

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)
PacifiCorp, by and through its Rocky) DOCKET NO. 11-035-73
Mountain Power Division, for Approval of a)
Solicitation Process for an All-Source)
Resource for the 2016 Time Period)
)
In the Matter of PacifiCorp’s 2011 Integrated) DOCKET NO. 11-2035-01
Resource Plan)
) REPORT AND ORDER
)

ISSUED: February 21, 2013

By The Commission:

These matters come before the Commission upon the September 28, 2012, notification by Rocky Mountain Power, a division of PacifiCorp (“Company”), to the Commission that the Company would not be pursuing a resource for the 2016 time period under the All-Source Request for Proposals (“RFP”) and that it had decided to cancel the RFP. The RFP was approved February 8, 2012, in Docket No. 11-035-73, captioned above, (“RFP docket”). In addition, the Company filed its most recent needs assessment as an update to its 2011 Integrated Resource Plan (“IRP”) Update Action Plan¹ (“Needs Assessment”). The Needs Assessment filing also initiated a comment period in Docket No. 11-2035-01, captioned above, (“IRP docket”) pursuant to Utah Administrative Code (“UAC”) R746-430-1(2).

PROCEDURAL HISTORY FOR THE RFP DOCKET

On April 4, 2011, in accordance with UAC R746-420-1(3)(a), the Company notified the Commission of its intent to conduct a solicitation process and requested the Commission appoint an independent evaluator for the solicitation process.

¹ See PacifiCorp’s 2011 Integrated Resource Plan Update, filed in Docket No. 11-2035-01, captioned above, on March 30, 2012.

On October 5, 2011, the Company filed an application requesting approval of its draft RFP (“Application”). The Company filed this Application to fulfill a portion of the capacity and energy resources needed for the 2016 time period as identified in the Company’s 2008 and 2011 IRPs. On November 9, 2011, the Commission issued a notice Merrimack Energy would be participating as the Utah independent evaluator (“IE”). In October 2011, Utah Association of Energy Users (“UAE”) petitioned to intervene in this docket which the Commission granted in November 2011.

Following a duly-noticed hearing on December 12, 2011, an order was issued January 3, 2012, which suggested modifications to the draft RFP. On January 6, 2012, the Company issued the RFP, representing it was consistent with the Commission’s January 3rd order. On February 8, 2012, the Commission approved the modified RFP. Bids for the RFP were received by May 9, 2012, and the Company, under the oversight of the IE, reviewed all bids received.

On September 28, 2012, the Company notified the Commission and bidders on the final short-list it would not be pursuing a resource for the 2016 time period through the RFP. The Company also filed an updated assessment of its resource requirements in support of its conclusion a significant energy resource was no longer needed in 2016.

On October 1, 2012, the Utah Division of Public Utilities (“Division”) requested the Commission schedule a technical conference to allow the Company to explain the facts and reasons behind the termination of the RFP and to answer the questions of interested parties. Further, the Division requested the Commission provide procedural guidance for the RFP docket in light of the Company’s decision to cancel the RFP.

DOCKET NOS. 11-035-73 AND 11-2035-01

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On October 15, 2012, the Commission issued a notice that a technical conference would be held October 31, 2012, and suspended the remaining RFP schedule, including final IE reports, pending further Commission order. On October 31, 2012, UAE filed comments supporting the Company's decision not to pursue a 2016 resource through the RFP.

Following the technical conference and a duly-noticed scheduling conference, on November 9, 2012, the Commission issued a scheduling order. This scheduling order set filing dates for the IE's final report on the RFP, the Company's rationale and support for its decision to terminate the RFP, and for comments and reply comments by interested parties. The Commission also issued this schedule in Docket No. 11-2035-01 to provide, pursuant to UAC R746-430-1(2), opportunity for interested parties to comment on the Needs Assessment filed in the RFP docket.

On November 30, 2012, the IE filed its final report on the RFP ("IE Final Report"). On December 10, 2012, the Company filed support for its decision to terminate the RFP and responded to the IE Final Report. On January 14, 2013, the Division and the Office of Consumer Services ("Office") filed comments on the Company's decision to terminate the 2016 RFP.

PARTIES' POSITIONS

The Company decided to terminate the RFP primarily due to changes in its expected resource needs. The Company explains it issued the RFP to fulfill a need for a new significant energy resource identified in both its 2008 and 2011 IRPs. This need for a resource corresponded to a 597 megawatt combined-cycle plant included in the 2011 IRP preferred portfolio. Consistent with the evaluation process, the Company updated data and assumptions

related to its load forecast, and to its existing and firm planned resources. The Company states system peak loads in the new forecast are notably lower, declining by 523 megawatts in 2016. Further, the Company represents the update reduces the 2016 resource deficit by 468 megawatts as compared to the load and resource balance in the 2011 IRP Update.

In its analysis of RFP bids, the Company explains it generated a base resource portfolio by running the system optimizer model with the updated assumptions noted above. Assuming a 13 percent planning reserve margin, the base resource portfolio forecasts the need for a large new thermal resource in 2025 rather than 2016. The Company states front office transactions (wholesale power purchases or “FOTs”) and Demand Side Management (“DSM”) resources cost effectively meet the incremental resource requirements in the base resource portfolio.

The Company provides the results of a series of sensitivity analyses it performed during the final shortlist evaluation process to determine the drivers underlying the present value revenue requirement difference between the base resource portfolio and the RFP portfolios. The Company states the results generally show selection of certain bids is heavily influenced by the potential benefits of deferring generic long-term Class 1 DSM and combined-cycle resources in years 2020 and beyond. The Company concludes there are increased near-term costs and highly uncertain and speculative long-term cost savings associated with the RFP portfolios. Based on the foregoing, the Company contends it has fully supported its decision to terminate the RFP and requests the Commission issue an order to that effect.

In the IE Final Report, the IE examined the Company’s evaluation of bids and rationale for not selecting any bids and terminating the RFP. The IE does not oppose the

Company's decision based on the projected significant decline in the Company's load forecast, the projected resource balance for 2016, and the timing and risk of benefits associated with bids selected in some scenarios.

The IE agrees the Company has clearly demonstrated there is no need for the originally anticipated 597 megawatt gas-fired combined-cycle plant identified in the 2011 IRP. The IE notes the Company's analysis indicates the need for the next large-scale combined cycle resource addition is deferred until 2025. The IE explains the Company's analysis shows "forcing" a new combined cycle resource into the supply plan would cost customers millions of dollars over the life of the project relative to a preferred resource plan. Such a decision, the IE argues, would not lead to the lowest reasonable cost to retail customers and would not be in the public interest.

In the IE Final Report, the IE states "The solicitation process and procedures developed and implemented by PacifiCorp, including the bid evaluation and selection process and methodologies are, in substance, consistent with Utah competitive procurement requirements and industry standards and led to a fair, consistent and unbiased evaluation process."² The IE also provides a number of recommendations for future RFPs.

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 IE. Therefore, the Division recommends the Commission approve the Company's termination of the RFP and take no further action in the RFP docket.

² See "Final Report of the Utah Independent Evaluator, PacifiCorp All Source Request for Proposals for 2016 Resource, Public Version, Docket No. 11-035-73," November 30, 2012, at 4.

The Division acknowledges the Company's termination of this RFP is based on the Company's reassessment of its load forecast. Though the Division has some concern the Company's new load forecast results in a significant change in the forecast for future resource requirements, the Division does not oppose the Company's new load forecast and notes the Company is responsible for its forecasts and decisions. The Division states it has questioned, for several years, the Company's continued reliance on FOTs in the Company's IRP process. The Division notes termination of this RFP may increase the Company's reliance on FOTs in the near-term together with the risks accompanying such reliance.

The Division observes the Company generally adhered to the schedule in this RFP with the exception of an approximate eleven day delay in producing the final short list. The Division also notes the Company seemed to be more sensitive to the need to keep the IE and the Division informed in a timely manner of any significant events and changes in the RFP than in previous RFP processes. The Division concludes the RFP was conducted in a smooth and consistent manner through to the time the Company determined its new load forecast made termination of the RFP the likely alternative. The Division also supports the IE's recommendations for future RFPs.

The Office expresses concern, as it has in past IRP comments and other forums, regarding the Company's reliance on market power purchases. The Office remains concerned with the Company's reliance on FOTs in the long term. However, the Office is satisfied with the Company's explanation in the RFP docket and believes the IRP process, not an RFP, is the appropriate place to determine if the Company's reliance on the market is reasonable. The Office states it has not conducted an independent analysis of the Company's new load forecast to

determine whether or not the Company's analysis is appropriate. However, based on the IE's conclusions and the Office's review of documents provided with the Company's notice of cancelation, the Office concludes the Company's decision to terminate the RFP is appropriate at this time.

As noted earlier, UAE filed a memorandum supporting the Company's decision. Noting the harsh economic climate and several years of sharply increasing electric rates, UAE supports taking short term rate and other impacts into consideration to protect the public interest. UAE notes the combination of lower projected load growth, the availability of market resources, and the negligible and questionable long-term benefits of resources bid into the RFP, leads UAE to support the Company's decision at this time.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on the Company's Needs Assessment and evaluation of bids, the IE's examination and conclusions, the recommendations of the Division, Office and UAE, and hearing no opposition, we find the Company has supported its decision to terminate the RFP.

Additionally, we received no evidence in opposition to the Company's updated Needs Assessment and find this update reflects the most recently available information regarding the type and timing of resource additions at this time. We understand the Company has yet to update this analysis to account for risk and uncertainty and we look forward to receiving the full results of the Company's IRP analysis when it files its next biennial IRP on April 30, 2013.

We do not anticipate further adjudication in the RFP or IRP dockets addressed here. We take note of the IE's recommendations for future RFPs and will review these recommendations in the context of any future significant energy resource solicitation processes.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

No further adjudicative proceedings are anticipated for the RFP or IRP dockets addressed in this Report and Order

DATED at Salt Lake City, Utah, this 21st day of February, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

G#241946

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 21st day of February, 2013, a true and correct copy of the foregoing Report and Order, was served upon the following as indicated below:

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DOCKET NOS. 11-035-73 AND 11-2035-01

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