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Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Joni Zenger, Utility Technical Consultant

Date: May 27, 2021

Re: **Docket No. 17-035-40**, PacifiCorp's New Wind & Transmission Report for Calendar Year 2020.

Recommendation (Approval)

The Division of Public Utilities (Division) has reviewed PacifiCorp's (Company) New Wind and Transmission Report for Calendar Year 2020 and recommends the Public Service Commission of Utah (Commission) approve the filing, with a suggested numerical format change.

Issue

On April 29, 2021, the Company filed with the Commission its first New Wind and Transmission Report for calendar year 2020 (Report). The Report was filed pursuant to the Commission's June 22, 2018 Order (Approval Order) and its Order on Reporting Requirements (Reporting Order) issued on October 22, 2018 in the above-referenced docket.

On April 29, 2021, the Commission issued an Action Request to the Division to review the Report for compliance and make recommendations by May 28, 2021. On May 3, 2021, the

Commission issued a Notice of Filing and Comment Period for interested parties to submit comments on the Company's Report by June 2, 2021, with reply comments due on or before June 17, 2021. This memorandum responds to the Commission's Action Request.

Background

In Section 3.e of the Approval Order, the Commission conditioned its approval for the new wind and transmission projects (Combined Projects) on the Company filing a report with the following required information:

- (i) final project costs for each specific project comprising the Wind Projects and the Transmission Projects;
- (ii) realized Production Tax Credits (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 requirements 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 renewable energy credits (RECs) sold associated with the generation from the Wind Projects; and
- (x) other information PacifiCorp deems necessary or appropriate.

The Commission also directed PacifiCorp to file on or before September 1, 2018 specific recommendations for fulfilling the requirement, including the start date, frequency, duration, and level of granularity for the reporting and to include recommendations as to the confidentiality of

such reporting. Through a separate process that included a comment and reply comment period, the Commission approved the following reporting template in its Reporting Order:

Table 1				
Approved Reporting Requirements of the Combine Projects (Docket No. 17-035-40)				
Required Information	Start Date	Frequency	Duration	Confidentiality
(i) final project costs for each specific project	12 ME CY 2020, due 4/30/2021	annually	10 years	Confidential
(ii) realized PTC benefits	12 ME CY 2020, due 4/30/2021	annually	10 years	Non-confidential
(iii) realized energy benefits	12 ME CY 2020, due 4/30/2021	annually	10 years	Non-confidential
(iv) transmission costs of the Transmission Projects that are actually offset by revenues derived from wholesale transmission customers	12 ME CY 2020, due 4/30/2022	annually	10 years	Non-confidential
(v) payments for any damages, including liquidated damages	Included in annual reports, as applicable	annually	10 years	Confidential
(vi) contribution to the 230 kV Network Upgrades' total cost from interconnection customers	12 ME CY 2020, due 4/30/2022	annually	10 years	Non-confidential
(vii) annual revenue requirement associated with the Aeolus to Bridger/Anticline Line and the incremental transmission revenue resulting from the construction of the line	12 ME CY 2020, due 4/30/2022	annually	10 years	Non-confidential
(viii) wind operations and maintenance costs associated with the Wind Projects that PacifiCorp owns	12 ME CY 2020, due 4/30/2021	annually	10 years	Non-confidential
(ix) realized value of RECs sold	12 ME CY 2020, due 4/30/2021	annually	10 years	Confidential

The Company, in its April 29, 2021 filing, populated the reporting template with the Required Information for calendar year 2020. The Excel spreadsheet containing this data has been filed as the Company's Confidential Attachment A: RMP's New Wind and Transmission Report for CY 2020 in its Report, herein known as Confidential Attachment A.

Discussion

The Division conducted a thorough review of the Commission's Approval Order and its Reporting Order as it evaluated the compliance of the Company's filed Report. In its review, (in particular Confidential Attachment A), the Division had several questions and set up a meeting with the Company that was held on May 18, 2021. During the May 18, 2021 meeting, the Company's representative, Jana Saba, walked the Division through each tab of Confidential Attachment A and answered questions. On May 19, 2021, the Division issued a formal data

request to the Company with additional questions that were not answered at the May 18, 2021 meeting. The Company filed its response on May 25, 2021.¹

Since this Report represents the first compliance filing of the Combined Projects, the Division examined the Report for compliance in both substance and in structure. With regard to the structure of the report, the Division finds that Confidential Attachment A fulfills the Commission's reporting requirements, per the Commission's Reporting Order. For ease of use, the Division recommends renaming the outlined numbering convention from items (i) through (x)² to numbers 1 through 10.

The Division reports its findings for each of the tabs in Confidential Attachment A below in the re-numbered format.

1. Final Project Costs.

The Final Project Costs that have been populated in the spreadsheet are comparable to the amounts approved by the Commission in its Approval Order. The Approval Order approved the construction and expenditures for the Energy Vision 2020 wind projects, including TB Flats, Ekola Flats, and Cedar Springs II (New Wind Projects). Some of the projects were not in-service by calendar year 2020 and contain partial project costs instead of final project costs. The Cedar Springs II Wind Project and the Ekola Flats Wind Project were completed in calendar year 2020 and comply with the project costs in the Commission's Approval Order. The Division notes that the reported Cedar Springs II, also known as Cedar Springs Build Transfer Agreement (BTA), costs did not include internal project management costs.³ However, even with the management costs, the Final Project Costs for Cedar Springs are below the Commission-approved amount.

¹ See the Company's Response to DPU 28, May 25, 2021.

² See Table 1, Reporting Template on page 3 of this Action Request Response, where tabs are labeled i, ii, iii ...ix.

³ See Confidential Rebuttal Testimony of Timothy J. Hemstreet, Docket No. 20-035-04, October 5, 2020, p. 9, lines 186-192 and Confidential Exhibit RMP (TJH-1).

The pandemic impacted both the timing and costs of the New Wind Projects. The TB Flats I and II projects were originally slated to be completed in December of calendar year 2020, but are now expected to be in-service mid-2021. The Company had to deal with force majeure events, supply shortages, and the health and safety concerns of contractors and employees. The Company documented how it managed critical supply issues in Docket No. 20-035-04 (PacifiCorp's General Rate Case filing) by placing the projects in service on a circuit-by-circuit basis.⁴ Mr. Hemstreet states that the pandemic caused cost increases to some of the New Wind Projects that were above the Approved Project costs.⁵

The Commission, in its Confidential General Rate Case Order, approved the New Wind Project Costs.⁶ Because of the delayed in-service dates, some of the data populating the Report is missing or incomplete. The Final Project Costs will need to be compared to those more recently approved in the Commission's General Rate Case Order, once those costs are known. Therefore, the Division recommends reviewing the Final Project Costs in the Company's April 30, 2022 filing (Second Report). At that time, the Final Project Costs will be fully known, and the Division can make a definitive finding if the amounts of any of the individual components of the Combined Projects are in excess of the resource costs in the Approval Order. This includes the final project close out costs and punch list items. Only at that time can the Division verify that the Final Project Costs do not exceed the Commission's Approved Costs either in the 17-035-40 Approved Filing or in the Docket No. 20-035-04 approved updated, pandemic-related costs.

In addition to the New Wind Projects, the Commission approved project costs for the Transmission Projects that are part of the Combined Projects in the Company's Energy Vision 2020 Plan. The Transmission components include the 230 kV Network Upgrades and the Aeolus to Bridger/Anticline Line. The Division confirmed that the Final Project Costs

⁴Id. at pp. 5-6, lines 132-134: "As a result, approximately 309 MW of TB Flats WTGs will be brought online in 2020 with the remaining approximately 194 MW of nameplate capacity 134 coming online in 2021."

⁵ Id. at p. 11, lines 196-200.

⁶ Docket No. 20-035-04, Confidential Order, December 30, 2020, p. 52.

for the Transmission Requirements meet the Commission's Approval Order and Reporting Order.⁷

2. Realized PTC Benefits.

The only complete information on Realized PTC benefits for calendar year 2020 is for the Cedar Springs Wind BTA. All 72 wind turbine generators (WTGs) were in service by December 31, 2020, creating tax benefits. In Internal Revenue Code section 45, the Internal Revenue Service 131 (IRS) provides for PTCs at the 2019 full rate of 2.5 cents per kilowatt-hour of electrical energy production by a wind facility. The Realized PTC Benefit is properly calculated in Confidential Attachment A, at 2.5 cents per kilowatt-hour for the full 72 WTGs producing energy at the Cedar Springs Wind Project.

The pandemic caused supply disruptions and pushed back project completion dates for the Company's other wind projects, and thus, the date for which WTGs start to provide benefits.⁸ However, the federal government extended the deadline for wind projects to be completed by one year and approved the circuit-by circuit approach of energizing wind projects.⁹ Therefore, the full PTC Benefits will accrue for all of the Wind Projects for the full ten years.

The Realized PTC Benefits tab provides the actual PTCs and the estimate for the PTCs at the time of approval, rather than at the time each WTG became operational. In response to DPU 28.2, the Company explains that, due to the timing of the commercial operation of the WTGs and in light of the federal government's extension of the PTC qualification into 2021,¹⁰ an

⁷ The Company supplemented its April 29, 2021 filing with its response to DPU Set 28, the Company's Confidential Attachment 28.1 dated May 25, 2021. The Company's response provided the required budgeted project costs for the 230 kV Network Upgrades broken out by line item, as well as the variance amounts (column D) of each line item that differs from the Final Project Costs (column C).

⁸ See Docket No. 20-035-04, PacifiCorp's General Rate Case, Rebuttal Testimony of Timothy J. Hemstreet, May 18, 2021, pp. 5-6, lines 133-134, "As a result, approximately 309 MW of TB Flats WTGs will be brought online in 2020 with the remaining approximately 194 MW of nameplate capacity 134 coming online in 2021."

⁹ The Protecting Americans from Tax Hikes Act of 2015 (the PATH Act) extended the availability of the PTCs for wind facilities under construction before January 1, 2020.

¹⁰ Id.

updated estimate of PTCs at the time of commercial operation is not useful or necessary.¹¹

The Second Report should contain partial 2020 PTC Benefits, but a full year of realized PTC benefits for 2021 for the Company's other wind projects. The Division recommends evaluating the PTC Benefits in the Second and subsequent reports.

3. Realized Energy Benefits.

The Company complied with reporting the net power cost (NPC), or energy benefits. The Company populated the energy benefits tab with the appropriate data for calendar year 2020.

4. Transmission Costs.

The Transmission Costs report is not required to be reported until April 30, 2022. The Division will evaluate the Transmission Costs in the Second Report.

5. Liquidated Damages.

The Company reported no (zero) liquidated damages for calendar year 2020. This is in compliance with the Commission's Reporting Order.

6. 230 kV Network Upgrades.

The 230 kV Network Upgrade Costs are not required to be reported until April 30, 2022. The Division will evaluate the 230 kV Network Upgrade Costs in the Second Report.

7. Revenue Requirement Aeolus to Bridger.

The Aeolus to Bridger Revenue Requirement tab is not required to be completed until April 30, 2022. The Division will evaluate the Aeolus to Bridger Revenue Requirement in the Second Report.

¹¹ See the Company's Response to DPU 28.2, May 25, 2021.

8. Wind Operation and Maintenance (O&M) Costs.

The Company reported O&M costs for PacifiCorp-owned projects. For each of the three projects reported, there was less than one month of data; this information was not useful. The Division will evaluate the O&M costs in the Second Report.

9. Renewable Energy Credits (RECs).

The Company reported no data on the RECs tab. The Company explained that, even after projects have become operational, there is a time lag before RECs can be registered and/or sold. The RECs must be registered officially by Western Renewable Energy Generation Information System (WREGIS), an independent body that authorizes the sale and purchase of RECs. The Division finds the Company is in compliance and has no RECs to report for calendar year 2020. The WREGIS approval for the Cedar Springs BTA allows for certificates to be created retroactively beginning with January 1, 2021 vintage.¹² The Ekola Flats Wind Project has been registered and approved by WREGIS to start generating RECs on May 14, 2021.¹³ As previously mentioned, the TB Flats project has not been completed and therefore cannot be registered or certified by WREGIS. The Second Report, on April 29, 2022, will provide the number of RECs generated by each respective wind project, the number of RECs sold or held for compliance, and pricing information on each REC.

10. Other.

The Company did not report any other information.

As previously mentioned, this Report is the first of ten annual reports that will be filed in this matter. A portion of the data for the Combined Projects for calendar year 2020 was not known because of pandemic-related delays. The Company properly populated the filing requirement template, per the Reporting Order. The Division recommends re-examining the Final Project Costs in the Company's Second Report to make sure those costs do not exceed the Commission-

¹² See the Company's Response to DPU #28.4, May 27, 2021.

¹³ Id.

approved costs in its Approval Order or its Confidential General Rate Case Order. The Division will report any findings or suggestions for improvement in the reports going forward.

Conclusion

The Division has reviewed the Company's Report, focusing on the content and structure of Confidential Attachment A. The Division finds the Report meets the Approved Reporting requirements and Approval Requirements at this time. The final costs of the Combined Projects are not fully known at this time due to pandemic-related delays, and the Division cannot determine if the Final Projects Costs are within the limits of the Approved Order. The Division recommends auditing the remainder of the Final Project Costs for the Combined Projects in the Second Report. For this Report, the Division recommends Commission approval and recommends the Company renumber the tabs using the numerical numbers 1 through 10 in future reports.

cc: Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services