



State of Utah  
Department of Commerce  
Division of Public Utilities

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## ACTION REQUEST RESPONSE

TO: Public Service Commission

FROM: Division of Public Utilities:  
Chris Parker, Director  
Artie Powell, Energy Manager  
Abdinasir Abdulle, Utility Analyst  
Justin Christensen, Utility Analyst

DATE: April 29, 2016

RE: In the Matter of Rocky Mountain Power's Procurement Policy and Procedures  
Updates: Docket No. 16-035-03.

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### RECOMMENDATION (Approve)

The Division of Public Utilities (Division) recommends that the Commission approve Rocky Mountain Power's updates to the Procurement Policy and Procedures.

### ISSUE

On February 3, 2016, Rocky Mountain Power (RMP) filed an Application for Approval of updates to its Procurement Policy and Procedures. The effective date is February 3, 2016 and replaces the current version. The Commission held a scheduling conference on February 19, 2016. Following the scheduling conference, the Commission issued a Scheduling Order requiring comments from the Division of Public Utilities, and any other interested parties, by April 29, 2016. This memorandum serves as the Division's comments and recommendations in this matter.

## **ANALYSIS**

The Company's Procurement Policy and Procedures, which includes threshold reporting values, were last updated in 1991. The Company proposes updating, where appropriate, two thresholds to 2015 values. First, the Company proposes raising the threshold requirement of consultation for procurement from \$3,000 to \$5,000, an approximate gross increase of 67% or about 2.7% per year, which is roughly consistent with a Consumer Price Index rate of inflation.

Second, the Company proposes raising the threshold for purchases that must be reported to the Commission for non-competitive procurement from \$500,000 to \$1,000,000. In a phone call on May 2<sup>nd</sup> with Kathryn Hymas from the Company, the reasoning of the increase is inflation. The new amount would be approximately \$875,000. The company rounded it up to \$1,000,000. The current thresholds were in place for about 25 years. Inflation has been accruing throughout this period. Therefore, the Division believes updating these thresholds to 2015 values is reasonable and does not oppose it.

In addition, the Company proposes to file with the Commission only those sole sources that require new decisions. Reporting of repetitive sole sourcing will be eliminated. These repetitive sole sources include, but are not limited to, renewal of computer software licenses and short extensions on existing contracts by 3-6 months. Since the filing of repetitive sole sources would not change any decisions previously made on the contract, eliminating it could be viewed as a time and resource saving measure. Therefore, the Division does not oppose this proposed change.

The Company also proposes several additional changes. One is in the Affiliated Company Purchases section. The current version of the Company's Procurement Policy and Procedures states that affiliate transactions must be "avoided." The Company proposes replacing this standard with a must "review" standard. In the Technical Conference, the Company indicated that it will allow affiliates of Berkshire Hathaway to participate in the bidding process. However, the Company will evaluate the bidding affiliate just like any other bidder regardless of their

affiliate status. The comparison matrix of the different bids should show no conflict of interest. The Division believes that this reasonable and does not oppose this proposed change.

The purpose of the revised policy and procedures is to, in a timely manner, acquire supplies and services at the lowest evaluated cost. The Division believes that the updated changes to the policies and procedures will not hinder the Company's procurement objectives nor will it require a rule change. Accordingly, the Division believes the proposed updates are reasonable and recommends approval.

## **CONCLUSION**

The Division believes that the Company's proposed updates are reasonable and thus recommends the Commission to approve the revised edition of the Procurement Policy and Procedures.

cc: Michele Beck, Committee of Consumer Services  
Cheryl Murray, Committee of Consumer Services  
Bob Lively, PacifiCorp  
Kathryn Hymas, PacifiCorp  
Daniel Solander, PacifiCorp