



State of Utah
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Division of Public Utilities

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CONFIDENTIAL MEMORANDUM

TO: Public Service Commission

FROM: Division of Public Utilities
Chris Parker, Director,
Artie Powell, Energy Manager
Charles Peterson, Technical Consultant
Douglas Wheelwright, Utility Analyst

DATE: January 14, 2013

RE: **PacifiCorp's All Source Request for Proposals for a 2016 Resource, Docket No. 11-035-73**

I. RECOMMENDATION (Approve Termination)

Based upon the following analysis, the Division of Public Utilities (Division) does not object to PacifiCorp's termination of its All Source Request for Proposals for a 2016 Resource. Consequently, the Division recommends that the Commission approve the termination and take no further action in this docket.

II. BACKGROUND

On October 5, 2011 PacifiCorp (Company) filed a proposed RFP with the Commission, following comments by the Division, the Office of Consumer Services (Office), the Utah Association of Energy Users (UAE), and the Utah Independent Evaluator, Merrimack Energy (Utah IE); the Commission issued its Order on January 3, 2012 with suggested changes to the RFP. The Company implemented the Commission's recommendations and re-filed the RFP on

January 6, 2012. The Commission approved the RFP on February 8, 2012. Thereafter the Company proceeded with the RFP to solicit and analyze bids. Pursuant to the schedule outlined in the RFP document, the Company held technical and other meetings with bidders, the independent evaluators, and the Division. The Company held a meeting on August 3, 2012 with the Utah and Oregon independent evaluators and the Division wherein it presented the results of a new load forecast prepared by PacifiCorp. This load forecast indicated that the Company's projected resource needs in the 2016 time frame had been reduced by approximately 500 megawatts. The Company continued with RFP process until September 28, 2012, when it formally informed the Utah Public Service Commission that due to reduction in the load forecast, the Company had determined that there was no longer a need to pursue a resource for 2016 and was terminating the RFP. The Company had previously informed the Utah and Oregon independent evaluators and the Division of its decision. The Company reviewed with the IEs and the Division [REDACTED]

[REDACTED] The Company concluded that it was in the best interests of the Company and ratepayers to terminate this RFP.

At the request of the Division, the Commission held technical conferences on October 25, 2012 and November 28, 2012 for the purpose of the Company explaining to the Commission and other interested parties its reasons for the termination. The Commission also set a schedule for the Utah Independent Evaluator, Merrimack Energy, to file its final report with the Commission on November 30, 2012, the Company to formally file its explanation of its decision to terminate the RFP with the Commission on December 12, 2012 followed by the Division and other interested parties filing comments on January 14, 2013, and reply comments on January 28, 2013.

This memorandum constitutes the Division's direct comments pursuant to the Commission's scheduling order described above.

III. DISCUSSION

The Division participated in most of the conference calls and other meetings held by the Company and reviewed all of the e-mails and other documentation the Company provided to the IEs. The Division did not extensively review questions from bidders and the answers to those questions provided by the Company.

As a general observation, in this RFP the Company appeared to keep on schedule with the exception of an approximate eleven day delay in producing the final short list. In September 2012, the Company requested Commission approval of this delay, which the Division supported in an October 1, 2012 memorandum. The Company seemed to be more sensitive to the need to keep the IEs and the Division informed in a timely manner of any significant events and changes in the RFP than in previous RFP processes. The RFP was conducted in a smooth and consistent manner through the time the Company determined that its new load forecast made termination of the RFP the likely alternative. At that time the Company departed from the prescribed timeline and consulted with the IEs and Division regarding its decision.

The Division did avail itself of sending a total of five formal data requests to the Company when particular issues arose, specifically with respect to the change in load forecasts. The Division held conference calls between it and the Company in order to ask and receive answers to its questions. Generally, the Company was able to answer to the Division's satisfaction these questions.

As discussed on pages 5 to 7 and page 11 of the Utah independent evaluators' final report, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Utah IE made recommendations going forward on pages 10 and 11 of its final report. The Division supports these recommendations.

The basis for the Company's termination of this RFP is its reassessment of its load forecast, particularly for industrial customers. Some of the data supporting the change in industrial load forecast are closely held proprietary data. Part of the change is the reduction in load due to the anticipated construction of a gas-fired power plant at Kennecott. The Division and others have for several years questioned the Company's continued reliance on front office transaction (FOTs) (i.e. short-term wholesale power purchases) in the Company's bi-annual integrated resource planning process. The termination of this RFP continues the Company's reliance on FOTs and in the near- to intermediate-term may increase its reliance on these wholesale purchases together with the continued risks the Division associates with such reliance. There is some concern that the change in the Company's load forecast has resulted in a significant change in the forecast for future resource requirements. While it is understandable that a lower load forecast may result in a delay of future acquisition of additional resources, the updated load forecast moved the projected acquisition of additional resources [REDACTED]

[REDACTED]

The Division does not oppose the Company's new load forecast. The Company, however, is responsible for its forecasts and decisions.

V. CONCLUSION

The Division does not object to the termination of this RFP based upon the information and analyses supplied to it by the Company as well as the conclusion reached by the Utah IE. Therefore, the Division recommends the Commission approve the Company's termination of its RFP.

cc: Dave Taylor, PacifiCorp
Michele Beck, Office of Consumer Services
Service List