

October 9, 2020

Erin Kester
Manager – Policy, Regulation & Markets
Avangrid Renewables, LLC
1125 NW Couch St., Suite 700
Portland, OR 97209

Delivered via email to: erin.kester@avangrid.com
collin.thomas@avangrid.com

Dear Ms. Kester:

This letter responds to the October 2, 2020 letter from Avangrid Renewables, LLC, addressed to PacifiCorp Resource & Commercial Strategy (the “October 2 Letter”). The October 2 Letter raises concerns about PacifiCorp’s treatment of interconnection status of bids into its pending all-source request for proposals (“RFP”). In response, PacifiCorp will review key, long-standing Federal Energy Regulatory Commission (“FERC”) interconnection requirements and PacifiCorp’s own public statements that made clear that PacifiCorp will: (1) continue to honor executed interconnection agreements across its system; and (2) consider locational capacity limits that reflect interconnection contractual rights in the RFP process. In addition, if Avangrid has questions about the number or location of executed interconnection agreements, that information has long been available on OASIS.

With respect to Bidder Question 36 in particular, PacifiCorp clarifies that it did not intend for its response to be interpreted in the manner Avangrid describes, and concedes that the response could have been drafted with more precision. That said, it did not occur to PacifiCorp during that drafting process that a developer would assume PacifiCorp would run a competitive solicitation process that ignores fixed system constraints – which continue to include fixed *contractual* commitments, even after queue reform – only to fold those considerations in at the end of the RFP process. Indeed, regulators and stakeholders, including Avangrid, expressed concern with that precise structure in PacifiCorp’s last competitive process where shortlist refinement based on a project’s interconnection limitations occurred as one of the final steps instead of at the outset of the process.

PacifiCorp appreciates that the reconciliation of federal and state requirements and processes can be a complex exercise, and it is always open to further discussion on these issues to ensure clarity.

PacifiCorp Has Been Clear and Consistent that Executed LGIAs Will Be Honored

Avangrid’s October 2 Letter asks whether interconnection “capacity would be reserved for projects with signed LGIAs that did not bid into the RFP” and further asks whether “PacifiCorp communicate[d] this limitation to bidders.” PacifiCorp highlights several sources of clarity on this issue.

First, as PacifiCorp explained in detail in its response to Avangrid’s comments on previous solicitations,¹ FERC’s long-standing first-come, first-served interconnection rules required PacifiCorp transmission to

¹ See Oregon Public Utility Commission, Docket No. UM 1845, PacifiCorp’s Reply Comments (Mar. 29, 2018).

study interconnection requests in serial queue order, with each interconnection study including as a baseline assumption that higher-queued generator interconnection requests **and generators with executed interconnection agreements** are interconnected and that any facilities required to interconnect those other generators are in service. This requirement is in FERC's pro forma interconnection procedures,² PacifiCorp's pre-queue reform interconnection procedures,³ and was left unchanged by PacifiCorp's queue reform approval recently approved by FERC.⁴

Second, the decision to continue to honor executed interconnection agreements in PacifiCorp's queue reform proposal (i.e., not subject them to commercial readiness testing) was subject to open and extensive discussion in the six-month stakeholder process (in which Avangrid extensively participated) leading up to PacifiCorp's FERC filing. For example, in its original straw proposal, which is posted to OASIS, PacifiCorp transmission sought to apply the new commercial readiness criteria to those interconnection customers with executed LGIAs that had not yet reached commercial operation. The effect of that proposal would have been to terminate LGIAs of projects that could not demonstrate a commercial path forward. Overwhelming objection to that aspect of the proposal from the project development community, while not universal, developed immediately.

Renewable Northwest argued in July 2019 that "Projects that have executed a facility study agreement or have an interconnection agreement should be unaffected by the queue reform process. These projects are already well down the path to demonstrating readiness and have invested time, money, and effort under a certain set of rules that should not be undone by the stroke of a pen."⁵ BayWa argued that it "strongly opposes retroactive reforms that will harm projects that have executed study agreements or interconnection agreements." Intermountain Wind suggested that by "walking away from signed interconnection agreements for inclusion in the Straw Proposal, PacifiCorp is not projecting objectivity and is clearly signaling that they are putting their fingers on the scale to predetermine the outcome of this process." Enyo argued that "Projects that have an executed Facilities Study agreement or interconnection requests paired with TSRs should be grandfathered under PacifiCorp's serial queue process. This is especially true if those projects went on to execute LGIAs." Western Power Trading Forum argued that "any attempt to apply queue reform to executed interconnection agreements will simply result in litigation which will increase interconnection-related uncertainty for all existing and future interconnection customers and will also result in a delay in implementing and finalizing interconnection queue reform." BluEarth explained that it "strongly opposes PacifiCorp's proposal to abrogate executed LGIAs." NIPPC argued that it "will not support a queue reform process that includes PacifiCorp's abrogation of its contractual responsibilities to projects with executed LGIAs."

In the face of this substantial resistance to resolving interconnection delays by applying readiness criteria, PacifiCorp removed this aspect of the proposal in its Second Straw Proposal published in November 2019.

² See, e.g., FERC's Pro Forma LGIP, Section 7.3, Scope of Interconnection System Impact Study.

³ See, e.g., PacifiCorp's pre-queue reform LGIP, Section 42.3, Scope of Interconnection System Impact Study.

⁴ See, e.g., PacifiCorp's current LGIP, 42.3 Execution of Cluster Study Agreement and Scope of Cluster Study.

⁵ All referenced stakeholder comments on PacifiCorp transmission's interconnection queue reform straw proposal are archived on PacifiCorp's OASIS site at: <http://www.oasis.oati.com/ppw/>.

Third, the decision to continue to honor executed interconnection agreements in PacifiCorp's queue reform proposal was subject to open and extensive discussion in the formal proceeding before FERC. For example, in PacifiCorp's January 31, 2020, FERC filing, Rick Vail testified as follows:⁶

Q. How will this Transition Process impact projects in the queue that have already processed through the interconnection process and have interconnection agreements with PacifiCorp?

A. If a project has an executed SGIA or LGIA by the requested effective date of this filing, PacifiCorp does not intend to disturb these agreements for the Transition Process. As stakeholders made clear during PacifiCorp's stakeholder process, these projects have commercial expectations based on their agreements. Thus, the Transition Process will apply to all interconnection requests which are pending in the queue as of the effective date of the proposed changes, but will not apply to any project with an executed interconnection agreement already in place as of the effective date. As I noted earlier, changes to SGIA's and LGIA's will continue to be subject to the Material Modification analysis under the OATT.

PacifiCorp further elaborated on this in its deficiency response in the same FERC proceeding, where it made abundantly clear that "...PacifiCorp has not proposed any changes to existing, executed interconnection agreements. Consequently, Interconnection Customers' rights and obligations under their executed agreements are not changing as a result of the proposed queue reforms."

In addition, comments filed by Enyo in the FERC queue reform proceeding explained to FERC the consideration of this issue in the stakeholder process as well as its ultimate resolution:

One aspect that Enyo believes deserves specific mention involves the proposal's treatment of advanced-stage projects. This has often been a fraught issue for transmission providers due to a tension between a desire to maximize the application of new rules meant to reduce interconnection queue backlogs and developers' need for commercial certainty undergirded by a stable regulatory ruleset. During PacifiCorp's queue reform stakeholder process, Enyo expressed concerns that PacifiCorp was moving in a direction that unreasonably favored the former at the expense of the later. This was reflected most notably in PacifiCorp's suggestion that it might attempt to impose its new commercial readiness requirements on certain customers with executed interconnection agreements. Enyo opposed this proposal, primarily on the grounds that it would unfairly upset the expectations of interconnection customers, such as Enyo, who have made significant investments of time and money based on the existing rules, as reflected in executed contracts. After considering these and other comments, PacifiCorp decided against this approach. Instead, under the proposal as filed, interconnection customers that have executed an interconnection agreement by the effective date of the tariff provisions (April 1, 2020) will continue to proceed under the terms of such agreements, without the need to meet the commercial readiness requirements that apply to new interconnection requests or projects that will be included in the transition cluster. Enyo believes that this is a just and reasonable

⁶ *PacifiCorp*, Docket No. ER20-924, PacifiCorp Queue Reform Filing, Direct Testimony of Rick Vail (Jan. 31, 2020).

outcome because it recognizes that customers with executed agreements are those most likely to have made significant investments in reliance on the existing interconnection provisions.⁷

This history makes clear that PacifiCorp continues to be obligated to honor all existing interconnection contracts and cannot, for purposes of developing an initial RFP shortlist, assume away the interconnection capacity needed to serve those customers. Executed LGIAs are a fixed constraint.⁸ Ignoring these contractual rights would simply result an unrealistic initial shortlist that would have to be culled later in the process, resulting in material delays, causing projects to incur costs of continued development even if they have a relatively low likelihood of being selected in the RFP, and recreating the very structure that was the source of frustration in PacifiCorp's last competitive solicitation process.

The Number and Location of Executed Interconnection Contracts Is Publicly Available

The number of executed interconnection contracts, their associated capacity values, and their location (by county and state) are available on OASIS and are known by RFP stakeholders. For instance, Utah DPU filed comments in May explaining that there were 71 executed interconnection contracts, based on DPU's review of OASIS.⁹ OPUC Staff filed similar comments that identified the complete pool of potential bidders, including those with executed contracts, based on OPUC Staff's review of OASIS.¹⁰ All interested parties to the RFP have had equal access to that information, which is the same source that the PacifiCorp RFP team uses to confirm interconnection status.

Even without visiting OASIS, participation in the queue reform process provided an opportunity to understand PacifiCorp's executed interconnection contract volume. For example, PacifiCorp noted in its January 31, 2020 FERC filing that there were approximately 50 interconnection requests totaling more than 4,000 megawatts across PacifiCorp's system with executed interconnection agreements that had yet to proceed forward.¹¹ With regard to eastern Wyoming in particular, PacifiCorp explained that PacifiCorp had already signed interconnection agreements for approximately 1130 MW of projects that depend on Gateway South.¹²

⁷ *PacifiCorp*, Docket No. ER20-924, Motion to Intervene and Comments of Enyo Renewable Energy, LLC (Feb. 21, 2020).

⁸ In its questions 3 and 4, Avangrid makes far too much out of the use of the word "transmission" by PA Consulting at the September 22 meeting. While transmission and interconnection are separate terms of art under the OATT, PA Consulting did not use the word transmission as such a term of art. Under the OATT, an interconnection alone does not provide transmission service, and PA Consulting did not suggest otherwise. Thus, there is no tension between PacifiCorp's position and either Section 37.4 of the OATT or Section 4.4 of the *pro forma* LGIA. Moreover, in response to Avangrid's question 5, Section 37.4 of the OATT or Section 4.4 of the *pro forma* LGIA have no bearing on the conduct of the RFP. No transmission or interconnection service is granted or denied to anyone, much less on a discriminatory basis, in the RFP.

⁹ UPSC Docket No. 20-035-05, Comments of Division of Public Utilities at 5 (May 21, 2020).

¹⁰ OPUC Docket No. UM 2059, Staff's Comments at 3 (May 22, 2020).

¹¹ *PacifiCorp*, Docket No. ER20-924, PacifiCorp Queue Reform Filing, Direct Testimony of Rick Vail (Jan. 31, 2020).

¹² *Id.*

PacifiCorp Has Been Clear and Consistent that Locational Capacity Limits Would Limit the Shortlist

The presentation made by PA Consulting and PacifiCorp at the September 22 meeting was consistent with the terms of the RFP as posted and approved. In the posted RFP document PacifiCorp explains repeatedly:

As noted above, PacifiCorp will limit the capacity in a given location to 150% of the capacity included in the company's 2019 IRP preferred portfolio. For locations where the IRP preferred portfolio did not include any new resources in the 2023-2024 time frame, PacifiCorp will limit the total capacity by to be no greater than 150% of the interconnection capacity for that location as assumed when developing the 2019 IRP.

PacifiCorp explained in detail how these Locational Capacity Limits would work in the Q&A, and that bids in excess of those limits would be non-compliant. Specifically, PacifiCorp's answer to Question 104 explains as follows:

The map on the left in Appendix H of the RFP shows the preferred portfolio topology with locational "bubbles" where the IRP models selected resources accounting for expected transmission upgrades in those areas. The map on the right in Appendix H shows the 150% capacity targets proposed for those same bubbles in the RFP for its initial shortlist selection. As has been done in the prior RFPs, PacifiCorp scores and ranks a pool of resources greater than its need for selection to the initial shortlist. For this RFP, PacifiCorp is proposing 150% of the preferred portfolio in each locational bubble but also incorporating the diversity of the resource type, meaning PacifiCorp will score and rank bids by resource type up to 150% in each bubble. For example in southern Oregon, the 150% target is 750 MW, so PacifiCorp will score and rank a solar-only pool up to 750MW, wind-only pool up to 750 MW, solar with battery pool up to 750 MW, etc., depending on the bids in that locational "bubble." These pools in aggregate for each locational bubble are expected to exceed the 150% limit. From these pools, the IRP model will select the initial shortlist made up of the optimum mix of resources at the 150% target. For your example, the Locational Capacity Limit for PDX/Coast is 195 MW even though it was not an area picked in the 2019 IRP preferred portfolio based on expected network upgrades during the RFP on-line horizon. In this case the 195 MW represents the MW limit reflecting the next long-term planning upgrade by PacifiCorp Transmission at some future date beyond 2024. A bid in excess of 195 MW would still be compliant in the RFP subject to meeting all the requirements of the RFP.

Bidders also displayed awareness that executed contracts would be deducted from Locational Capacity Limits. Question 37 asked:

If a GWS contingent project with an executed interconnection does not participate in the 2020AS RFP, is the initial short list capacity in the eastern WY region reduced down from 1920MW to the equivalent MW of the non-RFP participating project with an executed LGIA? For example, if Project A has an executed interconnection agreement for 200MW and is a GWS contingent project, does the volume of the initial short-listed projects reduced from 1920MW to 1720MW?

PacifiCorp answered the question clearly: “Yes, assuming no other changes, such as queue position withdrawal or executed contract termination.”

PacifiCorp’s Answer to Bidder Question 36

PacifiCorp disagrees that its answer to Bidder Question 36, or any other RFP communication, should be interpreted to mean that PacifiCorp would not give effect to executed interconnection contracts. PacifiCorp will explain each statement made in that response.

“The initial shortlist is selected without regard to interconnection status (including whether a bidder has an executed interconnection agreement) or interconnection costs, with the caveat that the bid must have an accepted interconnection application as of January 31, 2020 per PacifiCorp Transmission’s filed interconnection queue reform application.” This statement makes clear that the only LGIA-related eligibility criteria for submitting a bid to the RFP is an accepted interconnection application as of January 31, 2020. As between qualified bidders, their relative status within the interconnection process (i.e. whether they submitted an interconnection application as late as January 31, 2020, or whether they had progressed all the way through the interconnection process) is given no weight in the RFP. In other words, a project that had moved further through the interconnection process as of the time of their bid is given no preference over a project with a later-submitted interconnection request. As discussed below, this does *not* mean that PacifiCorp will ignore the impact of executed contracts on locational capacity limits. The reference to interconnection costs explains the fact that there was a “chicken and egg” problem between PacifiCorp transmission’s queue reform and the RFP. Avangrid is confusing available interconnection capacity with a comparison of the interconnection costs of each project. Because inclusion on the short-list is for many bidders the prerequisite to inclusion in the Transition Cluster Study, such projects could not have their interconnection costs evaluated as part of the short-list selection. The exercise of comparing bids based on factors including their interconnection costs will happen after the initial shortlist process. But that does not mean that PacifiCorp is free to disregard LGIA commitments and the constraints they impose on locational capacity requirements. To ignore those constraints could lead to inclusion on the initial shortlist of large quantity of projects in certain bubbles that far exceed the available interconnection capacity. To do so would materially degrade the value of the shortlist process.

“This means ALL bids, including those with executed LGIAs, must be competitive compared with all other bids in order to be selected to the initial shortlist.” This statement makes clear that projects executed LGIAs have no competitive advantage in terms of their economics vis-à-vis other projects, assuming they bid at all. To be clear, just because a project has an executed LGIA does *not* mean it will be selected in the RFP. Some projects with executed LGIAs may already have off-take agreements and thus not even bid into the RFP. Honoring and modeling around these projects’ interconnection rights does not exempt them from the economic criteria against which bids will be evaluated.

All bids that are selected to the initial shortlist will be notified of their selection, which meets the commercial readiness requirement to participate in the transition cluster study for those without late-stage interconnection studies or executed contracts. Bidders are responsible to notify PacifiCorp Transmission of their intent to participate in the transition cluster study. This statement makes clear that any bidder eligible to participate in the transition cluster shall so notify PacifiCorp transmission.

There will be no bias between a bid with an executed LGIA or one without. Both will have their interconnection costs determined at the end of the cluster study process, either those contained in their

retained executed LGIA or those assigned via the transition cluster study. As discussed above, having (or not having) an executed LGIA is simply not a factor that will be given weight when PacifiCorp compares the relative economics of various bidders.

Please let PacifiCorp know if additional discussions on this issue would be helpful to clear up any remaining confusion.

Regards,

Bruce Griswold

Bruce Griswold
Resource & Commercial Strategy
bruce.griswold@pacificorp.com
503-813-5218 O
503-702-1445 C

Attachment A – Avangrid Renewables October 2, 2020 Letter to PacifiCorp



October 2, 2020

PacifiCorp
Resource & Commercial Strategy
825 NE Multnomah, Suite 600
Portland, Oregon 97232

Re: Questions following the Special OPUC Meeting to discuss the 2020 AS RFP

To PacifiCorp Resource & Commercial Strategy:

This letter addresses the presentations of PacifiCorp and PA Consulting during the September 22, 2020 Special Oregon Public Utility Commission (OPUC) meeting on Agenda Item # 3, "Discussion of Interconnection Queue Issues". Specifically, PacifiCorp and PA Consulting individually presented on an issue described as the "LGIA Issue". In those presentations, PacifiCorp and PA Consulting explained that: for any bubble in which the Locational Initial Shortlist Capacity Limit is consumed by projects with executed Large Generator Interconnection Agreements (LGIAs), all additional projects without executed LGIAs that are bid into that same bubble would not be considered in the economic modeling process to determine the Initial Shortlist (ISL). The chart that PacifiCorp provided entitled "LGIA Impact on RFP Initial Shortlist" illustrates that over 15,000 MWs of potential capacity of bid-in projects may not be eligible for consideration in the ISL.

As follow-up to the Special OPUC meeting and in response to the presentation and chart referenced above, Avangrid Renewables requests public responses to the following inquiries:

1. The approach described by PacifiCorp during the Special OPUC meeting represents a departure from the terms of the OPUC-approved RFP regarding how projects with and without signed LGIAs are treated in the RFP. (See, for example, PacifiCorp's response to Question 36 from the RFP Q&A below, emphasis added). Please clarify when the determination was made to give exclusivity to bid in projects with signed LGIAs. In his comments made during the Special OPUC meeting, PacifiCorp Vice President Rick Link indicated that capacity would be reserved for projects with signed LGIAs that did not bid into the RFP. If this is the case, did PacifiCorp communicate this limitation to bidders? If not, why not?

*"The initial shortlist is selected without regard to interconnection status (including whether a bidder has an executed interconnection agreement) or interconnection costs, with the caveat that the bid must have an accepted interconnection application as of January 31, 2020 per PacifiCorp Transmission's filed interconnection queue reform application. **This means ALL bids, including those with executed LGIAs, must be competitive compared with all***

other bids in order to be selected to the initial shortlist. All bids that are selected to the initial shortlist will be notified of their selection, which meets the commercial readiness requirement to participate in the transition cluster study for those without late-stage interconnection studies or executed contracts. Bidders are responsible to notify PacifiCorp Transmission of their intent to participate in the transition cluster study. There will be no bias between a bid with an executed LGIA or one without. Both will have their interconnection costs determined at the end of the cluster study process, either those contained in their retained executed LGIA or those assigned via the transition cluster study.

2. If this change is in fact being adopted, please clarify the rationale for making an adjustment to this aspect of the RFP process, i.e., prioritizing projects with executed LGIAs.
3. Throughout the slides presented during the meeting, PacifiCorp and PA Consulting appeared to conflate interconnection capacity with transmission capacity. For example, slide 15 of the presentation from PA Consulting states: "There are many newly signed LGIA's and PAC must assume those agreements will be reflective of operational projects and take up transmission capacity prior to the RFP being completed, this may limit the selection of projects or the types of projects via the RFP." Avangrid Renewables believes this conflation is inappropriate and is inconsistent with Section 37.4 of the OATT and Section 4.4 of the pro forma LGIA and asks PacifiCorp and PA Consulting to clarify their position on how an executed LGIA "takes up transmission capacity". See the OATT sections below.
4. If the justification for the preference is due to the priority of transmission rights of projects with signed LGIAs, as stated in PA Consulting slides, please explain how this is consistent with PacifiCorp's FERC-approved Open Access Transmission Tariff (OATT). Specifically, Section 37.4 of the OATT and Section 4.4 of the Standard LGIA state that the execution of an LGIA does not confer transmission rights on an Interconnection Customer. Correspondingly, execution of an LGIA does not confer an obligation on the part of the transmission provider to reserve transmission capacity for such a generator. See the OATT sections below.

37.4 No Applicability to Transmission Service: Nothing in this LGIP shall constitute a request for transmission service or confer upon an Interconnection Customer any right to receive transmission service.

4.4 No Transmission Delivery Service. The execution of this LGIA does not constitute a request for, nor the provision of, any transmission delivery service under Transmission Provider's Tariff, and does not convey any right to deliver electricity to any specific customer or Point of Delivery.



5. If the justification for such an approach is instead related to interconnection capacity and not transmission capacity, can PacifiCorp explain how such treatment—both for the Eastern Wyoming region and the overall PacifiCorp system—is consistent with the Transition Cluster Study and with Section 37.4 of the OATT and Section 4.4 of the LGIA (each of which are meant to be applied in a non-discriminatory manner across the entire PacifiCorp system). Avangrid Renewables' understanding of the RFP design requirement asking bidders to exclude any interconnection costs from their pricing was to ensure that all projects could be evaluated on an even playing field to determine the most economic ISL, independent of whether a particular project had executed an LGIA. It follows then that any associated interconnection costs would be informed by the results of the subsequent Transition Cluster Study, rather than providing PacifiCorp with a mechanism to preference one project over another.

Given the upcoming deadlines related to the development and approval of the ISL, Avangrid Renewables is requesting a written response to these questions and comments no later than October 7th, 2020.

Regards,

Erin Kester
Avangrid Renewables, LLC
Manager – Policy, Regulation & Markets
erin.kester@avangrid.com
503-863-1072 (mobile)

cc: PA Consulting, Oregon Independent Evaluator and Merrimack Consulting, Utah
Independent Evaluator