

Comments on PacifiCorp Latest RFP and Reply Comments – Remaining Issues

Merrimack Energy submitted its report on the PacifiCorp 2022AS RFP on March 22, 2022. In the report, we identified approximately 20 issues that we (and stakeholders) felt were important to ensuring the solicitation process could result in a fair and competitive process and whether the process complies with Utah Statutes, is in the public interest, and will likely result in the acquisition, production and delivery of electricity at the lowest reasonable cost to retail customers. A copy of the Executive Summary from Merrimack Energy's report is attached. In addition, prior to submission of the report, we sent a list of 32 questions to PacifiCorp seeking responses to questions and clarification of key issues. PacifiCorp's response to Merrimack Energy's questions is also attached. On April 1, 2022, PacifiCorp provided Reply Comments in Support of Application for Approval of Solicitation Process in Response to stakeholder comments and Merrimack Energy's Report. PacifiCorp's accepted all of Merrimack Energy's recommendations with one exception - bid fees and alternatives. In addition, PacifiCorp accepted the clarification comments identified by Merrimack Energy. The remaining issues with regard to the final RFP are listed below.

1. While PacifiCorp did accept the vast majority of our recommendations, one major exception had to do with bid fees. As background, in past solicitations PacifiCorp's bid fees have generally included a base bid fee of \$10,000, which included at least two alternatives at no additional cost. As a result, the bidder could submit three different alternative proposals. For this 2022AS RFP, PacifiCorp proposed a base bid fee at \$15,000 with no alternatives. If a bidder wished to offer a 30 year and a 20-year PPA, for example, it would require two bid fees for \$30,000 in total. PacifiCorp's rationale is that there were a large number of bids in the 2020AS RFP and some bidders paid as much as \$250,000 in bid fees. Furthermore, every option requires a significant amount of work that is not justified by the bid fees. Our recommendation in our report was that we would accept the \$15,000 bid fee under the condition that PacifiCorp allow at least one alternative that would include either a different term or price option (fixed or fixed escalation). Our concern was that PPA bidders would likely offer a term of 30-years to compete with benchmarks and BTAs. We felt it would enhance the opportunity for a better-balanced portfolio if bidders could offer both a 30-year and a 20-year PPA as part of the same bid fee. In its Reply comments, PacifiCorp's justification for rejecting Merrimack Energy's recommendation was that "each bid iteration requires the same effort and diligence from the company and IE to evaluate (page 5 of Reply Comments). I disagree and also note that on pages 23-24 of their Reply Comments that PacifiCorp totally contradicted themselves. PacifiCorp stated "one reason to eliminate the initial shortlist is the recent transition by the portfolio optimization team from using the SO and PaR model to the PLEXOS model. PLEXOS has increased functionality in that it is able to consider many more resources and resource alternatives." This statement appears to contradict their reason for eliminating alternatives. In our view, our suggestion was to only allow different contract terms and pricing structures, which should not create the same level of effort since only one input will change. Neither alternative would require a different assessment of the non-price scores but would only involve inputs to the PLEXOS model. On the other hand, no other stakeholder in Utah or other states raised any issues about bid fees and alternatives. Neither did the other IEs or Commission staffs. If there is no interest in including other alternatives, I would suggest that the bid fees be lowered to \$10,000 per bid. The \$10,000 bid fee is consistent with industry standards. I'm not sure if this an issue to raise with

the Commissioners or just accept the Company's position. Please let me know your thoughts on this and the next steps.

2. On page 8 of its Reply Comments, PacifiCorp refers to the current Appendix H-3 filed with the RFP. We reviewed the RFP documents and it appears PacifiCorp did not include Appendix H-3 with its filing. This Appendix contains information on the status of PacifiCorp Transmission's Interconnection queue and the projects submitted into each Cluster Study. I did find that PacifiCorp included Appendix H-3 in the filing in Oregon. I can contact PacifiCorp and let them know about the missing Appendix.

3. We have a concern with PacifiCorp's response on pages 21-22 of its Reply comments. UAE sought clarification of the RFP requirements for submitting PPA storage bids with augmentation required but with no augmentation required for BTAs and how the preference would be reflected in the scoring and selection of bids. We raised this issue in our comments but perhaps misinterpreted PacifiCorp's intent. We were under the impression that BTA and benchmark proposals for storage and solar plus storage options would require PacifiCorp to include the cost of augmentation in its analysis of the proposals. This would require the IEs to ensure the appropriate augmentation costs are included to place all options on a level playing field. However, PacifiCorp states in its Reply Comments that BTAs, and we also assume benchmarks, are not required to augment the battery capacity to maintain the same battery capacity over the project life like the PPAs are required to do but will instead assume degradation curves to value the BTA and presumably benchmark options. Based on PacifiCorp's comments, we would suggest that PacifiCorp clarify the basis for the different treatment and whether benchmarks are held to the same requirements as BTAs. As usual, our concern is that there are different requirements for PPA and utility-owned options which could skew the evaluation results to favor BTAs and benchmarks. In any case, we would like to ask PacifiCorp to provide some clarity on this issue.

4. We also had a few comments about formatting the RFP documents for final completion. For example, the first page of Appendix B-2 has a footer which identifies the pages as Appendix C-1. Our suggestion would be to just notify PacifiCorp of these issues for corrections.