- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources

DOCKET NO. 17-035-23

ORDER APPROVING RFP WITH SUGGESTED MODIFICATION

ISSUED: September 22, 2017

**Background**

1. On April 17, 2017, pursuant to the Energy Resource Procurement Act (Act), Utah Code Ann. §§ 54-17-101 to -806, PacifiCorp, doing business as Rocky Mountain Power (PacifiCorp), filed a notice of intent to seek approval for a request for proposal (RFP) process for up to 1,270 MW of new wind resources capable of interconnecting to, and/or delivering energy and capacity across, PacifiCorp's transmission system in Wyoming (Wyoming Wind). According to PacifiCorp's filing, it will seek bids to achieve commercial operation no later than December 31, 2020, "[t]o ensure eligibility for the full value of federal production tax credits [(PTCs)]."¹

2. On June 2, 2017, after a competitive solicitation, the Public Service Commission of Utah (PSC), appointed an Independent Evaluator (IE), Merrimack Energy Group, Inc., as required by Utah Code Ann. § 54-17-203, to monitor the RFP.

3. On June 16, 2017, PacifiCorp filed an application for approval of its RFP under Utah Code Ann. § 54-17-201 of the Act.² Consistent with PacifiCorp's notice of intent, PacifiCorp's application proposes to add up to 1,270 MW of new wind resources by the end of 2020 to take advantage of a time-limited opportunity for PTCs scheduled to expire in 2020.³

¹ Notice of Request for Approval of Solicitation Process at 1, filed April 17, 2017.
² See PacifiCorp's Application, filed June 16, 2017.
³ See id. at 5.
PacifiCorp's application also requests a waiver of Utah Admin. Code R746-420-3(10)(a) requiring the IE "blind" all bids for the evaluation process.

4. On June 27, 2017, the Presiding Officer for the Public Service Commission of Utah (PSC) held a scheduling conference⁴ and, on June 28, 2017, issued a Scheduling Order.⁵

5. The Utah Association of Energy Users (UAE), the Interwest Energy Alliance (IEA), Utah Clean Energy (UCE), and sPower petitioned for and were granted intervenor status.⁶, ⁷

6. On August 4, 2017, the Division of Public Utilities (DPU), UAE,⁸ and IEA each filed comments. The DPU's comments recommended approval of the proposed RFP if certain conditions were met, and IEA filed comments requesting some modifications to the RFP. UAE's comments identified areas of concern with the RFP and requested the PSC hold a hearing on this matter.

7. On August 11, 2017, the IE filed a report of conclusions and recommendations, recommending some modifications to the RFP.⁹ The IE's report also recommended the PSC grant approval of PacifiCorp's request for a waiver of the bid blinding requirements and direct

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⁴ See Notice of Scheduling Conference, issued June 21, 2017
⁵ See Scheduling Order, Notice of Comment Period on Request to Deviate from R746-420-1, and Order Granting Extension to Exceed 60-Day Approval Deadline, issued June 28, 2017.
⁶ As expressed by the PSC Chair during the September 19, 2017 hearing, the order granting sPower intervenor status will be forthcoming.
⁸ On August 7, 2017, UAE filed an errata to its comments.
the IE to set up and maintain a webpage or database for information exchange between bidders/potential bidders and PacifiCorp.

8. On August 18, 2017, PacifiCorp filed reply comments identifying the modifications it had made to the RFP to address the concerns of the DPU, IE, IEA, and UAE, and identifying some remaining areas of disagreement.10

9. Additionally, on August 18, 2017, the DPU filed reply comments noting that the results of the RFP will identify whether some of its concerns have been satisfied; the Office of Consumer Services (OCS) filed comments requesting the PSC require the RFP be redesigned; and UAE filed reply comments requesting further PSC review.

10. On August 22, 2017, the PSC issued an Order and Notice of Scheduling Conference.11 In this Order, we concluded that the record then before us was insufficient to approve the RFP. We also concluded that "we must conduct additional review" and committed to conduct an expedited hearing to continue to consider the application.12

11. Pursuant to our August 22, 2017 Order, and the subsequent Order Rescheduling Scheduling Conference, issued on August 23, 2017 at the parties' request, the PSC's Presiding Officer held a scheduling conference in this docket.

12. On August 29, 2017, we issued a Scheduling Order setting forth deadlines for direct testimony, intervention (September 13, 2017), rebuttal testimony, and a hearing date.13

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10 See PacifiCorp’s Reply in Support of Application for Approval of Solicitation Process, filed August 18, 2017.
12 See id. at 1-2 (quoting Utah Code Ann. § 54-17-201(2)(c)(ii)(A)). See also Order Rescheduling Scheduling Conference, issued August 23, 2017 (amending scheduling conference date from Tuesday, August 29, 2017, to Friday, August 25, 2017, at the request of the parties).
13. On August 31, 2017, PacifiCorp filed supplemental direct testimony.14

14. On September 13, 2017, the IE,15 DPU,16 OCS,17 UAE,18 UCE,19 and sPower20 each filed rebuttal testimony, and IEA filed comments.21

15. On September 19, 2017, the PSC held a hearing during which witnesses presented surrebuttal testimony.22 Each of the following parties attended and were represented by counsel: PacifiCorp, DPU, OCS, UAE, UCE,23 IEA, and sPower. The IE attended pro se.

16. At hearing, PacifiCorp agreed to accept all of the IE's recommendations.24 PacifiCorp also stipulated to sPower's request to modify its RFP to define "litigation" as including only court litigation and not any litigation or complaint filed with any utility commission.

**Findings and Conclusions**

As we held in our August 22, 2017 Order,25 our decision in this docket is governed by the Energy Resource Procurement Act (Act), Utah Code Ann. §§ 54-17-101 to -806. Notably,

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14 *See* PacifiCorp's Supplemental Testimony of Rick T. Link, filed August 31, 2017.
15 *See* Rebuttal Testimony of Wayne J. Oliver, filed September 13, 2017.
16 *See* DPU's Redacted Rebuttal Testimony of Charles E. Peterson, filed September 13, 2017.
17 *See* OCS' Rebuttal Testimony of Bela Vastag, filed September 13, 2017. *See also* OCS' Rebuttal Testimony of Philip Hayet, filed September 13, 2017.
18 *See* UAE's Prefiled Testimony of F. Steven Knudsen, filed September 13, 2017.
19 *See* UCE's Rebuttal Testimony of Sarah Wright, filed September 13, 2017.
20 *See* sPower's Prefiled Rebuttal Testimony of Hans Isern, filed September 13, 2017.
21 *See* IEA's Second Set of Comments, filed September 13, 2017.
22 *See* supra n.13.
23 UCE was assisted by UAE's counsel.
24 At hearing the IE clarified that his recommendation was that bidders should be able to propose either a contract term of 20 years with a 10-year extension at PacifiCorp's discretion, or a 30-year term option with a caveat that the bidder should assess the accounting implications of a 30-year term.
25 *See* supra n.11.
Section 54-17-201(2)(c) of the Act requires that when ruling on PacifiCorp's request for approval of its solicitation process, we must determine whether the solicitation process:

(i) complies with this chapter and rules made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; and  
(ii) is in the public interest taking into consideration:
   (A) whether [issuance of the RFP] will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail [Utah] customers of [PacifiCorp];
   (B) long-term and short-term impacts;
   (C) risk;
   (D) reliability;
   (E) financial impacts on [PacifiCorp]; and
   (F) other factors determined by the commission to be relevant.


As an initial matter, both our philosophy of regulation and Title 54 generally point to a premise that we, as regulators, should not substitute our judgment on business management decisions for that of a regulated utility that has the ultimate responsibility to plan and provide for adequate electric service to its customers at a reasonable price. We must sometimes decide whether a utility's operational decision was prudent and complied with statutory guidelines, but we generally do not make those decisions in the first instance. To analogize this relationship to sports, our role is more similar to a referee than to a coach. Despite that general philosophy that is interwoven throughout Title 54, the Act stands to some extent as a partial exception to that general philosophy: in this docket, the utility is prohibited by the Act from issuing its proposed RFP without first obtaining our approval.
We treat this unique role seriously and in context with our underlying philosophy of regulation. The juxtaposition of that philosophy against the Act's unique statutory requirements informs our decision, as discussed below, to both approve the issuance of the RFP with the modifications proffered by PacifiCorp during the hearing (including the modifications to the RFP's minimum qualifications requirements regarding litigation as set forth in the September 14, 2017 order of the Oregon Public Utilities Commission),\(^\text{26}\) and to issue an additional suggested modification that goes beyond the approved RFP.\(^\text{27}\) We do not require any additional approval process; PacifiCorp may choose whether to accept our suggested modification and issue the RFP as long as the issuance includes the changes to which PacifiCorp committed during the hearing.

### i. Whether the Solicitation Process Complies with Utah Law and Administrative Rules

The IE report concludes, in part: "The RFP documents and process are generally consistent with the Utah Admin. Code, Regulations[,] and Statutes pertaining to the requirements for the design and development of the competitive bidding process."\(^\text{28}\) In addition, in his rebuttal testimony the IE reiterated his statement above, emphasizing "the Disclosures and Requirements listed in Section R746-420-3 of [the] Utah [Administrative] Code[.]"\(^\text{29}\) Based on these representations of the IE, whose statutory responsibility it is to render an opinion on whether the solicitation process complies with the Act,\(^\text{30}\) we conclude that PacifiCorp's solicitation process

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\(^{26}\) This approval is pursuant to Utah Code Ann. § 54-17-201(2)(f)(i).
\(^{27}\) This suggested modification is pursuant to Utah Code Ann. § 54-17-201(2)(f)(ii).
\(^{29}\) Rebuttal Testimony of Wayne J. Oliver at 12, filed September 13, 2017.
\(^{30}\) See Utah Code Ann. § 54-17-203(3)(b)(v)(A)(II) ("The independent evaluator shall . . . render an opinion as to whether . . . the solicitation process is . . . in compliance with this part[.]").
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complies with the Act and with our rules (R746-420), which are required by statute to be "made in accordance with" the Utah Administrative Rulemaking Act.

ii. Whether the Solicitation Process is in the Public Interest

Limiting the RFP to Wyoming Wind

PacifiCorp initially proposed to seek proposals for new wind resources capable of interconnecting to, and/or delivering energy and capacity across PacifiCorp's transmission system in Wyoming that could qualify for PTCs. However, the IE recommended the proposal be broadened to include all wind resources, regardless of the location, whether new or repowered, as long as they are capable of connecting to PacifiCorp's transmission system. In making this recommendation, the IE observed, "Allowing the opportunity for other competitors can only enhance the opportunity to reduce costs for consumers." PacifiCorp agreed with the IE's recommendation and proffered to amend its RFP accordingly.

Solar Resources

Solar pricing is disputed in this docket. PacifiCorp's 2017 IRP assumes solar pricing at $57/MWh in 2021, rising with inflation to $65/MWh in 2027. However, according to UCE, "[t]his pricing is grossly inflated. Solar pricing should be modeled at a cost closer to $30/MWh.... Without accurate solar pricing, it is impossible to conclude that solar deployment in Utah with the 30% I[nvestment] T[ax] C[redit] is not economic." sPower agrees with UCE,

31 See supra n.28 at 35.
32 Id.
33 UCE's Rebuttal Testimony of Sarah Wright at 6, lines 82-83, filed September 13, 2017. See also PacifiCorp's Direct Testimony of Dan MacNeil at 15, lines 306-07, filed August 17, 2017 (Docket No. 17-035-37, available at: https://psc.utah.gov/2017/06/22/docket-no-17-035-37/), of which we take administrative notice.
34 UCE's Rebuttal Testimony of Sarah Wright at 6, lines 83-84 and 87-88.
offering that its "current levelized cost of solar in southern Utah is approximately $30/MWh." PacifiCorp proffered during hearing that it is willing to issue a separate RFP for solar resources after the issuance of the proposed RFP.

We find inconclusive the evidence related to current utility scale solar prices compared against the solar prices PacifiCorp used in its analysis. PacifiCorp provided a reasonable basis for why it used costs generally in excess of $50 per MWh in its analysis, as opposed to the prices some witnesses discussed that are closer to $30 per MWh. We consider it reasonable that PacifiCorp's cost assumptions reflect commercially operational solar projects, rather than more recent indicative avoided cost pricing under which no resources have yet achieved commercial operation. We find the evidence from some parties with respect to lower solar prices, though, sufficiently persuasive to justify our suggested modification that the RFP be expanded to include solar resources that are able to interconnect at any point in the PacifiCorp system.

This issue is a key distinction between rejecting the RFP, which would require PacifiCorp to resubmit for our future approval an RFP that includes solar resources, and making a suggested modification, which leaves PacifiCorp with the independent business decision of whether to accept the suggested modification. If parties had provided evidence that utility scale solar generation that can connect to the PacifiCorp system has actually been contracted and completed, and is in operation at prices closer to $30 per MWh, we likely would be convinced to reject the proposed RFP and require it to be resubmitted for approval with solar included. That clear

35 sPower Rebuttal Testimony of Hans Isern at 8, filed September 13, 2017.
36 We also note, based on the testimony presented at hearing, the phase-out date for ITCs for solar resources is 2022, whereas the phase-out date for PTCs for wind resources is 2021.
deficiency in the evidence, requiring us to find that the solar pricing evidence is inconclusive, is a primary reason that instead of rejecting the proposed RFP, we are approving it with a suggested modification. That inconclusive evidence requires us to fall back on our general regulatory philosophy, that we as regulators should not be making the business decisions of PacifiCorp. If PacifiCorp chooses not to accept the suggested modification, it will have to defend that decision in future dockets, including Docket No. 17-035-40, Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision.

We are recommending that the RFP be modified to include solar resources that can interconnect at any point in PacifiCorp's system, rather than accepting PacifiCorp's offer to execute a second RFP for solar resources. We find that a second and separate RFP for solar resources, based on modeling inputs that would assume the construction of the proposed wind resource, would not accomplish the objective of comparing the proposed solar resources against the wind resources on an equal basis. Simply put, the question is not whether solar resources should be built in addition to the proposed wind resources. Rather, we find that the more relevant question is whether solar resources should be built instead of, before, or in conjunction with the proposed wind resources. A separate, subsequent RFP cannot answer that question due to the dynamic nature of generation and transmission resource decisions. Ultimately, without the benefit of conclusive evidence regarding the current and actual costs to build and connect utility scale solar projects to PacifiCorp's system, we believe the market would provide the best comparative results. While we are not making that suggested modification mandatory for our approval of the RFP, PacifiCorp's decision about whether to accept the suggested modification
will be relevant in any docket evaluating costs related to a winning RFP bidder. PacifiCorp must make an operational decision with respect to this issue and must be prepared to defend it.

Timing of PTCs

We find inconclusive the evidence related to the effect a delay in the issuance of the proposed RFP might have on the production tax credits. PacifiCorp provided good faith testimony related to its concerns that delays in the RFP, and particularly delays in transmission, might risk those tax credits. Other parties provided valuable evidence based on Internal Revenue Service publications related to excusable delays that do not cause a loss of the tax credits. However, both sides based their evidence on non-expert evaluation of tax guidelines. No party provided a tax expert as a witness. PacifiCorp provided testimony indicating a reasonable but non-firm estimate of several months' delay if the RFP were to be modified to include solar resources that are able to interconnect at any point in the PacifiCorp system. No party established conclusively that such a delay would or would not disqualify a wind project from receiving the production tax credits.

That uncertainty in the record supports our decision to suggest a modification to include solar resources in the RFP, rather than to reject the RFP until that modification is made. Without conclusive evidence on the tax implications, we choose not to substitute our decision making for the operational decisions of PacifiCorp. PacifiCorp must evaluate the potential tax consequences, make a business decision about whether to accept our suggested modification to the RFP, and then be prepared to defend that decision in future dockets, including Docket No. 17-035-40.

While we respect Commissioner Clark's preference (addressed below) to deny the RFP on the basis that it does not include solar resources, we believe the approach we take in this order
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avoids the delays that would accompany an additional approval process and that could potentially impact the availability of the production tax credits. This approach also allows PacifiCorp to make the business decision about how the delays accompanying potential expansion of the RFP to include solar resources might or might not affect those tax credits.

Additional Requests of the Parties

Parties request other modifications to the RFP beyond those accepted by PacifiCorp that we do not find to warrant either denial of the RFP or additional suggested modifications. For example, sPower requests assurances that required transmission interconnection studies are timely completed by PacifiCorp transmission; however, we do not have jurisdiction over PacifiCorp's Open Access Transmission Tariff as that issue is a federal matter under the regulatory authority of the Federal Energy Regulatory Commission.

Summary

We conclude that our findings are sufficient to approve\(^{37}\) the issuance of the RFP with the modifications proffered by PacifiCorp during the hearing. We also conclude that our findings are sufficient to suggest a modification that the RFP be expanded to include solar resources that can interconnect at any point within PacifiCorp's system.\(^ {38}\) Regardless of whether PacifiCorp chooses to accept our suggested modification, we do not require any further approval prior to issuance. PacifiCorp may choose whether to accept our suggested modification and should be prepared to defend that decision in future dockets including Docket No. 17-035-40. We also find

\(^{37}\) This approval is pursuant to Utah Code Ann. § 54-17-201(2)(f)(i).

\(^{38}\) This suggested modification is pursuant to Utah Code Ann. § 54-17-201(2)(f)(ii).
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PacifiCorp's request for a waiver of Utah Admin. Code R746-420-3(10)(a) requiring the IE blind all bids for the evaluation process, as supported by the DPU and the IE reasonable. In addition, we approve the IE's request to set up and maintain a webpage or database for information exchange between bidders/potential bidders and PacifiCorp during the RFP process.

Order

1. We approve the RFP as proposed by PacifiCorp, including modifications proffered during the hearing to be accepted by PacifiCorp.

2. We suggest a modification to the RFP that PacifiCorp expand the RFP to include solar resources that can interconnect at any point in PacifiCorp's system. Whether or not PacifiCorp accepts this suggested modification, we do not require any additional approval prior to RFP issuance.

3. We approve PacifiCorp's request for a waiver of Utah Admin. Code R746-420-3(10)(a) requiring the IE blind all bids for the evaluation process.

4. We direct the IE to set up and maintain a webpage or database for information exchange between bidders/potential bidders and PacifiCorp.

DATED at Salt Lake City, Utah, September 22, 2017.

/s/ Thad LeVar, Chair

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the PSC within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.
Statement of Commissioner David R. Clark, writing separately:

I respectfully dissent. I commend PacifiCorp's substantial efforts to bring to its customers the benefits of wind-related production tax credits. I also acknowledge PacifiCorp's acceptance of many adjustments to its proposed RFP recommended by the IE, in particular the removal of the geographic restrictions on wind resource locations. In my view, however, the evidence presented by the consumer representatives, and buttressed by solar power advocates, requires us to reject the proposed RFP unless it is opened to solar resources. I reach this conclusion despite my strong support of the regulatory philosophy expressed in the Order.

The record shows the solar resource cost data on which the utility relies in excluding solar resources may be outdated and as much as 40% too high. While a measure of skepticism may be appropriate in evaluating this evidence, the only way to know with any certainty whether solar resources are relatively lower in cost is to allow competitive bids to reveal the answer. I find the IE's statement regarding the need to broaden the proposed RFP to include all wind resources, regardless of the location, to be equally applicable to the inclusion of solar resources: "Allowing the opportunity for other competitors can only enhance the opportunity to reduce costs for consumers." Consequently, I believe any reasonable consideration of the public interest criterion that the approved solicitation process "will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to [PacifiCorp's] retail customers . . . in [Utah]" requires the inclusion of solar resources in the RFP.39 If such existing or

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potential resources can interconnect at any point in the PacifiCorp system, they should have the opportunity to compete in this solicitation process.

I recognize the expiration of wind-related PTCs at the end of 2020 places the resource solicitation and construction process under meaningful time constraints. I do not believe the additional few months required to expand the solicitation to solar resources would threaten the availability of the credits, particularly in light of the explicit recognition in Internal Revenue Bulletin: 2016-23 (June 6, 2016, Notice 2016-31) of "interconnection-related delays, such as those relating to the completion of construction on a new transmission line" as an excusable disruption in meeting the applicable project continuity requirements. Moreover, the ITCs available to certain solar resource projects also have a similar shelf life. Customers deserve the opportunity to reap the benefits of these potential tax credits on a comparable basis.

Finally, PacifiCorp's offer to conduct an additional, but necessarily subsequent, solicitation targeting solar resources does not cure the fatal defect in the proposed RFP. Such a solar solicitation would presume the existence of the wind resources previously selected through the proposed RFP and would not accomplish the critical purpose of ascertaining the least cost resources the instant RFP should be designed to identify.

Therefore, I dissent from the majority and would reject the proposed RFP unless it is amended to include solar resources.

/s/ David R. Clark, Commissioner
CERTIFICATE OF SERVICE

I CERTIFY that on September 22, 2017, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

Robert C. Lively (bob.lively@pacificorp.com)
Yvonne Hogle (yvonne.hogle@pacificorp.com)
Rocky Mountain Power

Gary Dodge (gdodge@hjdlaw.com)
Phillip J. Russell (prussell@hjdlaw.com)
Hatch, James & Dodge, P.C.
Representing the Utah Association of Energy Users

Mitch Longson (mlongson@mc2b.com)
Manning Curtis Bradshaw & Bednar PLLC
Representing the Interwest Energy Alliance

Merrimack Energy Group, Inc. (waynejoliver@aol.com)
Independent Evaluator

Melissa Barbanell (melissa@barbanellenvironmental.com)
Representing sPower

Sean McBride (smcbride@spower.com)
sPower

Sophie Hayes (sophie@utahcleanenergy.org)
Kate Bowman (kate@utahcleanenergy.org)
Utah Clean Energy

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Steven Snarr (ssnarr@agutah.gov)
Assistant Utah Attorneys General
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Erika Tedder (etedder@utah.gov)
Division of Public Utilities

By Hand-Delivery:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, UT 84111

_________________________________
Administrative Assistant