

CONFIDENTIAL INFORMATION HIGHLIGHTED

Response to Question No. 1
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GHG standard compliance costs for existing units and in one scenario with net-zero compliance costs). Therefore, unless one believes that GHG compliance costs for existing coal and gas units will be net zero or negative, the Companies' proposed portfolio will likely be least cost under the proposed GHG standards.

Notably, the Companies' proposed NGCC units plus solar PPAs portfolio (Portfolio 1) was ~~\$1.1 billion~~\$600 million to \$2 billion lower PVRR than the all-renewables and batteries portfolio (Portfolio 8) and ~~\$1.2 billion~~\$900 million to \$2 billion lower PVRR than the solar plus SCCT portfolio (Portfolio 9) across all eighteen CO₂ price and fuel price scenarios. Thus, although the proposed GHG standards improve the relative economics of renewables compared to no GHG compliance cost or constraint for new gas units, they do not support an all-renewables plus batteries portfolio as the least-cost replacement approach for the coal and gas units the Companies propose to retire.

Finally, the Companies would reiterate that their approach to modeling the proposed GHG standards in PSC 5-2 is the best, least speculative means of stress-testing (or providing a "regrets analysis") for their proposed portfolio. The uncertainties and unknowns regarding the proposed GHG standards—including the eventual costs and technological feasibility, much less commercial availability, of the relevant emission reduction technologies, as well as the ultimate requirements of the yet-to-be-final standards—make a resource optimization modeling approach untenable and any results from such a modeling attempt speculative at best. The approach presented in response to PSC 5-2 and described above has the distinct advantage of relying to the greatest possible extent on known quantities and provides reasonable cost forecasts for items like fuel, and it reduces the need for speculation about unknowable costs by modeling boundary cases like the 50% capacity factor limitation on new gas units. It truly is the most reasonable approach to modeling the impacts of the proposed GHG standards on the Companies' proposed NGCCs and solar PPAs in comparison to other possible portfolios of resources to meet the Companies' capacity and energy needs in 2028.

- a. See the response above. As discussed at length above, the capacity factor limitation on new gas units was intentional to model the least favorable scenario for such units under the proposed GHG standards. Also, not modeling a capacity factor limitation for existing gas units was intended to model the most favorable scenarios for such units (and to avoid having to speculate about exactly which compliance approach the Companies would take for such units), all in an effort to stress-test the Companies' proposed portfolio.