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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp, by and through its Rocky Mountain Power Division, for Approval of a Solicitation Process for an All Source Resource for the 2016 Time Period	Docket No. 11-035-73 SUPPORT FOR DECISION TO TERMINATE ALL SOURCE RFP FOR 2016 RESOURCE REDACTED VERSION
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Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), hereby provides support for its decision to terminate the All Source Request for Proposals for a 2016 Resource (“RFP for 2016 Resource”) and responds to the Final Report of the Independent Evaluator (“IE”) filed with the Public Service Commission of Utah (“Commission”) November 30, 2012.

I. INTRODUCTION

Rocky Mountain Power initiated this matter by filing an Application on October 5, 2011. The Division of Public Utilities (“Division”), Office of Consumer Services (“OCS”) and Utah Association of Energy Users (“UAE”) have participated as parties throughout this docket. Following several filings, meetings, a hearing and revisions to the proposed RFP for 2016

Resource, the Commission approved the RFP for 2016 Resource on February 8, 2012. Rocky Mountain Power issued the RFP for 2016 Resource on January 6, 2012, consistent with the Commission's Suggested Modifications and Order issued January 3, 2012. Bids were received by May 9, 2012, and the Company, under the oversight of the IE, reviewed all bids received.

Rocky Mountain Power filed its notice of termination of the RFP for 2016 Resource with the Commission on September 28, 2012. On the same day, the Company notified bidders on the final shortlist that the Company would not be pursuing the RFP for 2016 Resource. The Company decided to terminate the RFP for 2016 Resource based on several factors.

II. RATIONALE FOR DECISION

Notably, the Company issued the RFP for 2016 Resource to fulfill a need for a significant new resource as identified in both its 2008 and 2011 Integrated Resource Plans ("2008 IRP" and "2011 IRP", respectively). The quantity of resource sought, approximately 600 MW, corresponds to a 597 proxy combined cycle plant that was identified as a resource need in the 2011 IRP preferred portfolio. This targeted quantity in the RFP for 2016 Resource does not include volumes associated with other resource alternatives identified in the 2011 IRP preferred portfolio, including front office transactions ("FOT") and demand side management ("DSM") resources, which, consistent with the IRP action plan, are being pursued through other competitive solicitation processes and bi-lateral negotiations.

Consistent with the evaluation process, the Company completed a Needs Assessment, which reflects an updated lower load forecast and updated load and resource balance. The Needs Assessment showed a reduction in the 2016 load of 468 MW as compared to the load and resource balance in the 2011 IRP Update. Specifically, system peak loads are lower by 523 MW in 2016.

In its bids' analysis, the Company generated a resource portfolio by running the system optimizer model with updated assumptions. The new base resource portfolio forecasted and moved the need for a large new thermal resource from 2016 to 2025 using a 13 percent planning margin. With the updated load and resource balance, the updated resource portfolio showed that resource needs could be met cost effectively by acquiring FOT and DSM resources.

In addition to the Company's assessment of resource need, prior to terminating the RFP for 2016 Resource, the Company performed a series of sensitivity analyses during the final shortlist evaluation process to determine the value drivers underlying the potential selection of top performing bids, attached hereto as Confidential Attachment A. One sensitivity was performed to determine whether changes to the locked down resource portfolio (pre-2016) to reflect updated DSM supply curve assumptions affected selection of bids in the base case, and confirmed bid selection was not affected. Three sensitivities were completed to understand key drivers underlying selection of the [REDACTED] and [REDACTED] bids and the associated PVRR differential between the Base Resource Portfolio and the RFP portfolio, assuming base case market price and CO2 price assumptions. And an additional sensitivity was performed to compare the Base Resource Portfolio and a portfolio using the least cost EPC bid to determine the benefit to customers in not pursuing a 2016 CCCT resource. Generally, the results showed that selection of the [REDACTED] and [REDACTED] bids was heavily influenced by the prospective benefits of deferring generic long-term Class 1 DSM and combined cycle resources, such that customers would incur increased near-term costs on the bet of highly uncertain and speculative long-term cost savings, which would not begin to accrue until the year 2020. Finally, the IE hired to actively monitor the RFP for 2016 Resource for fairness and to render an opinion as to whether the Company's solicitation process was fair and in compliance with Utah state law and

Commission orders, concluded in its final report that it:

“...did not oppose PacifiCorp’s decision to not select a resource from the All Source RFP for 2016 Resource and to terminate the 2016 All Source RFP at this time based on the projected significant decline in the Company’s load forecast, and projected resource balance for 2016. Certainly, the Company has clearly demonstrated that there is no need for the originally anticipated 600 MW gas-fired combined cycle as the incremental resource identified in the 2011 IRP. The analysis indicates that the need for the next large-scale combined cycle resource addition has been deferred until 2025. Furthermore, “forcing” a new combined cycle resource into the supply plan would cost customers over █████ million over the life of the project relative to a preferred resource plan. Such a decision would not lead to the lowest reasonable cost to retail customers and would not be in the public interest.”¹

III. CONCLUSION

Based on the foregoing, the Company contends that it has fully supported its decision to terminate the RFP for 2016 Resource and respectfully requests that the Commission issues an order to that effect.

DATED: December 10, 2012

Respectfully submitted,

ROCKY MOUNTAIN POWER

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¹ Final Report of the Utah Independent Evaluator, PacifiCorp All Source Request for Proposals for 2016 Resource, Confidential Version, Docket No. 11-035-73, November 30, 2012.

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **SUPPORT FOR DECISION TO TERMINATE ALL SOURCE RFP FOR 2016 RESOURCE** to be served upon the following by electronic or U.S. mail to the addresses shown below on December 10, 2012:

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