- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision	DOCKET NO. 17-035-40 ORDER

ISSUED: June 22, 2018

As detailed in this Order, we approve PacifiCorp dba Rocky Mountain Power's ("PacifiCorp") request for approval of a significant energy resource decision and its request for approval of an energy resource decision. We deny PacifiCorp's request to institute a rate tracking mechanism.

1. PROCEDURAL HISTORY

This docket arises out of the Application for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision ("Application") PacifiCorp filed with the Public Service Commission ("PSC") on June 30, 2017. As discussed in greater detail below, PacifiCorp requests the PSC issue an order approving a "significant energy resource decision" to procure specified wind resources and approving its "resource decision" for specified new transmission facilities. This Order collectively refers to the wind and transmission projects as the "Combined Projects." The Division of Public Utilities ("DPU") and the Office of Consumer Services ("OCS") participated in the proceeding, and the PSC granted the following parties intervention: Western Resource Advocates ("WRA"), Utah Industrial Energy Consumers ("UIEC"), Utah Clean Energy ("UCE"), Interwest Energy Alliance ("IEA"), Nucor Steel-Utah ("Nucor"), and the Utah Association of Energy Users ("UAE").

On July 27, 2017, the PSC issued a Scheduling Order, establishing adjudication deadlines and setting the docket for hearing March 6-8, 2018. ("First Scheduling Order"). The PSC held a technical conference for the parties to discuss the Combined Projects on October 11, 2017.

On September 22, 2017, UIEC filed a Motion to Stay Proceedings ("Motion to Stay"), arguing PacifiCorp "must [first] complete an approved solicitation process or obtain a waiver of the solicitation process." (Motion to Stay at 11.) After receiving and considering additional briefing, the PSC issued an Order Denying Motion to Stay on November 7, 2017.

Consequently, the parties filed written direct and rebuttal testimony pursuant to the First Scheduling Order.[1]

On January 19, 2018, the DPU and the OCS filed a Motion to Vacate Remaining Schedule and Request for Expedited Treatment ("Motion to Vacate Schedule"), explaining PacifiCorp "filed substantial new information, project selections, and analysis as part of its January 16, 2018 filing of Supplemental Direct and Rebuttal Testimony," which precluded the parties from proceeding under the adjudication schedule set in the First Scheduling Order. (Motion to Vacate Schedule at 2.) The PSC received briefing on the Motion to Vacate Schedule and held oral argument on February 6, 2018.

On February 13, 2018, the PSC issued its Order Granting Motion to Vacate Remaining Schedule and Amended Scheduling Order ("Final Scheduling Order"), establishing revised

[1] On December 5, 2017, the DPU, OCS, UAE, UIEC, UCE, WRA, and IEA filed written direct testimony. On January 16, 2018, PacifiCorp filed written supplemental direct testimony and rebuttal testimony and the DPU, OCS, UAE, UIEC and UCE filed written rebuttal testimony.

deadlines for the submission of written testimony and rescheduling the hearing to commence May 29, 2018.

The parties proceeded under the Final Scheduling Order to submit written testimony in preparation for the May hearing.[2]

On February 27, 2018, the PSC's independent evaluator, Merrimack Energy Group, Inc. ("IE"), filed its Final Report on PacifiCorp's Renewable Request for Proposals ("IE's Report").

On March 9, 2018, the DPU filed an Objection to the Completeness of [PacifiCorp's] Filing, arguing that, contrary to the Final Scheduling Order, PacifiCorp had failed to file all necessary supporting materials for its Application by February 16, 2018. On March 27, 2018, the PSC issued a Notice and Order, directing PacifiCorp to provide information the DPU sought through updated discovery responses and instructing the DPU to file a request by April 6, 2018 in the event the DPU believed circumstances necessitated amending the Final Scheduling Order. The DPU filed no such request.

On May 25, 2018, the DPU, the UAE, and the UIEC filed a Joint Motion to Strike the Surrebuttal Testimony of [PacifiCorp] Witnesses and Expedited Treatment ("Motion to Strike"), arguing PacifiCorp made changes in its surrebuttal testimony to projects, modeling methods, and

[2] On February 16, 2018, PacifiCorp filed its second supplemental direct testimony and, on February 23, 2018, filed Corrected Second Supplemental Direct Testimony and Exhibits. On March 2, 2018, IEA filed Supplemental Answer Testimony. On March 16, 2018, the DPU, UCE, and WRA filed written surrebuttal testimony in response to rebuttal testimony which parties other than PacifiCorp filed. On April 17, 2018, the DPU, the OCS, UAE, UIEC and WRA filed written rebuttal testimony in response to PacifiCorp's testimony, filed on January 16, 2018 and February 16, 2018 (and subsequently corrected on February 23, 2018). On May 15, 2018, UCE and WRA filed additional written surrebuttal testimony and PacifiCorp filed surrebuttal testimony.

analysis, which prevented the moving parties from having a sufficient opportunity to complete a review of this new information. The Motion to Strike specifically requested the PSC strike testimony related to the removal of a specified resource, associated analysis, and the solar valuation method introduced in the most recent testimony.

The PSC commenced the hearing in this docket on May 29, 2018 and heard the parties on the Motion to Strike at the beginning of the hearing. From the bench, the PSC granted the Motion to Strike in part, granting the motion with respect to the new modeling of the 2017S Solar Request For Proposal ("2017S RFP") in PacifiCorp's most recent testimony, filed May 15, 2018, and denying the Motion to Strike with respect to testimony related to the removal of one project from its request (as discussed in greater detail below, the Uinta project). (May 29, 2018 Hr'g Tr. at 69:22-70:11.)

The PSC heard the parties from May 29 through June 1, 2018, during which PacifiCorp, the DPU, the OCS, UAE, UIEC, UCE, WRA, IEA, and the IE testified.

2. BACKGROUND

a. The RFP Docket and the RFP Process.

On June 16, 2017, PacifiCorp initiated a separate proceeding (the "RFP Docket"), seeking approval of its solicitation process for procuring up to 1,270 MW of new wind resources capable of interconnecting to its transmission system in Wyoming ("2017R RFP").[3] On September 22, 2017, in the RFP Docket, the PSC issued our Order Approving RFP with

[3] *Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources*, Docket No. 17-035-23 [hereafter RFP Docket]. The PSC approved the 2017R RFP process in its Order Approving RFP with Suggested Modification, dated September 22, 2017, in the RFP Docket.

Suggested Modification ("RFP Order"), wherein we approved the 2017R RFP (*i.e.*, we approved the solicitation process). In so doing, we recommended, but did not require, PacifiCorp modify the 2017R RFP to include solar resources capable of interconnecting anywhere on PacifiCorp's system.[4]

b. PacifiCorp's Application and Subsequent Adjustments to the Combined Projects.

In its initial Application, which it filed on June 30, 2017, PacifiCorp requested the PSC issue an order (a) approving a "significant energy resource decision" to construct or procure four new Wyoming wind resources with a total capacity of 860 MW (collectively, the "Wind Projects") pursuant to Utah Code Ann. § 54-17-302; and (b) approving its "resource decision," under Utah Code Ann. § 54-17-402, to construct specified transmission facilities ("Transmission Projects"). The Application also requested the PSC approve a rate tracking mechanism ("RTM") to facilitate PacifiCorp's recovery of costs related to the Combined Projects.

In the Application, the Wind Projects were originally comprised of three nominal 250 MW facilities in Wyoming (Ekola Flats, TB Flats I, and TB Flats II) and a fourth nominal 110 MW facility (McFadden Ridge II). (*See, e.g.*, June 30, 2018 Test. of C. Teply at 4:73-5:85.) The proposed Transmission Projects include the following: (1) the 140-mile, Aeolus-to-Anticline 500 kV line, which includes construction of the new Aeolus and Anticline substations; (2) the five-mile Anticline to Jim Bridger 345 kV line, which includes modifications at the existing Jim Bridger substation to allow termination of the new 345 kV line; (3) installation of a voltage control device at the Latham substation; (4) a new 16-mile 230 kV transmission line parallel to

[4] RFP Order at 9.

an existing 230 kV line from the Shirley Basin substation to the proposed Aeolus substation, including modifications to the existing Shirley Basin substation; (5) the reconstruction of four miles of an existing 230 kV transmission line between the proposed Aeolus substation and the Freezeout substation, including modifications as required at the Freezeout substation; and (6) the reconstruction of 14 miles of an existing 230 kV transmission line between the Freezeout substation and the Standpipe substation including modifications as required at the Freezeout and Standpipe substations (collectively "Transmission Projects"). (Application at 2.) Where necessary, in this Order we refer to Items (1) through (3) as the "Aeolus to Bridger/Anticline Line" and to Items (4) through (6) as the "230 kV Network Upgrades." As mentioned above, we collectively refer to the Transmission Projects and the Wind Projects as the "Combined Projects."

PacifiCorp's Application represents the Wind Projects will produce zero-fuel-cost energy and allow it to realize benefits associated with expiring federal production tax credits ("PTC"). The Application represents the Transmission Projects "are necessary to relieve existing congestion and will enable interconnection of the proposed Wind Projects into [PacifiCorp's] transmission system." (*Id.*) PacifiCorp's Application emphasizes the "Combined Projects are time-sensitive because they must be in commercial operation by the end of 2020 to fully achieve the PTC benefits.[5]

PacifiCorp's Application further requests the PSC approve its proposed ratemaking treatment for the Combined Projects. Specifically, PacifiCorp "proposes to match the costs and

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[5] *See, e.g.,* May 30, 2018 Hr'g Tr. at 433:14-434:17 (PacifiCorp providing testimony as to federal legal requirements for PTC eligibility and associated time constraints).

benefits of the Combined Projects through a new [RTM] until the costs and benefits are reflected in base rates." (*Id.* at 2-3.)

i. The Time-Limited Nature of the PTC Benefits and PacifiCorp's Concurrent RFP Process.

PacifiCorp's Application emphasizes the time-sensitive, mutually dependent nature of the Combined Projects. PacifiCorp represents the Wind Projects must be in commercial operation by the end of 2020 to fully realize the associated PTC benefits and that they are not economic without the Transmission Projects, which are needed to relieve existing congestion and to interconnect the new PTC-eligible wind resources in high-wind areas of Wyoming. (Application at 8-9.)

To expedite the process and qualify for the full PTC benefits, PacifiCorp represents it filed its Application while concurrently seeking approval for the underlying 2017R RFP in the RFP Docket. PacifiCorp's Application explains that it included the Wind Projects as benchmarks in the 2017R RFP, and it represents that PacifiCorp would "[u]pon completion of the 2017R RFP shortlist determination … provide the [PSC] with updated information, as soon as practicable, related to the Wind Projects and the outcome of the solicitation process." (*Id.* at 10.)

ii. Combined Project Modifications Stemming from Testimony Filed January 16, 2018.

In its written supplemental direct and rebuttal testimony, filed January 16, 2018, PacifiCorp provided results of the 2017R RFP, prompting it to revise its original request to procure or construct four new wind resources for a total of 860 MW. Based on the results of the 2017R RFP, PacifiCorp revised its request with respect to the Wind Projects, seeking approval for four new Wyoming wind projects with a total capacity of 1,170 MW, including three of the original, benchmark facilities included in the Application (TB Flats I and II, now combined as a single project, and McFadden Ridge II) and two new facilities: Uinta, a 161 MW build transfer agreement ("BTA"), which is not dependent on the new Transmission Projects, and Cedar Springs, a one-half BTA and one-half power purchase agreement ("PPA") project, totaling 400 MW. TB Flats I and II and McFadden Ridge II are PacifiCorp-owned facilities, totaling 500 MW and 109 MW, respectively. (Jan. 16, 2018 Test. of R. Link at 1:17-2:25.) The overall projected capital cost of the Combined Projects did not substantially change from those projected in the Application, remaining at approximately $2 billion. (Jan. 16, 2018 Test. of C. Crane at 5:104-105.)

iii. Combined Project Modifications Stemming from Testimony Filed February 16, 2018.

In its written second supplemental direct testimony, filed February 16, 2018, PacifiCorp made further revisions to the proposed Combined Projects, explaining when it provided its January 16, 2018 testimony, identifying the four selected wind projects from the 2017R RFP, PacifiCorp "had not concluded its interconnection restudy process for the Aeolous-to-Bridger/Anticline line or updated its [system impact studies ("SIS")] for resources interconnecting to that line, including resources on the 2017R RFP final shortlist." [6] (Feb. 16, 2018 Test. of C. Crane at 2:24-26.) Subsequently, the interconnection restudy process revealed that projects with interconnection queue positions higher than a certain point were not viable

[6] PacifiCorp represents its original 2017R RFP, filed in the RFP Docket, proposed all bidders must have a completed SIS to qualify but that this requirement was removed in the final, PSC-approved process on the recommendation of the IE and certain intervenors. (Feb. 16, 2018 Test. of C. Crane at 2:33-38.)

without Energy Gateway South, a transmission project that is not scheduled to be built prior to the expiration of the PTCs on which PacifiCorp seeks to capitalize with the Combined Projects. (*Id.* at 2:44-3:48.) McFadden Ridge II had a queue position higher than the cutoff point, so PacifiCorp removed it.

Additionally, the restudy "identified 1,510 MW of total interconnection capacity for projects in eastern Wyoming, up from 1,270 MW," which PacifiCorp used to update its System Optimizer model simulations ("SO Model"). (*Id.* at 3:51-53.) The SO Model continued to select TB Flats I and II, Cedar Springs, and Uinta, but replaced McFadden Ridge II with Ekola Flats (a project proposed in the initial Application). (*Id.* at 3:53-56.) That is, PacifiCorp's revised request continued to seek approval for three of the original benchmark facilities proposed in the Application (replacing McFadden Ridge II with Ekola Flats) and Uinta. The revised total MW of the four proposed Wind Projects was 1,311 MW, consisting of 1,111 MW of PacifiCorp-owned facilities and a 200 MW PPA. (*Id.* at 4:81-84.)

PacifiCorp represented plans for the Aeolus to Bridger/Anticline Line did not change as a result of the updated selection of projects. However, PacifiCorp represented that, based on the results of the SIS, some additional network upgrades would be required. (Feb. 16, 2018 Test. of R. Vail at 1:17-18.) Additionally, PacifiCorp revised projected capital costs for the Combined Projects from approximately $2 billion to approximately $2.245 billion with the Wind Projects constituting $1.46 billion of the $2.245 billion. (Feb. 16, 2018 Test. of R. Link at 4:63-67; Feb. 16, 2018 Test. of C. Crane at 5:101-106.)

iv. Combined Project Modification Stemming from Testimony Filed May 15, 2018.

In written surrebuttal testimony, filed May 15, 2018, PacifiCorp revised its proposal for the Combined Projects one more time, withdrawing its request for approval of the Uinta wind project. PacifiCorp testified it removed the project to respond to parties' concerns and to align the instant filing with the Certificate of Public Convenience and Necessity ("CPCN") issued in Wyoming and the terms of PacifiCorp's settlement with the staff of the Idaho Public Utilities Commission. (May 15, 2018 Test. of C. Crane at 2:26-30.) PacifiCorp now seeks resource approval for only three wind facilities, totaling 1,150 MW: (1) TB Flats I and II (500 MW benchmark project); (2) Cedar Springs (400 MW project, one-half BTA, one-half PPA); and (3) Ekola Flats (250 MW benchmark project). (*Id.* at 2:36-39.)

c. PacifiCorp's Proposed Ratemaking Treatment

To recover the Combined Projects' costs and to account for customer benefits, PacifiCorp requests the PSC approve a new RTM. Through the RTM, PacifiCorp proposes to record and defer, on a monthly basis, incremental capital and operating costs, net power cost savings not captured in the Energy Balancing Account ("EBA"), and PTC benefits, with each new facility beginning in the month it goes into service.

PacifiCorp would calculate the RTM deferral as the difference between the value included in base rates for the deferral costs and benefits and the new value, accounting for the costs and benefits of the Combined Projects as they are placed into service. (June 30, 2017 Test. of J. Larsen at 7:160-8:163.) When the Combined Projects are captured in base rates through a future general rate case, the amount in rates would become the "base" plant balance that will be subtracted from the capital investment in subsequent annual RTM filings. (*Id.* at 8:169-172.)

Once the Combined Projects' full costs are reflected in base rates in a general rate case, PacifiCorp proposes that the RTM continue to track only year-over-year changes in PTCs to capture the full impact of the new PTCs.

3. DISCUSSION, FINDINGS AND CONCLUSIONS REGARDING APPROVAL OF THE COMBINED PROJECTS

Nine parties participated in this docket and created a voluminous record concerning the complex range of issues it entails. We find it impracticable and inefficient to attempt to summarize all the parties' positions or to discuss every point raised in support or in opposition to the Application. Instead, we endeavor in this analysis to address the evidence and points we find most salient and upon which we rely in making our findings and conclusions. The absence of discussion of any particular portion of testimony or evidence should not be construed as our declining or failing to consider it in reaching our determination. Also, for economy's sake, we discuss the Wind Projects[7] and the Transmission Projects (*i.e.*, the Combined Projects) largely in tandem because the statutory requirements for approval mostly overlap.

a. Legal Standards

Chapter 17 of Title 54 (Utah Code) is titled "Energy Resource Procurement Act" (the "Act"), and governs, primarily, the relief PacifiCorp seeks in this docket. Among other things, the Act outlines circumstances under which affected electric utilities must seek approval from

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[7] From this point forward in the Order, "Wind Projects" refers to the set of projects as modified by PacifiCorp's May 15, 2018 testimony. Specifically, "Wind Projects" refers to (1) TB Flats I and II; (2) Cedar Springs; and (3) Ekola Flats.

the PSC before acquiring certain assets, may seek such approval or may seek a waiver of such approval. Of particular interest here, the Act requires PSC approval for defined "significant energy resource decisions" (*e.g.*, the Wind Projects) and allows utilities to voluntarily seek PSC approval for other resource decisions (*e.g.*, the Transmission Projects).

i. Approval of Significant Energy Resource Decisions

The Act defines resource acquisitions that qualify as a "significant energy resource," including resources that consist of "a total of 100 megawatts or more of new generating capacity that has a dependable life of 10 or more years." Utah Code Ann. § 54-17-102(4)(a). To acquire such a resource, an affected utility must, unless it seeks and receives a statutory waiver, obtain approval from the PSC before it may construct or enter into a binding agreement to acquire the significant energy resource. *Id.* at § 54-17-302. Unless the PSC grants a waiver or certain narrow exceptions apply, the Act requires affected utilities to undergo a solicitation process, and to obtain PSC approval of such process, for significant energy resource decisions. *Id.* at § 54-17-201. A utility may only obtain approval of its significant energy resource decision after the completion of the PSC-approved solicitation process. *Id.* at § 54-17-302(1)(a).

In ruling on a request for approval of a significant energy resource decision, the PSC must determine whether the decision is (a) reached in compliance with applicable statutes and administrative rules; (b) reached in compliance with any approved solicitation process; (c) in the public interest. *Id.* at § 54-17-302(3). In assessing whether the decision is in the public interest, the Act directs the PSC to consider: (i) "whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers"; (ii) "long-term and short-term impacts"; (iii) risk; (iv) reliability; (v) financial impacts on the utility and (vi) "other factors determined by the [PSC] to be relevant." *Id.*

In its order on such a request, the PSC must include findings as to the total projected costs for construction or acquisition of an approved significant energy resource and the basis upon which those findings are made. *Id.* at § 54-17-302(6).

Because they are generation resources that exceed the statutory megawatt and useful life thresholds, we conclude the Wind Projects constitute significant energy resources under the Act.

ii. Voluntary Request for Approval of Resource Decisions

In addition to requiring approval of significant energy resource decisions, the Act allows utility companies to seek the PSC's approval for the acquisition of "resource decisions," which do not meet the statutory criteria for a significant energy resource decision but constitute a resource involved in energy production, transmission, or distribution. *See id.* at § 54-17-401(2). Although the Act does not require the PSC approve these acquisitions, it incents utilities to seek approval by including statutory cost recovery mechanisms applicable to projects for which a utility has obtained approval. *See, e.g., id.* at § 54-17-403.

In evaluating whether to approve a resource decision, the PSC must determine whether the decision (i) was reached in compliance with applicable statutes and rules and (ii) is in the public interest. *Id.* at § 54-17-402(3). The statute directs the PSC to consider precisely the same six factors as under § 54-17-302(3) (*i.e.*, as for a significant resource decision) in deciding whether the acquisition is in the public interest.

The PSC's order on a request for approval of a resource decision must include findings as to the approved projected costs of the resource decision and the basis upon which those findings are made. *Id.* at § 54-17-402(8).

No party contests the matter, and we conclude the Transmission Projects constitute resource decisions for which a utility may voluntarily seek PSC approval pursuant to the Act.

iii. The Independent Evaluator

The Act requires the PSC retain an independent evaluator to monitor solicitations. With respect to the Wind Projects, the PSC appointed Merrimack Energy Group, Inc. (the "IE"). The IE testified and substantially participated in the RFP Docket, ultimately recommending the PSC approve the solicitation process. However, the Act also provides the IE shall provide a report addressing "the ultimate results of the solicitation process, including the opinions and conclusions of the [IE]" and "testify in any proceeding under Section 54-17-302," *i.e.*, a proceeding seeking approval of a significant resource decision." Utah Code Ann. § 54-17-203(3)(b)(iii)(C), (vi).

The IE provided such a report in this docket and testified at hearing.

b. PacifiCorp Complied with Applicable Laws and the Approved Solicitation Process.

PacifiCorp testified it conducted the solicitation "in accordance with [the PSC's] RFP approval order." (May 29, 2018 Hr'g Tr. at 168:18-20.) The DPU's testimony generally supports this conclusion. (May 31, 2018 Hr'g Tr. at 48:22-49:2 (DPU testifying "in general [PacifiCorp] processed the RFP smoothly" and that PacifiCorp "worked with the [IE] to satisfactorily resolve most issues".).)

Importantly, the IE testified, as it concluded in its report, that the 2017R RFP "generally conformed to the requirements of [applicable administrative rule]" and that the process "overall was undertaken in an effective and consistent manner, consistent with Utah statutes." (May 30, 2018 Hr'g Tr. at 284:17-19, 286:2-3.)

We acknowledge some parties have contested the 2017R RFP process that we approved in the RFP Docket, but no party has introduced evidence showing PacifiCorp meaningfully deviated from the process we approved or otherwise failed to comply with applicable law in executing the solicitation. Accordingly, we find PacifiCorp conducted the solicitation in accordance with applicable rules and statutes and the process we approved for the 2017R RFP in the RFP Docket.

c. The Public Interest Inquiry

Approval of both the Wind Projects, under § 54-17-302, and the Transmission Projects, under § 54-17-402, require us to determine they are in the public interest, taking into consideration the (identical) six factors enumerated in the statutes. We conclude that the statutory terms "determine" and "taking into consideration" do not, of themselves, dictate a requirement for enumerated findings on all issues. A determination may be implicit in a project approval, and consideration of various factors may occur during the adjudicative process without explicit findings on each factor. Considering both the significant record in this docket and the costs associated with the resources we are approving, though, we consider it appropriate to make detailed findings that might not be necessary in another context.[8] Accordingly, we make the following findings.

The Act does not offer guidance as to whether the factors should be given equal weight or whether one or more should be more significant in the consideration. Indeed, the last factor is something of a "catch all," instructing the PSC to consider any other factor it determines is relevant. While the parties, as a general matter, emphasized the first factor, *i.e.*, whether the Combined Projects offer electricity at the "lowest reasonable cost," we do not read the Act as requiring us to merely weigh projected costs and allow the balance of the scales to dictate the outcome. Indeed, the Act contains nothing suggesting cost is more significant than any of the other enumerated factors. Rather, the Act requires us to consider the enumerated factors, along with any others that we find significant, and to exercise our discretion to determine whether the totality of such factors support our finding the acquisition is in the public interest. We consider each below, in turn.

i. We find the Combined Projects will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost.

As noted above, this is the factor that most occupied the parties' attention, and we do not disagree that cost is an extremely important variable in our analysis. We observe the statutory language on this point is, we presume deliberately, imprecise. First, the Act requires we find the

[8] For example, a different statute requires the same determination, taking into consideration the same factors, prior to approval of a solicitation process. *See* Utah Code Ann. § 54-17-201(2)(c)(ii). However, the required statutory process in that situation is materially different than this docket, and therefore the determinations and considerations may take different forms. *Compare* Utah Code Ann. § 54-17-201(2)(d) and (f) *with* Utah Code Ann. § 54-17-302(4) and (5).

acquisition will "most likely result" in the lowest reasonable cost, as opposed to finding that it "will result" or some similarly rigid requirement. Second, the Act refers to the "lowest reasonable cost," rather than "lowest cost." The parties did not offer argument as to how the PSC should interpret this language, and we will not offer extended conclusions in this Order on the matter. For now, we simply infer that the Legislature's use of this softening language underscores its intention the PSC not allow cost considerations to monopolize our analysis and that we use our discretion to weigh the totality of the relevant circumstances to determine whether, on the whole, the proposed acquisition is in the public interest.

Notwithstanding these observations, we find the evidence supports our finding the Combined Projects will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost.

1. The Wind Projects were Subject to a Robust Solicitation Process that Considered 72 Bids.

We begin by observing that PacifiCorp's 2017 Integrated Resource Plan ("2017 IRP") identified new Wyoming wind in its preferred portfolio, and that PacifiCorp undertook a relatively robust request for proposal ("RFP") process in selecting the particular projects to provide this wind generation. The IE reported that PacifiCorp received a total of 72 bids, inclusive of the four benchmark bids, and that "participants in the RFP included many of the largest wind developers in the country, who are active in many power markets in the US and elsewhere." (IE Report at 45.)

Some parties opposing the Application argue the interconnection queue position issue, which led PacifiCorp to replace McFadden Ridge II with Ekola Flats in its February filing, rendered the RFP less than robust. (*See, e.g.*, June 1, 2018 Hr'g Tr. at 8-12.) However, PacifiCorp testified it "analyzed the bids and selected the initial final shortlist based on economics alone" before discovering the queue issue. (May 29, 2018 Hr'g Tr. at 171:7-9.) Subsequent to its discovery, the only consequence of the queue issue was that one PacifiCorp-owned project, McFadden Ridge II, was replaced with another PacifiCorp-owned project, Ekola Flats. (*Id.* at 171:5-16.) The DPU further testified "[i]n the [DPU's] view, [PacifiCorp] did receive a robust response to its RFP such that the [DPU] is reasonably confident that [it has] a good idea of the market for projects to harness Wyoming wind." (May 31, 2018 Hr'g Tr. at 49:6-10.) The DPU's witness explained that the transmission restudy "near the end of the process" would have "rendered most of the project bids nonviable based upon the project's positions in the transmission study queue" but concluded "it is fortuitous that this had a minimal effect on [PacifiCorp's] selected shortlist of projects." (*Id.* at 49:11-24.)

PacifiCorp's late discovery of the queue position issue was far from ideal.[9] However, because no third-party bidders' projects were removed from the shortlist after PacifiCorp discovered the issue, we find the issue did not undermine the reliability of the process to establish the selected Wind Projects' competitiveness.[10]

[9] We are also mindful that, although PacifiCorp does not appear to have called the matter to bidders' attention, "[t]he facts that the full build-out of Gateway South was triggered a[t] queue position number 708 [was] public knowledge … prior to the issuance of the 2017R RFP …and it ha[d] been public knowledge and [available] on Oasis since 2015." (May 30, 2018 Hr'g Tr. at 365:1-5.)

[10] Notwithstanding our finding, in future RFPs, we fully expect PacifiCorp to improve its method of communicating bid-dependent transmission issues.

2. PacifiCorp's economic analysis shows substantial net benefits in a large majority of forecast scenarios and supports a finding the Combined Projects will most likely result in the delivery of electricity at the lowest reasonable cost.

In addition to vetting the Wind Projects through the RFP process, PacifiCorp provided an economic analysis showing the Combined Projects are most likely to deliver significant net benefits to customers. PacifiCorp's economic analysis studies the change in PacifiCorp's system revenue requirements with and without the Combined Projects across nine different scenarios, each with varying natural gas and carbon dioxide ("CO2") price assumptions. (*See, e.g.*, Feb. 16, 2018 Test. of R. Link at 13:274-14:292.) PacifiCorp calculates system present-value revenue requirement ("PVRR") by identifying least-cost resource portfolios and dispatching system resources over the 20-year planning horizon. PacifiCorp calculates net customer benefits as the PVRR differential ("PVRR(d)") between two simulations of PacifiCorp's system, one simulation including the Combined Projects, and the other simulation excluding the projects. (*See, e.g.*, Jan. 16, 2018 Test. of R. Link at 7:156-8:160.) Customer benefits are expected to occur when the PVRR(d) with the Combined Projects is lower than the system PVRR(d) without the projects.

PacifiCorp's analysis covers both a 20-year period (2017 through 2036) and the Wind Projects' life (through 2050) on an overall basis. In the 20-year analysis, PacifiCorp employed the same modeling approach it used to develop and analyze resource portfolios in its 2017 IRP, with the exception that PTC benefits are treated on a nominal rather than levelized basis. (*Id.* at 2:38-41.) The longer-term study analyzes annual revenue requirement through 2050 to determine impacts over the full depreciable life of the Wind Projects. Revenue requirement from capital associated with the Combined Projects is treated as a nominal cost, and PacifiCorp extrapolates the results from the 20-year IRP-based analysis to estimate the change in system net benefits from 2037 through 2050. (*Id.* at 27:555-558.)

PacifiCorp's models show net customer benefits occur across all nine natural gas/CO2 price-policy scenarios over the 20-year period and in seven out of nine price-policy scenarios over the 30-year period of its analysis. PVRR(d) results for the Combined Projects among all nine price-policy scenarios over the 20-year period through 2036 range from $146 million in net customer benefits when assuming low natural gas prices and zero CO2 prices, to $629 million in customer benefits when assuming high natural gas prices and high CO2 prices.[11] (May 15, 2018 Test. of R. Link at 6, Table 1-SR.) Combined PVRR(d) results over the remaining life (through 2050) of the Wind Projects range from a cost of $146 million (low natural gas prices and zero CO2 prices) to a benefit of $576 million (high natural gas prices and high CO2 prices). (*Id.* at 8, Table 2-SR.)

At hearing, PacifiCorp testified that "[w]hen using base case assumptions, present value gross benefits from the [Combined Projects] exceed 1.7 billion dollars, which is 338 million dollars higher than the present value of the gross costs when assessed through 2036." (May 29, 2018 Hr'g Tr. at 172:24-173:3.) Additionally, "[w]hen assessed through 2050 using these base case assumptions, the present value benefits exceed 2.2 billion dollars, which is [$]174 million higher than the present value of gross costs." (*Id.* at 173:3-6.)

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[11] These figures represent Planning and Risk Model ("PaR")-derived Stochastic mean PVRR(d) values, which PacifiCorp defines as the average of net variable operating costs from the distribution of system variable costs combined with system fixed costs from PacifiCorp's IRP-based SO Model. (June 30, 2018 Test. of R. Link at 19:442-20:444.)

The DPU, the OCS, UAE, and UIEC argue that PacifiCorp's economic modeling does not provide a reliable metric to assess the Combined Projects' costs and benefits. First, they generally argue that PacifiCorp's nominal treatment of PTCs, in conjunction with levelized capital costs, biases model results for the 20-year study period and does not provide a reasonable estimate of both the costs and the benefits of the Combined Projects where capital costs are levelized.[12]

In response, PacifiCorp argues applying revenue requirement associated with capital costs on a levelized basis is appropriate because, when setting rates, revenue requirement from capital costs is depreciated over the book life of the asset, effectively spreading the cost of capital investments over the life of the asset, which extends beyond 2036. (May 15, 2018 Test. of R. Link at 42:949-953.) In contrast, PacifiCorp asserts PTC benefits will flow to customers during the first 10 years after the Wind Projects are built and, consequently, the timing of the PTC benefits should be appropriately weighted and accounted for in the present value calculation of net benefits. (*Id.* at 42:954-957.) For support, PacifiCorp notes the IE was informed of its decision to model PTC benefits on a nominal rather than levelized basis and did not conclude the refinement biased the bid-evaluation results. (*Id.* at 30:670-672.)

The opposing parties also take exception to numerous other modeling variables. For example, they charge that PacifiCorp has historically forecast gas prices "higher than actual gas prices." (May 30, 2018 Hr'g Tr. at 553:22-24; *see also* June 1, 2018 Hr'g Tr. at 35:8-15.) The DPU concludes "[c]aution is warranted based on the nature of predictions, and [PacifiCorp's]

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[12] *See, e.g.*, April 17, 2018 Test. of D. Peaco at 48:842-859; April 17, 2018 Test. of P. Hayet at 14:303–22:466.

history of being wrong." (May 30, 2018 Hr'g Tr. at 554:13-14.) Similarly, UAE and UIEC testified "it's more reasonable to rely on the low price scenarios in PacifiCorp's analysis" owing to its previous overestimation of forward gas prices. (June 1, 2018 Hr'g Tr. at 35:17-18.)

Other "highly speculative assumptions" in PacifiCorp's modeling, according to the parties opposing the Application, are (i) "the omission of 12 percent of the transmission costs during the life of the Wind Projects"; (ii) "the omission of the revenue requirements of the transmission costs after of [sic] the end of the Wind Projects' life"; and (iii) "the addition of a terminal value amount for [PacifiCorp's] owned wind turbines." (*See, e.g.,* May 31, 2018 Hr'g Tr. at 67:23-68:7; *see also* April 17, 2018 Test. of P. Hayet at 8:168-9:186.)

The DPU also argues that "a simple equal weighting of the nine price-policy scenarios . . . does not reflect the nature of the risk . . . [because] the implicit assumption [is] that the [sic] each of the nine scenarios is equally likely," which "is not supported by any evidence." (May 31, 2018 Hr'g Tr. at 88:5-12.)

We find PacifiCorp's economic analysis to be thorough and extensive. We acknowledge the results of the projections may vary significantly, if the modeling inputs change or the facts that eventually materialize are materially different than forecast variables. We find it self-evident and obvious that modeling the costs and benefits for any substantial investment over 20- and 30-year time horizons necessarily entails making informed estimations about future conditions. For this reason, we support PacifiCorp's decision to model nine different potential future outcomes with respect to carbon and gas costs over two different time horizons. We recognize each of these scenarios may not be equally likely to occur, but PacifiCorp's economic modeling shows net customer benefits in the vast majority of potential outcomes. Even the OCS' economic modeling using non-levelized capital costs and non-levelized PTCs showed net economic benefits in the majority of cases. (*See* April 17, 2018 Test. of P. Hayet at 20, Table 2.)

We recognize reasonable minds could endlessly disagree with the values PacifiCorp assigned to variables in its modeling. Forecasting future events, such as gas prices, is, by its nature, a speculative enterprise. However, we find PacifiCorp's forecasts and the methodology underlying them to be reasonable. We additionally do not find PacifiCorp's inclusion of the other questioned assumptions render its analysis unreliable. For example, the record supports the assumption that transmission customers will shoulder a portion of transmission costs and that the Wind Projects will have a residual terminal value. *(See, e.g.*, May 15, 2018 Test. of R. Link at Confidential Exhibit WP23-Solar Portfolio, Tab titled "Wind Costs.") We find PacifiCorp's economic analysis persuasive and supported by the evidence.

3. The record supports PacifiCorp's decision to pursue the Combined Projects now, to capitalize on expiring PTCs, which is a decision that does not foreclose later investment in solar resources.

Finally, the parties opposing the Application argue other resource alternatives exist that are lower cost, lower risk. The DPU, for example, argues the 2017S RFP projects "offer better economics than the [Combined Projects]." (May 31, 2018 Hr'g Tr. at 75:25-76:2.) The OCS, UAE and UIEC testified similarly. (June 1, 2018 Hr'g Tr. at 37:3-8; May 31, 2018 Hr'g Tr. at 198:18-22) The DPU also testified "[a]n all-source RFP would have been much more consistent" with PacifiCorp's assertion that it has a capacity need. (May 31, 2018 Hr'g Tr. at 73:6-8.)

For its part, PacifiCorp testified it did not modify the 2017R RFP to include solar resources, despite our suggestion in the RFP Docket, because it was concerned supplementing the 2017R RFP would delay the schedule such that PTC qualification would be in jeopardy. PacifiCorp testified it issued a separate RFP, the 2017S RFP, for the purpose of contrasting the benefits of the Combined Projects with potential solar resources. (May 29, 2018 Hr'g Tr. at 169:8-15.) PacifiCorp prepared "solar sensitivities" based on bids it received from the 2017S RFP, which it "structured to evaluate both wind and solar bids as if offered into a single RFP." (*Id.* at 169:23-170:1.) PacifiCorp testified its bid selection model, the SO Model, did not subsequently select solar bids over wind bids, rather it chose both. (*Id.* at 170:3-7.) PacifiCorp concluded its solar "sensitivity analyses demonstrates that market bids for solar resources do not displace the [Combined Projects.]" (*Id.* at 170:15-17.) PacifiCorp maintains it has "an immediate capacity need, even after accounting for the . . . capacity from the proposed new wind resources" and "remain[s] actively engaged with solar developers to identify low-cost, high-value projects that can deliver additional customer benefits." (*Id.* at 170:24-171:4.)

WRA supports PacifiCorp, arguing it is a "false choice" to suggest PacifiCorp must select either the Wind Projects or solar projects and that "[i]f both types of resources are beneficial, they should both be developed." (June 1, 2018 Hr'g Tr. at 120:6-8.) WRA further argues "because of the PTC timing and limitations" PacifiCorp is properly pursuing the Wind Projects first. (*Id.* at 120:13-14.)

No party seriously advocated PacifiCorp issue an "all source" RFP (including resource types in addition to wind and solar) in lieu of the 2017R RFP in either the RFP Docket, or prior to hearing in this docket. We recognize that we stated severe skepticism in our approval in the RFP Docket about whether a separate solar RFP could address our concerns and admonished

PacifiCorp that it would be required to defend its decision.[13] We appreciate PacifiCorp's efforts to address that skepticism by issuing the 2017S RFP and by providing the sensitivity analysis[14] for the parties' and our review. While PacifiCorp did not adopt our specific suggested modification, we find that the 2017S RFP was modeled and analyzed in a way that provided results meaningfully similar to what would have occurred had the wind and solar resources bid into the same RFP.[15] We recognize the synergy the PTC credits create through the simultaneous pursuit of the Wind and Transmission Projects renders an apples-to-apples comparison to solar resources in other regions difficult. However, the economic analysis PacifiCorp provided in support of the Combined Projects gives us confidence that the Combined Projects are most likely to result in future cost savings for customers. In short, we are satisfied that PacifiCorp reasonably addressed the concerns outlined in the RFP Docket.[16] We additionally are encouraged to see that PacifiCorp's SO Model preliminarily shows PacifiCorp's later pursuit of these solar projects would render additional benefits in conjunction with the Combined Projects.

In sum, we find the first factor favors approval and that PacifiCorp has shown the Combined Projects will "most likely" result in the acquisition and delivery of electricity to PacifiCorp's customers at the lowest reasonable cost, as the Act contemplates.

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[13] *See* RFP Order at pp. 7-10, *Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources*, PSC Docket No. 17-035-23.

[14] We refer here, of course, not to the stricken sensitivities that PacifiCorp filed in its May 15, 2018 surrebuttal testimony but to the sensitivities previously filed and admitted at hearing.

[15] We also recognize that a single wind and solar RFP would have required additional time and complexities that were avoided by conducting separate solicitations.

[16] It is easy to identify specific statements from testimony or the IE Report that, when read in isolation, argue against approval. Our responsibility is to evaluate the entirety of the record. While the record is not unanimous, it weighs heavily in support of our approval.

ii. The record supports our finding the Combined Projects' long-term and short-term impacts favor the public interest.

As for the long-term and short-term impacts, we find the economic analysis PacifiCorp provided in support of its Application shows positive long-term impacts for the utility and its customers. PacifiCorp's analysis suggests customers should expect to enjoy a net benefit in 24 years of the Wind Projects' projected 30-year life. (May 29, 2018 Hr'g Tr. at 173:7-12 (PacifiCorp testifying its modeling "demonstrates that short-term and long-term impact of the [Combined Projects] are to deliver substantial customer benefits," including net customer benefits in 24 out of the 30-year projected life of the wind resources).) Additionally, PacifiCorp expects a relatively modest rate impact of 1.4 percent in the first year full year of operation. (May 30, 2018 Hr'g Tr. at 520:6-10.)

iii. The inherent market and modeling risks associated with the Combined Projects do not outweigh the risk of denying PacifiCorp the opportunity to capitalize on expiring PTCs and develop resources projected to generate substantial net benefits for customers.

With such a substantial investment, risk is undoubtedly an important consideration. The parties opposing the Application identify numerous risks, which they assert render the Combined Projects contrary to the public interest. Many of these concerns are redundant of concerns expressed as to whether the modeling assumptions (*e.g.*, natural gas prices, carbon costs) upon which PacifiCorp relies will prove to be inaccurate. For its part, PacifiCorp asserts it has been conservative in its modeling assumptions, which should, to the extent true, mitigate the inherent modeling risk.[17] As discussed above, we recognize the inherent uncertainty involved in projecting costs and benefits over the useful lives of these investments.

However, we are also cognizant of the risks attendant to failure to act on productive investment opportunities. More specifically, we recognize the risk of PacifiCorp and its customers foregoing up to $1.2 billion in PTC values over 10 years. (*See* May 29, 2018 Hr'g Tr. at 173:13-14.) In its testimony, PacifiCorp emphasized that a "do-nothing strategy" has its own risks and "increases [PacifiCorp's] reliance on the market which is subject to volatility at a time when thousands of megawatts of coal unit retirements are expected throughout the region," reiterating that failing to proceed "will result in higher costs in 16 of 18 scenarios when assessed over 9 price policy scenarios in two different time frames." (May 29, 2018 Hr'g Tr. at 176:3-12.) PacifiCorp also asserts that failing to proceed "includes the very real and substantial risk that

[17] As examples of its conservatism, PacifiCorp points out: (i) its economic analysis assumes 750 MW of incremental transfer capabilities from the Aeolus-to-Bridger transmission line whereas more recent transmission studies support an assumption that the increase will be over 950 megawatts; (ii) the economic analysis does not reflect expected operations and maintenance cost savings associated with the installation of larger wind turbines at two of the facilities (which PacifiCorp maintains would improve present value net benefits by over $18 million in the 2036 studies and by over $28 million in the 2050 studies); (iii) its economic analysis assigns no incremental value to RECs that may be generated from the Wind Projects (PacifiCorp maintains each dollar assigned to the RECs would improve present value net benefits by $30 million in the 2036 studies and by $38 million in the 2050 studies); (iv) the base case simulations against which the proposed projects are compared "do not include any cost for the [Aeolus]-to-Bridger/Anticline transmission line," which PacifiCorp maintains will necessarily be built and, if included as a cost in the base case simulations, would increase present value customer benefits "by hundreds of millions of dollars" and (v) the "price policy scenarios that include a CO2 price assumption are conservative because they were implemented in 2012 dollars instead of nominal dollars." (May 29, 2018 Hr'g Tr. at 173:22-175:14.)

customers will bear the cost of the needed transmission infrastructure without the benefit of PTC-eligible wind resources." (*Id.* at 176:16-20.)

The parties opposing the Application also point to "potential cost overruns, project delays, [and] under-production of energy" as additional, unacceptable risks. (May 31, 2018 Hr'g Tr. at 186:20-22.) Of course, the possibility of unforeseen cost overruns and unanticipated project delays haunt the development of nearly any conceivable resource. If these risks, alone, were sufficient to render a project contrary to the public interest, few if any projects would ever be approved. We find these risks cannot, by themselves, dictate such a result.

Moreover, PacifiCorp has testified it will employ mitigating language to the fullest extent possible in all of its finalized contracts with vendors on the Combined Projects. For example, PacifiCorp testified it "will establish completion dates" in its contracts with vendors that "guarantee" completion in time to qualify for the full value of the PTCs. (*See, e.g.* Jan. 16, 2018 Test. of R. Vail at 31:668-673.) We fully expect PacifiCorp to do so and will, of course, consider its failure to do so in any future proceeding where cost overruns or delays are at issue. We also note that PacifiCorp has committed to pass through any liquidated damages it receives from vendors to customers, and we expect PacifiCorp to abide by that commitment and reasonably pursue any such claims that may arise. (May 30, 2018 Hr'g Tr. at 517:5-7.)

One other risk the OCS and the DPU argue weighs against our approving the Application is that "other state commissions will not approve recovery of all or part of the [Combined Projects]." (May 30, 2018 Hr'g Tr. at 559:6-17; *see also* May 31, 2018 Hr'g Tr. at 187:8-11 (the OCS testifying that "uncertainty in the Multi-State Process, or MSP, for cost allocation makes this a very risky time for [PacifiCorp] to embark on such a large resource acquisition").) We find this concern to be misplaced. Our approval of the Combined Projects under the Act is an independent and separate inquiry from how attendant costs will ultimately be allocated among the states. More pointedly, our approval of the Combined Projects has no bearing on what allocation of costs we will approve in a proceeding related to the MSP. In electing to proceed with the Combined Projects, PacifiCorp will assume the same risk of under-recovery that it has assumed since it elected to merge utilities operating in different states, thereby subjecting itself to the jurisdiction of their respective utility commissions (which may disagree as to how costs should be allocated on a jurisdictional basis).

In summary, we acknowledge the modeling and market risks associated with the Combined Projects, but we find they do not render it contrary to the public interest. Rather, we find the Combined Projects expose customers to risks attendant to certain market outcomes and insulate them from others they would face in the absence of the Combined Projects and that, on balance, the risks associated with denying PacifiCorp the opportunity to capitalize on these opportunities outweigh the risks associated with PacifiCorp's development of the Combined Projects.

iv. <u>The record does not contain evidence suggesting the "reliability" or "financial impacts on the utility" factors strongly favor approval or disapproval</u>.

While PacifiCorp did not strongly emphasize benefits with respect to reliability, it argues the Transmission Projects will provide "critical voltage support and additional operational flexibility for the system," which will allow it to avoid reliability issues and relieve congestion on the system. (*See, e.g.*, June 1, 2018 Hr'g Tr. at 111:2-7.) The DPU's expert, however, testified the "existing transmission system meets NERC standards and that there is no reliability based need for system upgrades in this part of the transmission system if the wind projects are not built." (May 31, 2018 Hr'g Tr. at 71:9-14.) We find the evidence in the record does not show a specific, near-term reliability concern absent construction of the Transmission Projects or the Wind Projects, although we note – as discussed below – that PacifiCorp's extant long-term transmission plan plainly shows an intention to build the new line. (May 29, 2018 Hr'g Tr. at 218:1-12.)

No party offered evidence suggesting the Combined Projects will have a negative financial impact on the utility. The DPU testified "it is within the financial capacity of PacifiCorp to pursue the [Combined Projects]." (May 31, 2018 Hr'g Tr. at 48:14-18.)

We find concerns associated with near-term reliability or the financial impact to the utility do not exist that meaningfully tilt our public interest inquiry with respect to the Combined Projects.

v. We find the Combined Projects offer a unique opportunity for PacifiCorp to jointly develop needed generation and transmission resources while capitalizing on otherwise expiring PTCs.

Finally, the Act asks us to consider any "other factors" we determine to be relevant. While the statutes do not specifically enumerate resource "need" as a factor (although it arguably can be inferred from one or more of the others), the parties addressed the issue and we agree it is relevant.

Several parties, including the DPU and the OCS, contested PacifiCorp's assertion that a capacity need exists for the Combined Projects to fill. (*See, e.g.*, May 31, 2018 Hr'g Tr. at 187:1-2 (the OCS testifying "the proposed projects are not needed to reliably and cost effectively serve ratepayers").) The DPU insists PacifiCorp introduced the Combined Projects as a unique, time-limited "opportunity" and only "after-the-fact" claimed the existence of a "resource need." (May 31, 2018 Hr'g Tr. at 71:6; 71:15-25.)

We find this argument inaccurate both in substance and as a characterization of PacifiCorp's position in this and other dockets. PacifiCorp's Integrated Resource Plan, filed in April 2017, unambiguously shows PacifiCorp's preferred portfolio relied on "new wind" generation in Wyoming to meet its capacity needs after 2020.[18] PacifiCorp's Application in this docket highlights the IRP's identification of new wind resources to fill this need. (*See* Application at 8.) At hearing, PacifiCorp testified "with existing resources, the 2017 IRP load and resource balance shows an immediate capacity short-fall of over a thousand megawatts in 2021 rising to over 4,000 megawatts by 2036." (May 29, 2018 Hr'g Tr. at 167:3-7.) Additionally, PacifiCorp testified that "after accounting for the updated load forecast used in [its] economic analysis of the [Combined Projects, PacifiCorp] still has an immediate capacity shortfall" of "[n]early 600 megawatts in 2021 rising to over 3,000 megawatts by 2036." (*Id.* at 167:8-12.) PacifiCorp notes the "capacity contribution of the proposed new wind projects is just over 180 megawatts, and this is well below the projected near-term and long-term capacity needs." (*Id.* at 167:16-19.)

As for the Transmission Projects, PacifiCorp's long-term transmission plan shows its intention to build the Aeolus to Bridger/Anticline Line, and its Application in this docket underscored the need for the new transmission. (May 29, 2018 Hr'g Tr. at 218:1-12; Application at 8.) PacifiCorp maintains "[i]t is not a question of if [the] Aeolus-to-Bridger/Anticline line will

[18] *See, e.g., PacifiCorp's 2017 Integrated Resource Plan*, Docket No. 17-035-16, IRP, Vol. I filed April 4, 2017, at 2, 239.

be constructed" but a "question of when" and whether it will be subsidized by the available PTCs if constructed with the Wind Projects. (May 30, 2018 Hr'g Tr. at 360:2-9.) PacifiCorp testified the "transmission system in southeast Wyoming is currently constrained with generation capacity … exceeding transmission capacity." (*Id.* at 359:11-14.) PacifiCorp further testified "there is no reasonable basis to conclude [it] will not need to construct [the line] in the relatively near future." (*Id.* at 359:15-19.)

In arguing new generation is not needed, parties imply PacifiCorp may, instead, rely on market purchases to fulfill its capacity shortfalls. (*See, e.g.,* April 17, 2018 Test. of J. Zenger at 4:52-57.) This observation, however, does nothing to negate the existence of the need for additional capacity, but instead addresses how PacifiCorp should obtain it.[19]

We find the availability of the expiring PTCs to subsidize the fulfillment of these existing needs to be highly relevant and to strongly favor our finding the Combined Projects are in the public interest.

Based on our analysis of this factor and those enumerated under the Act and discussed above, we determine and find the Combined Projects to be in the public interest. Moreover, we conclude this determination, in conjunction with our findings that PacifiCorp complied with applicable laws and the solicitation process we approved in the RFP Docket, satisfies the Act's

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[19] The DPU concedes it has historically expressed concern about PacifiCorp's reliance on market purchases to meet its load, but testified it "envisioned [PacifiCorp] would acquire dispatchable resources that have high-capacity contribution values, and not, as proposed here, non-dispatchable wind resources." (May 31, 2018 Hr'g Tr. at 51:22-52:2.)

standards for approval of significant energy resource decisions and resource decisions. We therefore approve the Wind Projects and the Transmission Projects.

d. We Decline to Adopt the OCS' Proposed Conditions.

The Act provides that if the PSC approves a significant energy resource decision or resource decision, the PSC "shall, in a general rate case or other appropriate [PSC] proceeding, include in the affected electrical utility's retail electric rates the state's share of costs … up to the projected costs specified in the [PSC's] order issued under Section 54-17-302 [or § 54-17-402, as applicable]." Utah Code Ann. §§ 54-17-303(1)(a), 54-17-403(1)(a). The Act further states any "increase from the projected costs specified in the [PSC's] order … shall be subject to review by the [PSC] as part of a rate hearing." *Id.* at §§ 54-17-303(1)(c), 54-17-403(1)(b).

Further, the PSC "may disallow some or all costs incurred in connection with an approved [significant energy resource decision or resource decision] if the [PSC] finds that an affected electrical utility's actions in implementing an approved … decision are not prudent because of new information or changed circumstances that occur after" the PSC approves the decision. *Id.* at §§ 54-17-303(2)(a), 54-17-403(2). Finally, the PSC may disallow some or all costs a utility incurs with respect to an approved significant energy resource decision or resource decision "upon a finding by the [PSC] that the affected electrical utility is responsible for a material misrepresentation or concealment in connection with an approval process under [the Act]." *Id.* at §§ 54-17-303(3), 54-17-403(3).

Thus, while the Act provides utilities with qualified assurance they will enjoy recovery of costs related to their approved resource acquisitions, it contains potent and, in our view, essential protections for ratepayers.

Nevertheless, the OCS recommends that, if we are inclined to approve the Combined Projects, we impose four conditions: (i) place a "hard cap" on capital and operations and maintenance costs; (ii) require PacifiCorp to guarantee PTC and energy benefits at 95 percent of the amounts PacifiCorp forecasts; (iii) require PacifiCorp to guarantee recovery of at least 12 percent of the costs arising out of the Transmission Projects from wholesale transmission customers (*i.e.*, retail ratepayers' share would be capped at 88 percent of the costs); and (iv) approve a Utah jurisdictional total cost for the Combined Projects.[20] (*See, e.g.*, April 17, 2018 Test. of B. Vastag at 4:71-81.)

We conclude placing a "hard cap" on capital costs, which would preclude PacifiCorp from recovering an increase in such costs even where incurring the increase was prudent, would subvert the Act by undermining the legislatively dictated outcome of our approval. That is, the Act provides such increases "shall be subject" to our review for prudence. We would contradict the Act by concluding otherwise.

Similarly, the OCS' recommendations that we require PacifiCorp to guarantee operations and maintenance costs and to guarantee forecast PTC benefits, energy benefits, and recovery of Transmission Project costs from wholesale transmission customers finds no support in the Act. Any long-term investment decision must be made on the basis of forecast costs and benefits. We have, as discussed above, found that PacifiCorp's modeling and forecasting of the costs and benefits of the Combined Projects is reasonable and shows they are most likely to result in net benefits for ratepayers. We conclude requiring utilities to guarantee their forecasts will come to

[20] The OCS recommends a specific amount, disclosed in the confidential portion of Mr. Hayet's written testimony. (April 17, 2018 Test. of P. Hayet at 46:993.)

fruition would serve to deter them from pursuing valuable investment opportunities and is inconsistent with the Act. We decline to adopt these recommendations.

Finally, the OCS requests we set a specific jurisdictional allocation of the Combined Projects that we will allow Utah to incur. We conclude this issue is premature and better resolved in a future docket that evaluates, on the whole, the multi-state jurisdictional allocation method and the appropriate share of costs attributable to Utah. We observe that among the proposals PacifiCorp is discussing with stakeholders and regulators is a "subscription" program. The OCS' recommendation is sufficiently, if not wholly, analogous to such an approach that we conclude it would be premature for us to adopt it here.

e. We Impose Reporting Requirements on PacifiCorp with Respect to the Combined Projects.

Although we decline to condition our approval on guarantees we believe run afoul of the Act, we conclude mechanisms should exist to provide transparency and ensure information is as complete as possible should controversy later arise with respect to the Combined Projects' costs. We note the IE testified, as it concluded in its report, that "the capital cost of PacifiCorp's benchmark resources should be closely scrutinized to ensure that the costs on which the economic evaluation was based are realistic." (May 30, 2018 Hr'g Tr. at 286:7-10.)

As a condition of our approval, we conclude requiring PacifiCorp to report the following information is appropriate: (i) final project costs for each specific project that comprises the Wind Projects and the Transmission Projects; (ii) realized PTC benefits from the Combined Projects; (iii) realized energy benefits from the Combined Projects; (iv) transmission costs of the Transmission Projects that are actually offset by revenues derived from wholesale transmission customers; (v) payments for any damages, including liquidated damages, paid to PacifiCorp related to the Combined Projects; (vi) contribution to the 230 kV Network Upgrades' total cost from interconnection customers; (vii) annual revenue requirement associated with the Aeolus to Bridger/Anticline Line and the incremental transmission revenue resulting from the construction of the line; (viii) wind operations and maintenance costs associated with the Wind Projects that PacifiCorp owns; (ix) realized value of RECs sold associated with the generation from the Wind Projects; and (x) other information PacifiCorp deems necessary or appropriate. We direct PacifiCorp to file a proposal on or before September 1, 2018 detailing its specific recommendations for fulfilling this requirement, including the start date, frequency (*e.g.*, annually), duration (*e.g.*, 20 or 30 years) and level of granularity with respect to such reporting. PacifiCorp also should include recommendations as to the confidentiality of such reporting. We will then allow other interested parties an opportunity to comment on PacifiCorp's proposed reporting requirements before finalizing the requirements in an order.

4. DISCUSSION, FINDINGS, AND CONCLUSIONS REGARDING TOTAL PROJECTED COSTS AND THE BASIS FOR SUCH FINDINGS

Based on the results of the competitive solicitation process through which they were designated, PacifiCorp's economic modeling, and all of the testimony and documentary evidence discussed in this Order and otherwise contained in the record, we make the following findings regarding the approved projected costs for each individual component of PacifiCorp's Combined Projects:[21]

[21] The specific projected costs for the projects comprising the Combined Projects are in the record but are designated confidential. To preserve the confidentiality of the project-specific figures, we refer to the confidential portion of the record containing the approved projected costs.

(1) For the BTA portion of the Cedar Springs wind project: the amount presented in Confidential Exhibit RMP_(RTL-1SS) cell F9;

(2) For the 20-year PPA portion of the Cedar Springs wind project: the dollar per megawatt-hour cost identified on page 14, line 300 of the Confidential Supplemental Direct and Rebuttal Testimony of Rick T. Link filed on January 16, 2018;

(3) For Ekola Flats: the amount presented in Confidential Exhibit RMP_(RTL-1SS) cell F10;

(4) For TB Flats: the amount presented in Confidential Exhibit RMP_(RTL-1SS) cell F11;

(5) For the 230 kV Network Upgrades: $77.32 million, the amount presented in the May 15, 2018 Surrebuttal Testimony of Rick A. Vail at page 3, line 63;

(6) For the Aeolus to Bridger/Anticline Line: the amount presented in Confidential Exhibit RMP_(RTL-1SS) cell C55.

5. DISCUSSION, FINDINGS, AND CONCLUSIONS REGARDING THE RTM

PacifiCorp asserts the "RTM would work in conjunction with the energy balancing account[,] or EBA, to match recovery of costs [of the Combined Projects] with the benefits." (May 30, 2018 Hr'g Tr. at 514:2-4.) It "would include the capital cost of the projects and the benefits from the production tax credits from the new wind resources." (*Id.* at 514:4-6.) "The EBA, absent any adjustment, would include a hundred percent of the incremental zero fuel cost energy from the new wind projects, the wheeling revenue from the new transmission line, and the costs of the PPA." (*Id.* at 514:6-10.) PacifiCorp claims that without the RTM, or a modification to exclude net power cost benefits from the EBA, customers would receive benefits without paying for the costs necessary to achieve those benefits. (Jan. 16, 2018 Test. of J. Steward at 11:245-246.)

Parties other than PacifiCorp and IEA recommend the PSC reject PacifiCorp's proposed RTM. The DPU, the OCS and numerous intervenors contend that if the PSC approves the Combined Projects, PacifiCorp should simply file a general rate case to address associated ratemaking issues. (*See, e.g.,* April 17, 2018 Test. of D. Thomson at 11:201-203; April 17, 2018 Test. of D. Ramas at 13:270-274.) The OCS contends there is no need to establish a complex recovery mechanism that would shift risk away from PacifiCorp's shareholders to its ratepayers and add substantial complexity to the regulatory process. (*Id.* at 2:41-43.) The UAE and UIEC claim PacifiCorp's RTM proposal would constitute single issue ratemaking, which they argue is inherently unfair to ratepayers and often results in over-earning by the utility and over-paying by the customer. (Dec. 5, 2017 Test. of B. Mullins at 51:16-17.)

As we recently concluded in another docket where PacifiCorp sought to implement an RTM,[22] we conclude here that PacifiCorp has sufficient means through ordinarily available ratemaking mechanisms, such as general rate cases or requests for deferred accounting treatment, to seek recovery for its investment in the Combined Projects. The evidence before us shows that PacifiCorp has taken steps to control recoverable costs and to minimize risks that may impact revenue requirement and PacifiCorp's financial health between rate cases.[23]

We deny PacifiCorp's request to establish an RTM.

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[22] *See Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities,* Docket No. 17-035-39, Report and Order issued May 25, 2018 at 24-25.

[23] *See, e.g.,* Jan. 16, 2018 Test. of C. Crane at 1:22-23.

6. ORDER

Consistent with the foregoing, we order as follows:

(1) We approve the Wind Projects, approving each specific project for the total projected cost stated *supra* at 37.

(2) We approve the Transmission Projects, approving the 230 kV Network Upgrades and the Aeolus to Bridger/Anticline Line for the respective total projected costs stated *supra* at 37.

(3) Pursuant to R746-430-3(1)(d), PacifiCorp shall file any agreements it enters for the acquisition of the Combined Projects with the PSC.

(4) On or before September 1, 2018, PacifiCorp shall file proposed reporting requirements as discussed *supra* at 35-36.

(5) We deny PacifiCorp's request to institute an RTM.

DATED at Salt Lake City, Utah, June 22, 2018.

/s/ Thad LeVar, Chair

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#303022

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.

Concurring Statement of Commissioner David R. Clark, writing separately:

I dissented from the order in Docket No. 17-035-23 that approved the RFP process, the outcome of which is the principal subject of this proceeding. I believed then, as I do now, that restricting the RFP to wind resources only is a serious flaw. The governing statute requires us, in making our public interest determination, to consider whether the proposed 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]." Utah Code. Ann. § 54-17-201(2)(c)(i)(A). Based in part on the credible evidence offered that the solar resource cost data on which the utility relied in excluding solar resources was outdated and as much as 40 percent too high, I concluded that any reasonable process to identify the lowest cost resource must include a solicitation for solar resource bids. I also believe the record in that docket supported a finding that adequate time existed for the RFP to be revised to include such a solicitation, without jeopardizing the ability of any selected wind resources to qualify for PTCs.

In my view, the record in the instant docket validates these positions. Despite choosing to disregard the PSC's suggestion to expand the RFP to include solar resources, PacifiCorp commenced a separate solicitation for them as discussed *supra* at 23-24. Then, in January 2018, it filed substantial new analysis to support its project selections in the wind RFP. The resulting delay of over two months in the schedule for hearings on the wind RFP would have accommodated the RFP expansion, and PacifiCorp continues to assert the selected wind projects can and will be constructed in time to meet the PTC deadline. Moreover, the delay in the hearing schedule allowed us to compare, as a sensitivity, in this docket the solar resource bids with the winning wind RFP bids. PacifiCorp testified that when the wind and solar bids were considered together, its models selected both wind and solar projects. It also testified the aggregate PVRR(d) of the resulting combined wind/solar portfolio showed a higher overall PVRR(d) benefit than the selected portfolio of wind projects alone. (May 30, 2018 Hr'g Tr. at 279:16-25.) Moreover, while the utility did not directly compare each wind and solar project to rank order the most beneficial projects of both technologies (*Id.* at 281:2-23), the OCS presented evidence that under at least some modeling assumptions (i.e., where PTCs are levelized over a 20-year study or where the study period is the 30-year asset life) solar project benefits exceed the benefits of the selected wind projects. (April 17, 2018 Test. of P. Hayet at 23:493-28:601.)

I find further support for my initial reservations about a wind only RFP in our IE's Report. In the Conclusions and Recommendations section of this report the IE concludes: "One of the primary issues the IE is required to address in its assessment of the solicitation process is whether the solicitation process is consistent with Utah Statutes (54-17-101) and is in the public interest taking into consideration whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers of an affected electrical utility located in this state, including (1) long-term and short-term impacts; (2) risk; (3) reliability; (4) financial impacts on the affected electric utility; and (5) other factors determined by the [PSC] to be relevant. In the view of the IE, PacifiCorp's selection of the final portfolio of wind resources is in the public interest based on wind proposals submitted, albeit subject to cost risk associated with the benchmark resources as discussed below. Since PacifiCorp's solicitation is based solely on the solicitation for system wind resources, it is not possible to determine if other resources would have been included in a final least cost, least risk system portfolio, potentially displacing one or more wind resources. The result of this market test for wind was the proposed selection of wind resources that actually provided significantly more customer benefits than PacifiCorp had calculated in its IRP cases. The same could be true for other resources as well." (IE's Report at 81.)

Similarly, in an earlier section of the IE's Report addressing adherence of the wind only solicitation process to the PSC's governing regulations, the IE states: "From the perspective of evaluation of the wind resources in combination with the Aeolus-to-Bridger/Anticline transmission line the resource decisions result in significant benefits to customers. However, it is not possible to determine if the wind-only resources offer the lowest reasonable cost without an integrated resource procurement and evaluation process that also includes solar and potentially other resources." (IE's Report at 68.)

Notwithstanding the foregoing, I have considered the questions presented in this case in the context of the PSC's RFP order. I recognize we must make a decision based on the record before us, which does not include an integrated RFP that solicited solar resources. If we deny the Application, insufficient time appears to exist to conduct an additional solicitation, and PacifiCorp will likely forfeit the opportunity to qualify for PTC benefits. I also recognize the significant risk to customers of permanently foregoing potentially more than one billion dollars in PTCs if the wind projects in question are not constructed at all or are not placed in service in time to qualify. The existence and near term expiration of these PTCs for qualifying wind resources is a highly relevant "other factor" for our public interest consideration. The time-limited opportunity to capitalize on these valuable PTCs coupled with the economic analysis PacifiCorp has presented in support of its Application persuade me the Combined Projects are in the public interest. But I remain convinced the absence of solar resources from the 2017R RFP was a mistake and contrary to the public interest at the time the PSC approved the solicitation process.

Placing significant weight on the IE's Report, I concur the RFP was carried out lawfully and in substantial conformance with its PSC-approved design. I also concur the PSC has given appropriate weight and consideration to the statutory public interest criteria and that, on balance, the evidence measured against those criteria supports approval of the Application. For these reasons, in addition to the findings and conclusions noted in the decision, I concur in this Order.

/s/ David R. Clark, Commissioner

CERTIFICATE OF SERVICE

I CERTIFY that on June 22, 2018, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

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