

PUBLIC SERVICE COMMISSION OF UTAH

3/22/2022

Report of the Utah Independent Evaluator (Task A7) Regarding PacifiCorp's 2022 Draft All Source Request for Proposals (2022AS RFP) Docket No. 21-035-52

prepared by



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1. Executive Summary

Merrimack Energy Group, Inc. (“Merrimack Energy”) was retained by the Public Service Commission of Utah (“Commission”) to serve as Independent Evaluator (“IE”) for PacifiCorp’s 2022 All Source Request for Proposals (“2022AS RFP”). One of the tasks (Task A7) required the IE is to provide a written evaluation including recommendations to the Commission regarding the results of Tasks A1 through A4 of the IE Scope of Work as well as recommendations on approval of the proposed solicitation or modifications required for approval and the bases for the recommendations.¹ This report, often referred to as the IE RFP Design Report, is intended to meet that requirement.

Utah Code Section 54-17-101, known as the Energy Resource Procurement Act, requires that an affected electric utility seeking to acquire or construct a significant energy resource shall conduct a solicitation process that is approved by the Commission. The Commission shall determine whether the solicitation process complies with this Chapter and whether it is in the public interest taking into account whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers of an affected electric utility located in the state.

The overall objective of the IE in this process is to ensure the solicitation process could reasonably be expected to be undertaken in a fair, consistent and unbiased manner and is expected to result in the selection of the best resource option(s) for customers in terms of price and risk. As a component of the first phase of the solicitation process (Solicitation Process Approval), which includes detailed review and assessment of the draft RFP and related documents, the objective of the IE is to ensure the RFP will lead to a fair, equitable and transparent process and that the key aspects of the RFP are consistent with Utah Admin. Code and

¹ Task A7 also states that the IE should provide input on the development of screening and evaluation criteria, ranking factors, evaluation methods, and interconnection processes. Ensure that screening and evaluation criteria take into consideration the assumptions included in PacifiCorp’s most recent IRP, any recently filed IRP Update, and any PSC order on the IRP or IRP Update.

industry standards. To accomplish these objectives the IE has undertaken the following activities:

1. Reviewed the Application For Approval of Solicitation Process, Direct Testimony of Heather Eberhardt, and Draft RFP documents submitted by PacifiCorp on January 26, 2022 and posted to the Commission's website on January 26, 2022;²
2. Attended several presentations by PacifiCorp in both Utah and Oregon regarding the 2022AS RFP, including the January 11, 2022 Utah Pre-Issuance Bidder's Conference and the February 17, 2022 PacifiCorp 2022 All Source RFP Bid Evaluation, Bid Selection, Models and Assumptions Virtual Technical Conference³;
3. Submitted comments and questions to PacifiCorp on the Draft 2022AS RFP and related Appendices associated with the 2022AS RFP on February 16, 2022 and received a response from PacifiCorp on the 32 questions prepared by Merrimack Energy on March 9, 2022;
4. Reviewed PacifiCorp Transmission's interconnection queue and Open Access Tariff and webpage for any updated information on the interconnection process. Also reviewed sections from the 2021 Integrated Resource Plan regarding transmission issues to gain a perspective on any changes to transmission and interconnection considerations;
5. Reviewed the comments filed by all interested parties in Utah and select comments filed in Oregon and Washington;
6. Based on our overall industry experience in serving as IE or a related role in other power procurement processes, assessed PacifiCorp's competitive procurement approach in the 2022AS RFP relative to Utah Admin. Code and industry practices.

Merrimack Energy has prepared its comments and recommendations on major issues identified by the IE and multiple parties and recognized by the IE as important to the fairness and transparency of the process as well as other issues identified by the IE that pertain to the development and implementation of an effective and fair competitive bidding process consistent with Utah Statutes. Chapter 6 of this report contains a discussion of these issues⁴ and rationale for the recommendations provided below. These issues include:

² In its review of PacifiCorp's Application and Draft RFP documents posted to the Commission's website under Docket No. 21-035-52, Merrimack Energy identified that PacifiCorp failed to include several Appendices in its initial filing. After being informed by Merrimack Energy, PacifiCorp updated its filing and included the missing documents.

³ The Technical Conference focused on two separate issues: (1) Scoring and Modeling; and (2) Storage Valuation.

⁴ In response to the questions and comments submitted by Merrimack Energy to PacifiCorp regarding the Draft RFP, PacifiCorp agreed to make revisions to the RFP or address issues identified by Merrimack Energy.

1. Benchmark Resources
2. RFP Schedule
3. Bid Blinding
4. Bid Eligibility – Required COD
5. Long-Lead Time Resources
6. Bid Evaluation Fees and Alternatives
7. AC/DC Coupling
8. Battery Energy Storage System Requirements
9. Ranking of Bids
10. Demand-Side Resources
11. Code of Conduct
12. Non-Price Criteria and Scoring
13. Credit Requirements
14. Webpage
15. Models and Input Assumptions
16. Reasonableness of the Evaluation Process

Several parties raised issues with regard to components of the RFP. If these issues can be resolved to the satisfaction of the parties and the Commission, it is our view that approval of PacifiCorp's 2022AS RFP, with conditions, is a reasonable result after resolution of these issues or acceptance of suggested modifications for addressing key issues.

Based on Merrimack Energy's review of the RFP and related information, the conclusions and recommendations of the IE are presented as follows.

1.1 CONCLUSIONS

- PacifiCorp's Application including the RFP documents and processes are generally consistent with the Utah Admin. Code, Regulations and Statutes pertaining to the requirements for the design and development of the competitive bidding process. The IE believes that PacifiCorp has adequately addressed the requirements listed in the Statutes, including the following:
 - Utah Admin Code R746-420-1(1) to R746-420-1(3)
 - Utah Admin Code R746-420-3(7);
- Based on Merrimack Energy's review and assuming many of the suggestions of stakeholders and the IE are addressed in the final RFP, the IE believes that PacifiCorp's 2022 solicitation process is reasonable and is likely

to result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to PacifiCorp's retail customers taking into consideration long-term and short-term impacts, risks, reliability and financial impacts;

- Under the current structure of the RFP as an All-Source solicitation process, along with the suggestion to allow existing projects to submit proposals under certain conditions, and to also include Demand-side resources in the overall assessment, it can reasonably be expected that the solicitation process would lead to the acquisition and delivery of electricity at the lowest reasonable cost to retail customers. The IE and others have suggested revisions to the RFP which should hopefully result in a more competitive process for the benefit of customers;
- The market response to PacifiCorp's 2020As RFP was incredibly robust with over 575 offer variants submitted from 141 unique projects submitted by 44 counterparties. While we would expect fewer options and projects from this RFP based on the proposed revisions to the sequencing of the schedule with proposals submitted after completion of the Cluster Study interconnection process, the IE still expects that there will be a very robust market response based on the resource requirements identified and the number of active suppliers in the market. As a result, the IE expects there will be significant interest in the 2022AS RFP that will result in a robust and competitive response from the market;
- The PacifiCorp 2022AS RFP is a reasonably transparent solicitation process, with a significant amount of information provided to bidders on which the bidders could base their proposals via draft RFP documents submitted, bidder workshops and technical conferences, and Question and Answer responses;
- The 2022AS RFP is designed to provide the same information to all bidders at the same time;
- The products sought in this RFP are clearly defined and the information required for each type of resource alternative is specified in the RFP in a clear and concise manner;
- PacifiCorp has included a number of "safeguards" in the process designed to demonstrate to bidders that the process would be fair and equitable to bidders. These include: (1) the use of three Independent Evaluators to oversee the solicitation process; (2) the development of separate teams

for the development of the benchmark resources and for undertaking the evaluation of bids and management of the solicitation process; (3) a Code of Conduct for which members of the teams must execute acknowledgement forms and attend code of conduct training sessions; (4) submission and evaluation of benchmark bids prior to submission of third-party bids; and (5) a requirement that the benchmark resources provide all the same information in the same general format as third-party bids;⁵

- Perhaps the most significant change to the 2022AS RFP relative to the 2020AS RFP that could affect the solicitation process is the expected presence of potentially a large number of benchmark resources which are resources that PacifiCorp will offer into the RFP and own if selected. The presence of benchmark or self-build resources raise a number of fairness and equity issues from the IE perspective to ensure all resource options have an equal and fair opportunity to compete. From the IEs perspective, this also requires assessment and monitoring of “safe-guards” which are in place to ensure competitive market information is not available to benchmark bidders. In PacifiCorp’s case, the IE feels there are adequate safeguards in place to ensure that a fair and equitable solicitation process can be maintained, including the schedule which requires benchmark resources to be submitted before third-party proposals are submitted and the use of a single-phase evaluation process, with no best and final offers;
- The RFP documents clearly describe the products requested, the requirements of bidders, the evaluation and selection process, eligibility and evaluation criteria and the risk profile of the buyer. In this regard, there is sufficient information to allow bidders to assess whether or not to compete, the product of choice to bid to be most competitive, and the process by which their proposals will be evaluated;
- While the RFP documents provide a significant amount of information, the IE and stakeholders have identified cases where clarification of the information presented needs to be provided in the final RFP documents. Proposed areas for clarification are identified in Sections 5 and 6 of this report;
- Parties have raised the issue of ensuring comparability for resource evaluation, notably ensuring that third-party PPA bids, Build Transfer (BTA) bids and Benchmark resources are required to compete based on the

⁵ Merrimack Energy has noted in this report that in previous PacifiCorp RFPs in which benchmark bids were allowed to compete, the benchmark bids provided the same general information required to be provided by other bidders. Merrimack Energy requested PacifiCorp to confirm that this will be case with for the 2022AS RFP as well.

same set of rules or on a level playing field. The IE also views comparability to be the most challenging issue in a solicitation process in which utility-owned resources compete with third-party resources. PacifiCorp has included provisions in the process to ensure fairness and has adopted a number of provisions which place all proposals on a level playing field (i.e., PPAs can be offered for terms up to 30-years; benchmark bids are required to be submitted before other bids; and benchmark bids should be required to provide the same information as third-party bids as PacifiCorp has done in previous solicitations). As identified in Section R746-420-3, the IE is also required to verify that all necessary cost information is provided for the benchmark bids to ensure all proposals are placed on as level a playing field as possible and that benchmark resources are not unduly advantaged;

- The evaluation process and quantitative methodologies developed and expected to be utilized by PacifiCorp for undertaking the evaluation process, including utilizing the PLEXOS model as the key quantitative evaluation tool, are applicable for modeling the range of the proposals expected in this RFP. Furthermore, the model methodology is consistent with and likely exceeds industry standards applied by others for conducting the quantitative analysis for an All-Source RFP. The portfolio evaluation and risk assessment methodology utilizing the PLEXOS model is reasonable and consistent with industry practices. The PLEXOS model is very detailed, has been used for development of PacifiCorp's IRP and has been vetted through the IRP process, is utilized by other utilities and entities for similar processes, and is generally applicable for addressing the requirements of the Energy Procurement Resource Act;
- The evaluation and selection process is a reasonably comprehensive process designed to evaluate the net cost implications associated with different resource options and portfolios, includes non-price factors and criteria required in the Act that influence project viability, and assessment of risk parameters associated with the various portfolios;
- At this point, PacifiCorp has not met the specific requirements of Utah Admin. Code R746-420-1(2) to provide the IE with data, information and models necessary for the IE to analyze and verify the models. PacifiCorp indicated that it could not provide the PLEXOS model to the IEs. In Merrimack Energy's recommendation section in this report, the IE requests access to the inputs and outputs from the PLEXOS model. From an informational perspective, PacifiCorp did hold a Technical Conference on February 17, 2022 to review PacifiCorp's bid evaluation, bid selection,

models and assumptions as well as describe the storage valuation methodology;

- Part 2 of the Energy Resource Procurement Act includes requirements for a solicitation process. The intent of Part 2 and the Rules implementing it is to ensure a robust array of bids from all available resource types and from varying owners/developers. Only if a robust set of bids for market resources is received can bids be fairly compared and evaluated. The ultimate goal of the Act and Rules is to ensure that the resources with the lowest reasonable cost to customers can be identified and procured, regardless of the nature or ownership of the resources. Merrimack Energy believes PacifiCorp's Draft 2022 All Source RFP, combined with suggestions made by the Stakeholders and IE, will lead to a robust response from the market with a range of resource options and contract types for several reasons:
 1. The RFP is an All-Source supply-side RFP with a range of eligible resource options and contract structures;
 2. Merrimack Energy expects a very robust response based on the response to the 2020AS RFP;
 3. PacifiCorp's evaluation process for final shortlist selection is designed to evaluate bids for all resource types which should ensure that all eligible resource options will have the opportunity to compete;
 4. There is no restriction on minimum size bid which should encourage a wide range of resource types from a broad list of bidders/developers;
 5. The PacifiCorp RFP is a reasonably transparent process with a significant amount of information for bidders to assess to inform their decisions regarding resource selection and proposal options;
 6. PacifiCorp has included a number of "safeguards" in the process designed to demonstrate to bidders that the process would be fair and equitable to bidders;
- As a final conclusion, PacifiCorp has agreed to make revisions to the Draft RFP based on several suggestions and comments raised by Merrimack Energy in its list of questions submitted to PacifiCorp including:
 - PacifiCorp agreed to clarify the qualification for long-lead time resources in a footnote in the RFP;
 - PacifiCorp agreed to update the RFP to reflect no preference for or minimum requirements related to storage duration or storage energy capacity as compared to renewable resource generating capacity;
 - PacifiCorp indicated it will consider hosting a Transmission Workshop;

- PacifiCorp revised all references with regard to the time for bidders to respond to questions to two business days;
- PacifiCorp agreed to add a Section 11 to the information provided in the Bidder's proposal to reflect the Bidder's tax credit strategy in Appendix B-2;
- PacifiCorp clarified the proposed role of PacifiCorp and the IE in reviewing and validating non-price self-scores provided by the bidders.

1.2 SUMMARY OF RECOMMENDATIONS

Chapter 6 of this report contains a detailed review of the RFP issues identified by Merrimack Energy based on review of the RFP as well as the comments submitted by the Stakeholders and the underlying rationale for the recommendations. Provided below is a list of the recommendations prepared by the IE to ensure the solicitation process meets the requirements and objectives of Utah Statutes.

1. With regard to the benchmark resources, the IE therefore has the following recommendations:

- Require that the benchmark resource proposals include all the same information as included in benchmark bids for the 2017R RFP, which is consistent with the same level of detail and format as all other proposals are required to provide in Appendix B-2 and sections of C-1, C-2, and C-3 as applicable;
- Clearly identify in the RFP document the information and templates that benchmark resources will be required to provide consistent with the requirements of other resources;
- Provide clarification on the benchmark scoring methodology PacifiCorp intends to implement to ensure fairness and consistency in the evaluation process;
- Explain why it is not feasible to conduct non-price scoring after submission of benchmark bids but defer the price evaluation to coincide with the quantitative evaluation of non-benchmark bids;

2. Merrimack Energy does not object to the implementation of a single stage pricing process, particularly given that a potentially large number of benchmark options will be allowed to compete. Since there is a single pricing process and benchmark bids will be submitted prior to third-party bids there is no opportunity for any market information associated with third-party bids to affect benchmark pricing;

3. Merrimack Energy has recommended that the COD for projects bidding into the 2022AS RFP be extended to at least December 31, 2027. This should facilitate the ability of additional projects to be able to achieve interconnection in time to meet the later COD. The IE views that completion of all major tasks in time to allow for projects to meet a December 31, 2026 COD could be challenged by the lengthy project development process due to supply chain issues and major equipment and production input constraints, contract negotiation process with a large number of contracts to execute, and the associated regulatory requirements;

4. Merrimack Energy has also recommended that PacifiCorp should probably state in the RFP that it prefers projects that can achieve an earlier COD (i.e., by December 31, 2026);

5. To assist potential bidders to meet commercial readiness criteria, Merrimack Energy recommends that PacifiCorp conduct a Workshop or Technical Conference for bidders regarding the interconnection process and transmission assessment shortly after issuance of the RFP;

6. Merrimack Energy has no objections to PacifiCorp's request that the Commission grant PacifiCorp's request for a waiver of the bid blinding requirements in the Statute (Utah Admin. Code R746-420-3(10)(a)). However, should Merrimack Energy be required by the Commission to establish a webpage for the RFP similar to previous RFPs, the IE still suggests that questions and answers will be blinded such that PacifiCorp will not know the identity of the participant when the questions from the participants are provided to PacifiCorp for a response by the IE. Merrimack Energy will remove the name or reference to the participant asking the question prior to submitting the question to PacifiCorp;

7. Merrimack Energy recommends that PacifiCorp provide more guidance and/or specific criteria to define which type of resources qualify as long-lead time resources. Merrimack Energy feels it is preferable to identify the definition and characteristics of such resources in the RFP and also state that bidders of such resources, who may have questions about resource eligibility, should submit a question to PacifiCorp for clarification along with documentation supporting their contention that the resource would qualify as a long-lead time resource;

8. Merrimack Energy does not oppose the increase in the base bid fee to \$15,000, but only if two alternatives are allowed to be submitted associated with different contract term options (e.g., 15, 20, 25, or 30 years) and pricing structures (fixed and/or fixed escalation pricing);

9. Merrimack Energy does not oppose PacifiCorp's proposal to accept bids from only AC-coupled systems. However, PacifiCorp should re-asses allowing proposals for both AC and DC coupled systems in future RFPs;

10. Merrimack Energy agrees with UAE's comments on PacifiCorp's operational requirements for battery energy storage bids including size of the battery relative to the nameplate rating of the renewable facility and duration for the battery. Merrimack Energy notes that the final portfolio from the 2020AS RFP contained a range of operational characteristics for the battery options which led to a diverse and flexible portfolio. Based on a response to a question from Merrimack Energy, PacifiCorp has apparently agreed to remove the proposed restrictions;

11. Merrimack Energy agrees with UAEs request and recommendations regarding augmentation and recognizes that the cost of augmentation and timing for adding capacity for BTA or benchmark bids will have to be carefully scrutinized by the IE to ensure all projects are treated fairly and consistently, whether a PPA or utility-owned resource. Merrimack Energy suggests that PacifiCorp include augmentation costs in its benchmark cost analysis should the Company propose any collocated renewable and energy storage resource in its benchmark proposals.

12. Merrimack Energy found PacifiCorp's response to OCS 1.19h to be different than what we expected and to be troubling overall for the potential implications on the importance of accurate non-price scoring and the ultimate impact on bid ranking and selection. Similar to OCS, Merrimack Energy requests clarification of the bid scoring and ranking methodology as well as a response on how capacity contribution values will be treated and assessed;

13. Merrimack Energy agrees with the Division regarding the evaluation of demand-side and supply-side resources from the RFPs. It is not clear to us how the evaluation and scoring of the resources is going to take place. Merrimack Energy requests that PacifiCorp clarify in more detail how the results of the two RFPs will be integrated and the methodology for evaluating (price and non-price factors) and selecting the final demand-side and supply-side resources will be implemented;

14. OCS raised comments about the Code of Conduct, including whether PacifiCorp intended to implement code of conduct training for affected employees. Merrimack Energy asked questions of PacifiCorp on the code of conduct, as well. PacifiCorp responded that it will identify members of the teams who will be required to sign code of conduct acknowledgement forms. PacifiCorp will hold training sessions for affected personnel similar to previous

solicitations. The IE suggests that PacifiCorp update the RFP Appendix I to include its responses to the IE regarding the code of conduct, as noted above;

15. With regard to the discussion on non-price scoring Merrimack Energy suggests revising the language in Section 6B in the RFP under Table 3 to read – “Bidders will have, as part of their bid, self-scored their bids using the non-price scorecard, which will be audited **and verified by PacifiCorp prior to giving each bid a non-price score. PacifiCorp reserves the right to contact a bidder to seek clarification and support for the bidder’s self-score, if required. Bidders will have two-days to provide information requested by PacifiCorp to verify the self-scores;**

16. While Merrimack Energy has concerns about a self-scoring process, the use of more objective criteria is preferable in cases where benchmark or self-build options are competing. As a result, the IE does not oppose use of the scorecard and the self-scoring process but parties should monitor the process to assess whether the self-scoring process and scorecard are effective in distinguishing the viability of bids and are reasonable for future solicitations;

17. With regard to the credit assurance requirement levels, the IE’s view is that these credit requirements are reasonable and consistent with industry standards. if the credit assurance levels listed in Appendix D are contractual amounts, for consistency purposes, PacifiCorp may want to consider asking bidders to include the cost of this level of security in their bid pricing;

18. Task B3 of the IE Scope of Work as listed in the Commission’s RFP for Independent Evaluator Services requires the IE to set up and maintain a webpage or database for information exchange between bidders/potential bidders and PacifiCorp **only if directed by the PSC in its Approval of the Solicitation Process.** Merrimack Energy proposed to establish a webpage on its website to accommodate this requirement similar to the webpages we established for previous PacifiCorp RFPs, including the 2017 Renewable RFP and the 2020AS RFP:

19. Merrimack Energy suggests that the IEs should, at a minimum, be provided access to the output files⁶ for the PLEXOS model to be able to fulfill the IE’s requirements for review of bid evaluation results as identified in Utah Statutes;

20. Merrimack Energy agrees with OCS that at a minimum, PacifiCorp should explain all its modeling techniques, such as the use of micro-resources in more

⁶ In the February 17, 2022 Technical Conference on Bid Evaluation, Bid Selection, Models and Assumptions, PacifiCorp listed Bid Selection and Net Benefits for each bid as PLEXOS outputs. Merrimack Energy would expect that these and other output files from the PLEXOS model should be available to the IEs for their review of the evaluation results even if the IE does not have access to the model itself.

detail. We request that PacifiCorp hold regular meetings with the IEs both in the preparation process for preparing model inputs and analyses and after proposals are received during the evaluation and selection process.

