WUTC Data Request 60

In follow-up to Staff Data Request 52, Staff asked, "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?"

The Company's response was, "Please refer to the Company's response to subpart (e) above." Subpart (e) states, "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." (internal quotations omitted)

Again, why did the Company tell the Oregon Commission that "...[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." However, told the UTC that "[r]ather, executing power purchase agreements (PPA) at the conclusion of an RFP may impact the Company's credit rating."

(a) Why is there a difference between what the Company told OPUC and what the Company told UTC? Please state the factual basis for why these answers differ.

(b) If PPA's are most beneficial to the Company's constraints and metrics, why did the Company cancel the 2022 ASRFP, when the Company knew it needed those identified resources? Moreover, why did the Company not enter into a PPA if they are the "most beneficial to [its] constraints and metrics?"

(c) Did the Company consider entering into a PPA for a co-located solar and storage system? If it did and chose not to, please explain the basis for not entering into a PPA.

(d) Additionally, how long does the Company anticipate it would take to increase the grade reported by the credit agencies?

(e) Hypothetically, if it takes five years to increase its credit metric by one grade, please explain how the Company will be CETA compliant by 2030 if procuring resources is limited due to financial constraints?

(f) At what grade would the Company be willing to engage in renewable and non-emitting resource procurement?

(g) Referring to the Company's answer in subpart (f) above, if it takes five years to increase PacifiCorp's credit metric to that grade, please explain how the Company will comply with CETA by the 2030 deadline if it limits resource procurement on the basis of financial constraints.

Response to WUTC Data Request 60

(a) The imputed debt related to a long-term contract is lower than the level of debt that would be required if an equivalent facility was owned and financed by the Company. A long-term contract is thus more beneficial than an equivalent owned facility because it provides energy, capacity, and reliability benefits while using up less of the Company's limited credit capacity. The referenced statement identifies the relative benefits of long-term contracts and owned resources, but long-term contracts do not improve the Company's credit metrics, as this line of data requests seems to imply. Rick Link's statement to the Public Utility Commission of Oregon (OPUC) that the Company can do power purchase agreements (PPA) at the "right level" was meant to reinforce that PPAs also face limitations.

(b) As stated in the Company's response to subpart (a) above, PPAs do not improve the Company's credit metrics, they have smaller negative impacts on those metrics than owned facilities. The bids received in PacifiCorp's 2022 All Source Request for Proposals (2022AS RFP) included a wide range of generation and energy storage offerings, with a range of commercial operation dates extending to 2028. Wind and solar facilities provide relatively low capacity and reliability benefits relative to their size because they are reliant upon weather conditions. To maximize the benefits from the Company's limited credit capacity, the Company opted to negotiate contracts for energy storage resources with commercial operation dates (COD) in the next two years. These considerations did not align with the established scoring and other requirements for the 2022AS RFP, and additional process to modify the 2022AS RFP would have distracted from or prevented the completion of the negotiations in time to achieve these proposed CODs.

(c) The Company has not considered entering a PPA for a co-located solar and battery for a system resource. The Company has entered into PPAs for battery storage systems for system resources.

(d) The Company cannot predict when rating agencies will change credit ratings. The Company actively monitors the various credit metrics that are key to rating agency analysis and seeks to achieve targeted levels outlined in the Company's rating reports.

(e) The Company has some credit capacity now, and expects its credit capacity to improve over time, even if does not achieve a ratings change. As credit capacity improves, the Company's ability to enter additional long-term contracts will expand.

(f) This summer, at its current credit grade, the Company executed long-term contracts for energy storage resources, which are non-emitting. The Company also agreed to an amendment to increase the energy output of a previously contracted renewable resource. Because the renewable resource is paid on a volumetric basis, the Company's imputed debt associated with future contractual payments increases with the increase in expected output, but the impact on the Company's credit metrics was manageable and the amendment was able to be entered.

(g) As identified in the Company's response to subpart (f) above, the Company is already procuring non-emitting and renewable resources at its current credit rating level. The Company expects its credit capacity and ability to procure to increase over time. A new RFP is likely following the publication of the Company's 2025 Integrated Resource Plan (IRP). The impact of the targeted resources and volumes on the Company's credit metrics will be a key consideration during the development of the RFP and could also be considered in the RFP evaluation. If the Company's credit does not appear to be adequate to meet its resource requirements by the time of this next RFP, the Company would work with the Washington Utilities and Transportation Commission (WUTC) to identify alternatives.

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