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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services
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The Division of Public Utilities
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Date: November 18, 2011

Subject: Docket No. 11-035-73, Application of Rocky Mountain Power for Approval of a Solicitation Process

Background

On October 5, 2011 Rocky Mountain Power (Company) filed an application with the Public Service Commission (Commission) requesting approval of a solicitation process to acquire an all-source resource for 2016 (2016 RFP). November 18, 2011 was set as the deadline for comments regarding approval of the application. Following are comments and recommendations of the Office of Consumer Services (Office) regarding the application and draft proposed RFP.

Discussion

The Office will not comment on all aspects of the draft proposed RFP but will address two specific issues, the Company's decision to not include a benchmark resource and the bid evaluation process utilizing the Company's preferred portfolio from the 2011 Integrated Resource Plan (IRP).

1. **Benchmark.** Typically the Office prefers that the Company include a benchmark resource as part of the solicitation process. While the inclusion of a benchmark can bring value to the process we are sympathetic to the Company's recent experience with their benchmark and the expense incurred to develop a benchmark resource. In that instance a competing bid was offered at similar costs to the Company's benchmark but the competing bid provided advantages in other areas and thus was selected as the resource to acquire. The Company has indicated its concern with the cost incurred and importantly the additional time necessary to develop and have the Independent Evaluator examine the benchmark "bid".

However, the Office also notes that one of the purposes of the benchmark is to be used in the evaluation of other RFP bids. If the Commission allows the Company to go forward without a benchmark, it is even more important to ensure that the evaluation process is not biased or otherwise flawed.

2. Bid Evaluation. The Office is concerned that using the Company's proposed preferred portfolio from its 2011 IRP will result in a biased analysis. As the Office and other commenting parties indicated in comments presented in PacifiCorp's Integrated Resource Plan, Docket No. 11-2035-01, the methods used to derive the Company's preferred portfolio contained several fundamental flaws. Of particular concern is the extent to which the Company's preferred portfolio resulted from hand selected resources and hard-wired restrictions, rather than being selected for its superior performance in robust scenario evaluations where risk, cost and reliability were balanced. To the extent that the preferred portfolio is not reflective of an optimal portfolio, it also cannot be relied upon to select the best result from the RFP process. If the Commission would like the RFP results to be in the best interest of Utah ratepayers, then the analysis must be based upon a preferred portfolio that has been thoroughly vetted and is specifically found to be in the public interest. The Office continues to recommend that the Commission take a more active role in its evaluation of the Company's IRP and order the Company to base its RFP analysis on a final, possibly revised, preferred portfolio that is the outcome of an acknowledged IRP process.

The Office is concerned not only that the Company intends to use its flawed IRP preferred portfolio in the evaluation of bid resources, but also that the evaluation methodology itself will potentially create further bias in the evaluation process. The Company proposes to simply remove a specific plant from its preferred portfolio and compare the RFP respondents in that context. Using this methodology prevents examination of whether a resource with fundamentally different characteristics may perform better and provide a more cost-effective and lower risk option to meet customer electric demands.

Recommendations

The Office recommends that the Commission require the evaluation of offered resources in the 2016 RFP be based on the outcome of a robust IRP analysis and not the Company determined preferred portfolio. The Office also recommends that the evaluation methodology be changed such that it doesn't bias resources with different characteristics.