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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Constance White, Director
Energy Section
Artie Powell, Manger
Thomas Brill, Technical Consultant
Jamie Dalton, Utility Analyst II

Date: March 15, 2007

Ref: Docket No. 05-035-47. Division comments on PacifiCorp's February 28, 2007, Request for Proposals Base Load Resources.

Recommendation

With the exception of items four and six, it appears that PacifiCorp has addressed the seven suggested modifications in the Commission's "PacifiCorp 2012 RFP Suggested Modifications," dated December 21, 2006. In addition, the Division recommends a final edit for format, grammar, language, and titles for tables and figures.

Commission's Suggested Modifications

On February 28, 2007, PacifiCorp submitted its Request for Proposals Base Load Resources (RFP) in response to the Commission's "PacifiCorp 2012 RFP Suggested Modifications." The Commission's suggested modifications, dated December 21, 2006, directed PacifiCorp to modify the November Draft 2012 RFP for Base Load Resources.

The Division of Public Utilities (Division) submits the following comments on the RFP. In particular, the Division comments will focus on how the Commission's seven suggested modifications were addressed. In addition, the Division recommends additional minor modifications that should be considered in the final draft.

Regarding the Commission's seven suggested modifications, the Division finds:

1. The RFP mentions the Commission's recommendation that bidders may contract for a maximum of 1,700 MW a total of one time. This mention occurs on page 5. In a 56-page document, the Division suggests that only one mention may not adequately communicate that fact to bidders.
2. Explicit and numerous references in the RFP regarding the consideration of bids through the years 2012, 2013, and/or 2014 adequately address the suggested modification to fully consider bids to 2014.
3. The RFP statement on page 5 adequately addresses the suggested modification to add a section with explicit mention that, as a condition of RFP participation, bidders agree to indemnify and hold harmless the IE as part of the RFP process.
4. The indexing option for capital costs, while included on page 28 of the RFP, remains unclear. The Division believes this section needs to be rewritten. Merrimack Energy, in comments filed on its behalf by the Division, rewrote page 28, Section G. The Division believes that Merrimack Energy's proposed revisions clarify this issue, and recommends they be incorporated in the text.
5. The first paragraph of item 4, "Step 4 – Final Selections; Other Factors" was removed according to the suggested modifications.
6. The RFP language regarding the initial short list evaluation process for eligible fuel types and for CO2 cost compliance scenarios found on page 52 does not appear to meet the suggested modification. The Division does not find explicit language that states that the short-listed candidates will be required to identify the CO2 compliance opportunity costs.
7. Notwithstanding the items listed in item 6 above, the RFP states explicitly on page 55 that changes to contract pricing based on CO2 compliance costs will be considered and approved by the Commission. This satisfies the suggested modification.

Additional Division Comments

Regarding additional comments for the RFP, it is expected that the document will receive a final edit for format, grammar, and language. It is suggested that the Company consider labeling all tables and figures to make it easier for a reader to reference facts, figures, and other relevant information contained in the document.

Conclusion

The Division finds that the RFP appears to comply with the Commission's suggested modifications of December 21, 2006, with the exception of two items. The Division's concern for clarification of the section on indexing can be addressed by adopting Merrimack Energy's revision. The Division also requests clarification on suggested modification number six.

CC: Dave Taylor, RMP