189
190 **Q. If the Company receives a number of non-Wyoming bids that just are not competitive,**
191 **won't that waste a lot of time, where time is now in short supply?**

⁸ For example, the Company hard wired assumptions about the capacity factors of wind projects in different states. See PacifiCorp 2017 IRP, Volume I, page 116.

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192 A. Possibly, but such a bidder would have to spend time and money to bid knowing that it was
193 going against Wyoming wind projects including the Company's benchmark bids, and that it
194 may face unfavorable transmission costs (i.e. it may have to build a transmission line and/or
195 obtain transmission rights to connect to the Company's transmission system in Idaho, or
196 somewhere else). The Company should be able to quickly identify "out-of-the-money" bids.⁹

197

198 **Q. The Company also rejects expanding the geographical reach of the RFP because it**
199 **fears getting too many bids to timely analyze. This position is based upon the large**
200 **number of bids the Company apparently received in an all-renewable RFP it issued in**
201 **April 2016.¹⁰ What are your thoughts on this?**

202 A. While this may happen, the Division does not believe the April 2016 RFP is as similar to the
203 RFP now before the Commission as the Company implies. In the 2016 RFP there were no
204 Company benchmark bids that third parties had to compete with; there were no independent
205 evaluators overseeing the RFP process; bidders were not required to pay a bidders fee for the
206 privilege to bid into the RFP. The bids included numerous solar and even some geothermal
207 bids as well as wind. The Division is suggesting that this RFP remain a wind-only RFP. The
208 Division does not believe that the 2016 RFP necessarily gives an indication of what to expect
209 in this RFP.

210

⁹ For example, if the Wyoming bids came in with an average construction cost of \$2,000/kW and another bid came in at \$3,000/kW, a quick review should be able to reject that bid. Similarly, even if the construction costs were similar, but the expected power generation (and the PTCs) from a project were 25 percent less than Wyoming wind, that bid also should be quickly eliminated.

¹⁰ Supplemental Testimony of Rick T. Link, page 13, lines 227-238.

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211

212

213 **Q. Are there any other items you wish to bring to the Commission's attention?**

214 A. Yes. The Division supports the recommended changes to the RFP that were suggested by the
215 Utah I.E., Merrimack Energy Group. The Division understands that the Company has agreed
216 to make many of those changes. In its initial comments (see Exhibit 2), the Division
217 suggested that the Company clarify that, pursuant to Oregon rules, the minimum size for a
218 project was 10 MW and not 20 MW as originally proposed. The Company has agreed to
219 make that change.

220

221 The Division is not opposed to the changes to the RFP that came from the Oregon I.E. and
222 accepted by the Oregon commission as set forth on page 3 of Mr. Link's supplemental
223 testimony.

224

225 **Q. What are your conclusions and recommendations?**

226 A. The Division recommends that the Commission approve the RFP with the following changes:

- 227
- 228 • The changes to the RFP recommended by Merrimack Energy be adopted;
 - 229 • 10 MW for the minimum project size be made;
 - 230 • The RFP be restricted to wind resources only;
 - 231 • Bidders outside of Wyoming be allowed to participate and be allowed to interconnect
232 with PacifiCorp's transmission system outside of Wyoming without penalty.

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233 The Division recommends that the Commission provisionally find that the RFP will likely
234 meet the lowest reasonable cost standard and the other standards set forth in UCA §54-17-
235 201(2)(ii) for the purpose of allowing the RFP to go forward. The Division's provision to this
236 recommendation is that the prudence of the Company's proposed wind and transmission
237 projects will be fully reviewed and decided in Docket No. 17-035-40.

238

239 **Q. Does that conclude your testimony at this time?**

240 A. Yes.

DPU Exhibit 1.1 REB
Charles E. Peterson
Docket No. 17-035-23
September 13, 2017

RÉSUMÉ OF CHARLES E. PETERSON

CHARLES E. PETERSON

EXPERIENCE Technical Consultant, Division of Public Utilities Utah Department of Commerce, May 2006 to Present.

Responsibilities: PacifiCorp and Questar Gas Company General Rate Cases: Cost of Capital Studies; PacifiCorp avoided cost issues; Lead on PacifiCorp ECAM application; PacifiCorp 2006 General Rate Case Team leader—cost of capital, coal and natural gas contract teams; PacifiCorp 2006/2007 IRP lead; Special Contracts lead; various Economic, Financial, and Statistical Analyses.

Utility Analyst, Division of Public Utilities, Utah Department of Commerce, January 2005 to May 2006.

Responsibilities: Overall DPU Team Management of PacifiCorp Acquisition by MidAmerican Energy Holdings Company; Division Lead on a Forecasting Task Force; Principal Author of Technical Paper on “Ring-Fencing;” Economic and Statistical Analysis, Cost of Capital Studies on Questar Gas and PacifiCorp.

Manager, centrally assessed utility and transportation company valuations section, Property Tax Division, Utah State Tax Commission, September 1992 to December 2004.

Responsibilities: supervision of the annual appraisal of 100 utility, railroad, and airline companies; securities analysis, cost of capital studies, financial forecast models and other appraisal methods, settlement negotiations; expert testimony.

EDUCATION M.S., Economics. University of Utah, 1990.
Master of Statistics (M.Stat.). Graduate School of Business, University of Utah, 1980.
B.A., Mathematics. University of Utah, 1978.

PROFESSIONAL MEMBERSHIP Society of Utility and Regulatory Financial Analysts (SURFA)
Received **Certified Rate of Return Analyst (CRRA)** from SURFA in 2007.

EXPERT Utah Public Service Commission, Utah State Tax Commission; Federal

TESTIMONY District and Bankruptcy Courts; Utah State District Courts; Utah State Industrial Commission; Wyoming State Court

PUBLICATIONS “Accounting Challenges for Regulated Public Utilities,” The Journal Entry, April 2014. Co-author with Matthew A. Croft and J. Robert Malko.

“The Utah Test: Defining a test period to overcome controversies and inaccuracies,” Public Utilities Fortnightly, May 2010. Co-authored with Joni S. Zenger and J. Robert Malko.

“Ring Fencing in Utah,” Public Utilities Fortnightly, February 2008. Co-author with J. Robert Malko.

“Applying CAPM: Issues and Activities in Utah,” The NRRI Journal of Applied Regulation, December 2005. Co-author with Dr. Robert Malko.

ADDITIONAL EXPERIENCE Associate, (part-time), Houlihan Valuation Advisors, 1998 to 2005. Economic and financial analysis, business appraisal work.

Owner and Consultant, July 1991 to 1998. Economic Consulting and litigation support.

Utility Analyst, Utah State Tax Commission, March 1991 to September 1992.

Associate, Houlihan, Dorton, Jones, Nicolatus and Stuart, August 1989 to March 1991.

Partner, Stuart, Nicolatus and Peterson, 1989.

Associate, Frank Stuart & Associates, 1980 to 1985; 1986 to 1989.

Senior Consultant, Grant Thornton International, 1985 to 1986.

TEACHING Instructor, Unitary Valuation School held at Utah State University sponsored by the Western States Association of Tax Administrators (WSATA), 1999 to 2007, 2009, 2011, and 2014.

Education Chairman, WSATA Committee on Unitary Assessment, 2000 to 2004.

Instructor, business calculus, Salt Lake Community College, Spring 1990.

SKILLS Financial analysis, including cost of capital and financial statement analysis.
Securities analysis, financial forecasting and business appraisal.
Economic and statistical analysis.
Expert testimony.
Project management and team supervision.
Negotiation.
Research and report writing.

LICENSE Certified General Appraiser, State of Utah, License Number CG00039924 (lapsed).

HONORS Several incentive awards for work at the Division of Public Utilities and the Property Tax Division

Elected to Phi Kappa Phi (general scholastic honorary). Bachelor's degree awarded Magna cum Laude.

SERVICE Centerville City ad hoc committee member on master plan zoning matters, 1995.
Docent, Hansen Planetarium, Salt Lake City, Utah, 1992 to 1994.
President of a 200 unit condominium association, 1983 to 1984.
Various church service positions

DPU Exhibit 1.2 REB
Charles E. Peterson
Docket No. 17-035-23
September 13, 2017

**CONFIDENTIAL COMMENTS OF THE DIVISION OF PUBLIC
UTILITIES**

(WITHOUT ATTACHMENT)



GARY HERBERT
Governor
SPENCER J. COX
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIAN
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

CONFIDENTIAL

SUBJECT TO UTAH PUBLIC SERVICE COMMISSION RULE 746-100-16

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,¹¹ 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.¹² 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

¹¹ UCA 54-17-201

¹² 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.

application for approval of the transmission line is expected to occur in the first half of 2018 after the completion of the proceeding in Wyoming for a CPCN¹³ 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 features¹⁴ 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.¹⁵

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

¹³ Certificate of Public Convenience and Necessity.

¹⁴ 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.

¹⁵ Draft RFP, page 1. [Oregon redline version].

energy into PacifiCorp's transmission system in Wyoming with the use of third-party firm transmission service.^{16,17}

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 testimony¹⁸ in this Docket and in the parallel Commission Docket No. 17-035-40¹⁹ 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

¹⁶ See RFP Appendix O for description of proposed Gateway Segment D2 or go to the interactive Gateway project map at <http://www.gatewaywestmaps.com/>.

¹⁷ Id. Pages 1-2.

¹⁸ See Docket No. 17-035-23, Direct Testimony of Rick Link, pages 2-4.

¹⁹ 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.

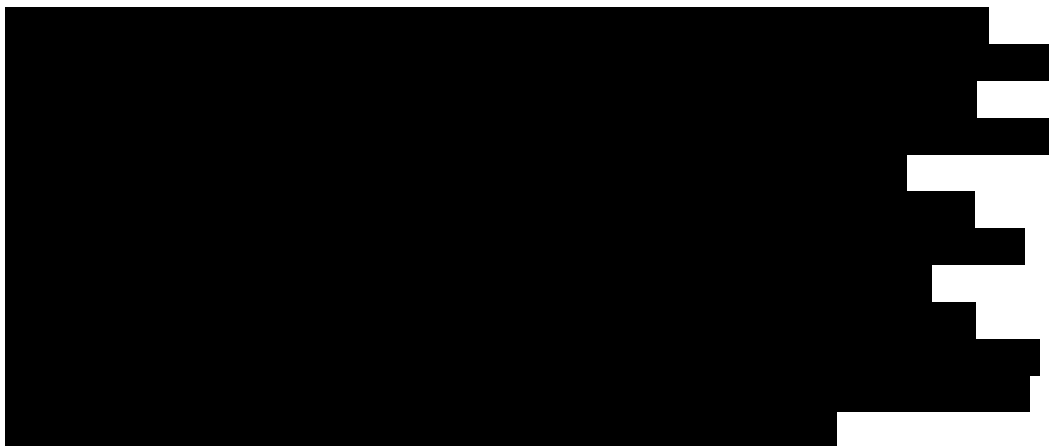
required to accept bids from projects as small as 10 MW, it should change the main text to reflect that fact.

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.²⁰ 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 question²¹ ties the reason for the Wyoming delivery requirement to the Company's 2017 Integrated Resource Plan (2017 IRP).



²⁰ The Company's Gateway Segment B, the 345 kV Populus to Terminal transmission line, was completed in November, 2010.

²¹ 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.²² 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

²² 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.

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.

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)

REPLY COMMENTS OF THE DIVISION OF PUBLIC UTILITIES



GARY HERBERT
Governor
SPENCER J. COX
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

REPLY 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 18, 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

Subsequent to the August 4, 2017 filing of its initial comments, the Division of Public Utilities (Division) has discussed with PacifiCorp (Company) the Division's recommendation that the Company's RFP be expanded to allow bidders to submit wind projects located and potentially interconnected to the Company's transmission system outside of Wyoming. The Division has listened to the Company's concerns with the Division's recommendation to diversify the geography of the RFP and believes that it understands them. The Division shared with the Company its concerns in making its recommendation.

The Division's recommendation for a diversified geography primarily centered on the concern that the RFP may result in too few outside bidders to reliably establish the market value of these projects. In support of its concern, the Division notes the following that may have a chilling effect on bidding.

- Since the Company is bidding in 860 MW as self-build, benchmark projects, bidders may feel that it is useless to bid against the Company in its own RFP.
- After 320 MW for signed QF PPAs is accounted for, ninety percent of the available capacity (up to 1270 MW) is taken by the Company's benchmark bids. This leaves only about 90 MW that outside bidders may believe they have a reasonable chance of obtaining, which may be too small for many bidders to spend the time and money pursuing.
- Unlike some previous RFPs, the Company is not making available to outside bidders the sites that it controls.
- The Company's benchmark bids may have advantageous positions in the queues for various transmission interconnection studies.

The Company for its part believes that there, in fact, will be a “robust” bidding result and that the Division's primary concern is unfounded.²³ The Division does not discuss in detail the Company's position here because it assumes that the Company is better able to, and will, provide its response in its own reply comments.

Of course, whether or not the Division's concerns have any real foundation cannot be known without the actual results of the RFP. The relative restrictiveness of the RFP that the Company is proposing to issue may not be a primary concern, overall, for the Division in this docket or, more importantly, Docket No. 17-035-40. However, if the RFP is issued as the Company requests, the Division may request a full review of the process should the robust response the Company expects not materialize, which could jeopardize the Company's plan to place new facilities into service before the expiration of tax credits.

cc: Bob Lively, PacifiCorp
Michelle Beck, Office of Consumer Services
Wayne Oliver, Merrimack Energy (Utah IE)
service list

²³ Other concerns that the Division may have with the new wind and the related transmission projects will be raised in Docket No. 17-035-40.