



JON HUNTSMAN Jr.  
*Governor*  
GARY HERBERT  
*Lieutenant Governor*

State of Utah  
Department of Commerce  
Division of Public Utilities

FRANCINE GIANI  
*Executive Director*

THAD LEVAR  
*Deputy Director*

PHILIP J. POWLICK  
*Director, Division of Public Utilities*

**MEMORANDUM**

To: Utah Public Service Commission

From: Division of Public Utilities  
Philip Powlick, Director  
Artie Powell, Manager, Energy Section  
Thomas Brill, Technical Consultant  
Charles Peterson, Technical Consultant

Subject: PacifiCorp's Draft Request for Proposal. In the Matter of the Application of PacifiCorp, by and through its Rocky Mountain Power Division, for Approval of a Solicitation Process for a Flexible Resource for the 2012-2017 Time Period, and for Approval of a Significant Energy Resource Decision, Docket No. 07-035-94.

Date: September 4, 2008

**Recommendation**

With the exception of a few minor issues, it appears that PacifiCorp has addressed the suggested modifications in the Commission's "Suggested Modifications and Order," dated May 23, 2008. In addition, the Division recommends a final edit for format, grammar, language, and titles for tables and figures; e.g. appendix and attachment names need to be consistent with the Table of Contents.

**Commission's Suggested Modifications**

On August 5, 2008, PacifiCorp submitted its Final Draft All Source Request for Proposal (RFP) in response to the Utah Public Service Commission's (Commission) "Suggested Modifications and Order." The Commission's suggested modifications, dated May 23, 2008, directed PacifiCorp (Company) to modify the April 25, 2008 version of the All Source RFP. The Division of Public Utilities (Division) submits the following comments, arranged by topic, on the Final Draft RFP. The Division recommends additional minor modifications that should be considered in the final RFP.

**Indexing** – The language added by PacifiCorp in Section 3G, "Effectiveness of Bids" is not consistent with the Commission Order. The Company merely adds a sentence stating something to the effect that bidders can propose alternative indices. The Oregon IE also identified this as an issue stating that the section is not clear on the options for bidders. Presumably, the Company

will make an adjustment. One area of note in the Order is that the Commission agrees with the option to index 40% of the capital costs. However, the RFP requires that 25% of the capital cost would be indexed by inflation and 15% by a steel index. If bidders are allowed to propose alternative indices supposedly this also means they could propose different percentages.

The Division recommends that following the third sentence on page 30 in Section 3G, “Effectiveness of Bids,” which begins “Under the latter option, Bidders....” that the fourth and fifth sentences of the existing Final Draft be replaced with the language below:

**However, Bidders may index up to 40% of the total capital cost or capacity charge to approved indices. The Company prefers that a maximum of up to 25% of the capital costs or capacity charges may be indexed to the Consumer Price Index (“CPI”) and a maximum of up to 15% of the capital costs or capacity charges may be indexed to the Producer Price Index (“PPI”) – Metals and Metal Products. Bidders, however, may request alternative indices. Bidders should submit requests for alternative indices to the Company via the IE website at least 30 days prior to the bid due date. The Company and IE will review the request by the bidder and make a determination whether or not the index will be classified as an approved index. All reasonable indices specified by the Bidder will be considered; however, an index must be transparent, easy to forecast, and independent. Bidder’s costs above the allowed indexing will not be reimbursed by the Company.**

The last two sentences of this paragraph in the existing Final Draft beginning with “All reasonable indices specified by the Bidder....” should be deleted.

**Proposal Options** – PacifiCorp has complied with the Commission Order. The Division recommends that following the fifth sentence on page 25 in Section B, “Proposal Options,” which begins “Alternatives will be limited....” be replaced with the language below:

**Within the pricing structure options, Bidders are allowed to offer pricing assuming the bidder is not required to post any security (i.e., bid price with no security) in contrast to the base bid, which should reflect the required level of security.**

**Price and Non-Price Evaluation** – It appears that the Company attempted to address the issue about revising the pre-specified price range after the bids are received if the bids are outside the specified range by making changes to footnote 30. However, the Division does not believe the wording changes adequately capture the requirements in the Commission Order. The Division suggests the following wording for the second sentence in footnote 30:

**To the extent the price scores are not consistent with the pre-specified price ranges listed above, the Company, in consultation with the IEs, will revise the price ranges to ensure the intended price factor weightings are generally maintained.**

**CO<sub>2</sub> Risk Allocation** – The Company proposed language changes that may not be clear to Bidders. For example, the Company added a sentence on page 43 in Section 5A, “Price and Non-Price Information” that begins with the phrase “The foregoing notwithstanding,...” The Division recommends deleting this sentence and replacing it with the following:

**A bidder desiring to offer a bid in which it proposes to absorb some or all of any liability associated with CO<sub>2</sub> costs, may do so. Bidders wishing to offer such a proposal to absorb some or all of any CO<sub>2</sub> cost liability should submit such a proposal as an eligible alternative bid only consistent with the requirements listed in Section 2B of this RFP.**

The same language is repeated on page 63 under Section 6A4, “Step 4 –Final Selections; Other Factors.” The same language adjustments should also be made in this section.

**Comparability** – The Company made the adjustments as identified in the last paragraph. However, the IE recommended and the Commission approved the opportunity for bidders to submit an alternative proposal that excludes security requirements. Both Sections 2B and 3F need to be revised. The fifth sentence on page 25, Section 2B, “Proposal Options” that begins “Alternatives will be limited....” should be revised as follows:

**Alternatives will be limited to different bid sizes, contract terms, water cooling technologies, in-service dates, and/or pricing structures. Within the pricing structure options, Bidders are allowed to offer pricing assuming the Bidder is not required to post any security (i.e. bid price with no security) in contrast to the base bid which should reflect the required level of security.**

In a similar manner, the fourth sentence on page 29, Section 3F, “Bid Fees” that begins “The alternatives may consist...” should be revised as follows:

**Alternatives will be limited to different bid sizes, contract terms, water cooling technologies, in-service dates, and/or pricing structures for the same Resource Alternative. Within the pricing structure options, Bidders are allowed to offer pricing assuming the bidder is not required to post any security (i.e. bid price with no security) in contrast to the base bid which should reflect the required level of security.**

**Economic Evaluation Models and Methodologies** – The Division recommends that a meeting should be scheduled after RFP approval.

**Credit** – The Division recommends no additional changes for the section on credit issues.

**Resource Eligibility** – The Division has no additional comments for the section on resource eligibility.

**Blinding of Bids** – The Division has no additional comments for the section on resource eligibility.

### **Conclusion**

The Division finds that the RFP appears to comply with the Commission’s suggested modifications of May 23, 2008, with the exception of a few minor issues. The comments primarily were concerned with clarification.

A red-lined version of the RFP is included to facilitate locating the recommended changes if needed.

Cc: Dave Taylor, Rocky Mountain Power  
Michele Beck, Committee of Consumer Services