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Division of Public Utilities

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Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities

Philip Powlick, Director
Artie Powell, Manager, Energy Section
Thomas Brill, Technical Consultant

DATE: October 19, 2009

RE: Notice of Intent to Resume All Source RFP and Request for Approval, Docket No. 07-035-94.

RECOMMENDATION (Approval)

The Division recommends that the Commission approve Rocky Mountain Power's request to resume the 2008 All Source Request for Proposals but to shorten the schedule in certain areas, in particular the benchmark bid and bid submission deadline dates.

DISCUSSION

Rocky Mountain Power (Company) provided notice October 6, 2009 that it intends to resume the 2008 All Source Request for Proposals (RFP). The 2008 All Source RFP was suspended in the April 6, 2009 Commission's Order Approving Suspension of Request for Proposals (Suspension Order) in this docket. Among the conditions of the Suspension Order was the granting of the suspension for a period up to six months from the April 6 effective date. The Company has requested Commission approval of the RFP resumption by October 22, 2009, as well as a RFP schedule modification.

The Company requested that the resource time period be updated to on or after June 1, 2014 but not later than June 1, 2016. In addition, the Company's benchmark will be limited to a combined cycle natural gas-fired plant at Lake Side. The Company asserts that both time period and benchmark updates are nonmaterial and are consistent with its 2008 Integrated Resource Plan (IRP), which is currently under review by the Commission.

The Division is concerned that the Company has once again lost valuable time over the past few months. By waiting until October 6, a full six months after the April 6 Suspension Order, the Division believes the Company will be challenged to meet its June 1, 2014 deadline for bringing the RFP resource on line. This observation by the Division is based upon the previous schedule delays of the 2012 RFP in Docket No. 05-035-47 and the 2008 All Source RFP in this docket. The Division documented RFP schedule delays and related matters in direct testimony filed in the Lake Side Resource Approval in Docket No. 08-035-95. A principal recommendation in the Division's Lake Side Resource Approval testimony was that the Company needs to better manage the RFP process and, in particular, develop a more realistic RFP schedule and to ensure timely completion of schedule components.

The Division recognizes that some time can and should be gained in the schedule by considerably shortening the benchmark bid and bidder submission deadlines. The schedule, as proposed by the Company, allows for an unusually long solicitation process. In particular, the Company has proposed after the RFP issue date to allow 201 days for the benchmark bid, with 215 days for the bid responses. Under the current Company proposed schedule, an RFP issue date of November 9, 2009 would result in a benchmark bid deadline of May 28, 2010, with bid responses due 14 days later on June 11, 2010. Previously, the 2012 RFP and the 2008 All Source RFP allowed some 75 days for the bid response, with the benchmark bid due 14 days earlier. Time saved by shortening the benchmark bid and response bid schedule components will most likely be needed later in the schedule as unforeseen schedule delays may occur.

The Division recommends that the RFP benchmark and bid responses schedule components be shortened up to what was previously approved. This would result in a more reasonable bid submission of no later than the end of February. This schedule modification would save approximately three months. Nevertheless, even with the contraction of this part of the schedule, the Division remains concerned that a successful realization of the June 1, 2014 target date is possibly unlikely.

CC: Michele Beck, Office of Consumer Services
Dave Taylor, Rocky Mountain Power