WUTC Data Request 52

During the Oregon Public Utility Commission Special Public Meeting on May 30, 2024[1], PacifiCorp Chief Financial Officer Nikki Kobliha is quoted as saying "...[Power Purchase Agreements](PPAs) would be most beneficial to our constraints and metrics that we have to meet." Rick Link adds that the Company can do PPAs at the "the right level".

(a) Does the Company still believe that PPAs are preferable to self-built resources?

(b) To what extent does the Company think it can enter into PPAs without affecting its credit rating?

(c) Does the Company believe it can enter into any PPAs for Washington State situs resources without affecting its credit rating?

(d) Does the Company believe it can enter into any PPAs for system resources without affecting its credit rating?

(e) To what extent does the Company believe PPAs are beneficial to PacifiCorp's financial and regulatory metrics?

(f) What does the Company believe is "the right level" of PPAs to enter into?

(g) Does the Company view the financial impacts of build-transfer agreements similarly to self-build resources?

(h) Does the Company believe that build-transfer agreements will have a negative impact to its credit rating metrics? If yes, how?

(i) Does the Company believe that build-transfer agreements present the same debt impacts as self-build resources?

(j) Since the start of the 2022 AS RFP until now, does the Company believe it could have entered into a single PPA for either a system resource or Washington State situs resource without adversely affecting its credit rating?

(k) Please explain why the Company responded to Staff in Staff Data Request 18 with "[r]ather, executing power purchase agreements (PPA) at the conclusion of an RFP may impact the Company's credit rating", but said the above statement to Oregon Public Utility Commission (OPUC) Commissioners?

[1] HYPERLINK "https://oregonpuc.granicus.com/player/clip/1332?view_id=2&redirect=true"Special Public Meeting LC 82 PacifiCorp IRP Update and CEP Supplement Presentation (granicus.com) Comments in response to question at 1 hour 50 minutes into the video.

Response to WUTC Data Request 52

(a) Generally, the Company is agnostic to the ownership type of the resources it procures for customers, as it seeks whichever resource opportunities are the least-cost, least-risk for serving customers. Self-built resources and build-transfer agreements (BTA) generally result in additional debt as the asset is being constructed, which reduces the Company's available credit, and can potentially impact the Company's credit metrics. Power purchase agreements (PPA) also result in imputed debt, but at a reduced level (relative to self-built resources or resources procured through a BTA), such that the impact on credit is reduced. Considering that PPAs are expected to have a lower impact on credit metrics, the Company anticipates procuring resources via PPAs. Note: the Company's credit is impacted by a variety of factors in its ongoing operations, but there is significant uncertainty, such that credit impacts from resource procurement would be only part of drivers that could contribute to a downgrade.

(b) PPAs impact PacifiCorp's credit metrics as they are imputed as debt on PacifiCorp's balance sheet by the rating agencies and any amount of additional debt is a constraint on PacifiCorp's credit metrics. The amount of the debt imputation is dependent on the rating agencies evaluation of the power cost recovery mechanisms in its regulatory jurisdictions. PacifiCorp is presently reviewing credit metric implications pertaining to potential PPAs on a case-by-case basis before executing specific contracts.

(c) No. While the Company has an internal estimate of its credit rating metrics, it does not have access to the credit rating agencies assumptions, which may change over time. In addition, even if the Company's current credit metrics supported the expected level of imputed debt from a single PPA, changes in the Company's balance sheet from ongoing operations could reduce credit metrics in the future, eliminating the credit capacity that was relied upon to absorb the imputed debt from a PPA.

(d) Please refer to the Company's response to subpart (c) above.

(e) As discussed in the Company's response to subpart (a) above, PPAs are the most beneficial because they have smaller impacts on credit constraints and metrics, but the imputed debt associated with PPAs may still negatively impact the Company's credit rating.

(f) There is no right number, as PPAs can vary widely in cost and expected energy and capacity benefits. The right number also needs to avoid negative outcomes even as the Company's ongoing operations result in changing credit capacity over time.

(g) Yes.

(h) Please refer to the Company's response to subpart (a) above. Payments to the developer for a BTA would require significant cash outlays and thus financing.

(i) BTAs are comparable to owned assets though they may have slightly different timing for cash outlays and thus financing. Similarly, BTAs may include progress payments at key points prior to commercial operation. In both cases, the full cost is incurred by the time of commercial operation.

(j) While entering a single PPA of up to 100 megawatts (MW) would have been unlikely to have impacted the Company's credit rating, it could have reduced the Company's ability to procure additional resources, such as the 520 MW of battery storage resources the Company procured during the summer of 2024. Battery storage is expected to have greater benefits on reliability than variable energy resources, such as wind or solar, and it is appropriate to conserve the Company's limited credit capacity for the most beneficial needs.

(k) Please refer to the Company's response to subpart (e) above.

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