

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: October 21, 2021**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: October 11, 2021

TO: Public Utility Commission

FROM: JP Batmale

THROUGH: Bryan Conway and Kim Herb **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2193)
PacifiCorp requests approval of an Independent Evaluator in its 2022 AS RFP.

STAFF RECOMMENDATION:

The Commission should approve PacifiCorp's choice of PA Consulting as the Independent Evaluator (IE) in the 2022 AS RFP.

DISCUSSION:

Issue

Whether the Commission should select Staff's recommended bidder to serve as IE in the event PacifiCorp pursues its proposed 2022 AS RFP.

Applicable Law or Rule

The Commission's competitive bidding requirements in OAR Chapter 860, Division 89 apply when an electric utility may acquire a resource or a contract for more than an aggregate of 80 megawatts and five years in length, as specified in OAR 860-089-0100(1).

Under OAR 860-089-0200(1), when an electric utility is subject to competitive bidding requirements, it must engage the services of an independent evaluator to oversee the RFP process. To engage an IE, the utility must:¹

¹ OAR 860-089-0200(1), (2), (3), (4).

1. Notify all parties to its last general rate case, RFP, and IRP dockets that it needs an IE;
2. Solicit input from those parties and from interested persons regarding potential IE candidates;
3. File a request for Commission approval to engage an IE;
4. Upon approval by the Commission, engage the IE with a contract that “must require that the IE fulfills its duties under these [competitive bidding] rules and that the IE confers as necessary with the Commission and Commission Staff on the IE’s duties.”

The duties of an IE are set forth in OAR 860-089-0450. In fulfilling its duties, the IE must be provided with full access to the utility’s production cost and risk models and sensitivity analyses.²

When a utility files for Commission approval to engage an IE, Commission Staff reviews the request, and solicits input from interested persons. Per OAR 860-089-0200(2), Commission Staff then makes its recommendation in IE selection based on:

1. Input received from the electric company and interested, non-bidding parties;
2. Review of the degree to which the IE is independent of the electric company and potential bidders;
3. The degree to which the cost of the services to be provided is reasonable;
4. The experience and competence of the IE; and
5. The public interest.

Per OAR 860-089-0010(2), upon request or its own motion, the Commission may waive any of the Division 89 rules for good cause shown. A request for waiver must be in writing to the Commission prior to or concurrent with the initiation of a resource acquisition.

Analysis

Background

PacifiCorp filed its 2021 Integrated Resource Plan (IRP) on September 1, 2021. The next day PacifiCorp requested the Commission open a docket for their 2022 all-source (AS) request for proposal (RFP). In their RFP filing the Company noted the RFP was in response to the resource needs identified in the Company’s 2021 IRP.

² OAR 860-089-0400(6).

The RFP docket filing contained two related action items:

- A request for approval of an independent evaluator (IE) to oversee the RFP process;
- A request for approval of the scoring and modeling for the RFP.

Initially, PacifiCorp requested that the approval of the IE selection **and** the approval of the RFP's scoring and modeling methodology occur at the October 5, 2021 Public Meeting. Approximately four weeks later, on October 1, 2021, PacifiCorp filed an extension to these requests that also split the dates each issue would come before the Commission. The IE Selection was requested to be moved to the October 21, 2021 Public Meeting. The approval of the RFP scoring and modeling methodology was requested be moved to the November 30, 2021 Public Meeting. Staff supports separating the two actions to allow more time for review and stakeholder feedback of the RFP design, and scoring and modeling methodology.

PacifiCorp issued an RFP for an IE on September 3, 2021 and the bidding closed on September 17, 2021. In summation, PacifiCorp solicited bids from 34 potential IEs and three bids were received.³ All Oregon IE RFP bids were accepted as having met the minimum qualifications. The three Oregon IE bidders were:

- Bates White
- London Economics International (LEI)
- PA Consulting

On September 30, 2021, Staff received confidential information regarding the final scoring. The Oregon IE RFP bids were reviewed and scored by a PacifiCorp evaluation team according to the four criteria:

- o Ability to perform work (300 pts)
- o Evaluation methodology (350 pts)
- o Price (300 pts)
- o Conformity to proposed contract (50 pts)

³ For more information See PAC 2022 AS RFP, UM 2193, Oregon IE for RFP Presentation, October 4, 2021

The awarded points were as follows: **[BEGIN CONFIDENTIAL]**

Bidders	Ability to perform (300)	Evaluation Methodology (350)	Price (300)	Contract Conformity (50)	Cost
Bates White	■	■	■	■	■
LEI Proposal	■	■	■	■	■
PA Consulting	■	■	■	■	■

[END CONFIDENTIAL]

PacifiCorp publicly announced on October 4th, 2021, that the Company would recommend PA Consulting Group, Inc. for the Oregon IE RFP work. PA Consulting had the highest score for ability to perform work and evaluation methodology. PacifiCorp noted they could provide complete scoring information upon request to those who have signed a protective order in UM 2193.

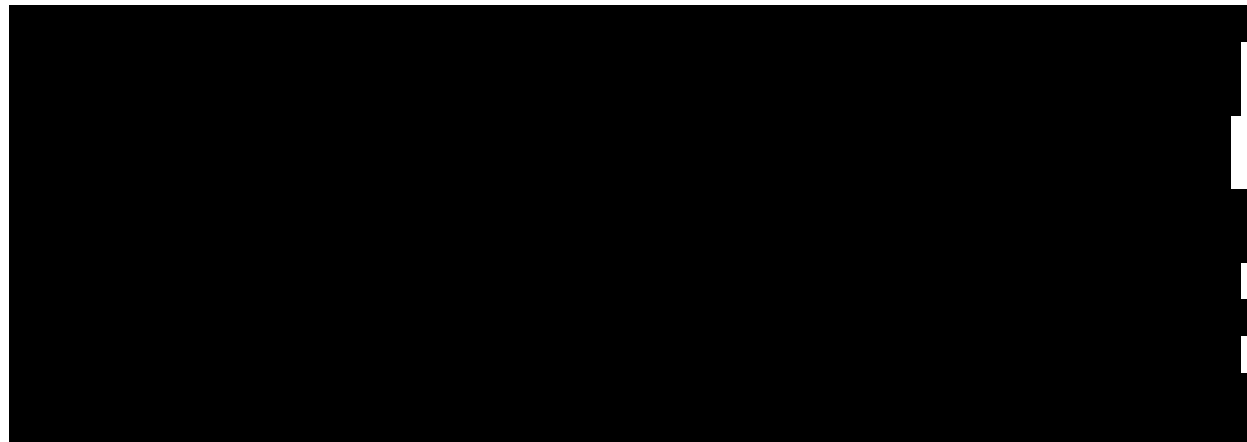
Staff received additional documentation associated with PacifiCorp's IE bid evaluation on October 7, 2021. This information included responses to additional questions posed by Northwest & Intermountain Power Producers Coalition (NIPPC). The questions were as follows:

1. Consistent with the Oregon competitive bidding rules, how will you as the independent evaluator ensure that the PPA [Power Purchase Agreement] and the BTA [Build Transfer Agreement] are evaluated and scored on equal footing so that there is no bias toward one type of structure over another?
2. Please provide examples of past work or recommendations that sought to ensure that the PPA and the BTA are evaluated and scored on equal footing so that there is no bias toward one type of structure over another.

In PacifiCorp's evaluation, the bidders' responses showed them to be equally capable of guarding against bias, providing comparable responses. Thus, it did not impact the utility's final selection of PA Consulting for its recommendation.

Staff Position on Selected IE and Contract

Upon review of all the information provided by PAC, Staff agrees with PAC's selection of PA Consulting. However, Staff would note that **[BEGIN CONFIDENTIAL]** ■



[END CONFIDENTIAL]. Staff and PA Consulting have extensive, recent experience with PacifiCorp's system and current modeling from UM 2059.

Staff's Initial Comments on RFP at this Stage

In addition to Staff's recommendation on the UM 2193 IE selection, Staff offers the following comments on other aspects of this RFP. These comments are not intended for Commission action at this time. Rather, they are meant to further the on-going dialogue between PAC, interested Stakeholders, the Commissioners and PUC Staff related to this proposed RFP.

General Timeline

PacifiCorp's September 2, 2021, RFP filing included a very aggressive timeline for RFP development. The Company's goal was to issue an RFP by January 10, 2022 and select the Initial Short List (ISL) by May 13, 2022.⁴ The Company cited three reasons for the abbreviated and accelerated schedule: the federal Production Tax Credit (PTC) expiration date in December 2025; Washington regulations requiring an RFP be filed 120 days after issuing an IRP; and, the opportunity for ISL qualified bids to demonstrate market readiness and enter their FERC cluster study before the May 16, 2022, window closure date.

On September 27, 2021, PacifiCorp offered significant changes to its proposed RFP timeline. The Company's revised proposed schedule allows for more time for public input and regulatory review, however it is still not consistent with RFP rules. Specifically, the new schedule adds:⁵

- 80 more days on the front end of the process before the RFP may be approved.

⁴ See UM 2193, Initial Application, Sept. 2, 2021, pg. 35

⁵ See Attachment A, PacifiCorp presentation, "2022 Request for Proposal Process and Workflow Recommendation," sent to Staff September 27, 2020.

- Over 200 more days in the middle of the process for bidders to prepare bids.
- 20 more days at the end of the process for Final Short List evaluation.

On September 3, 2021 PacifiCorp opened its IE RFP. September 28, 2021, PacifiCorp filed a Notice of Webinar Workshop to discuss the IE selection process and candidates. Parties from the service lists of PacifiCorp's most recent general rate case, RFP, and IRP proceeding, as well as the current RFP, were notified of the workshop. Staff received the recommendation for an Oregon IE to oversee the RFP on September 30, 2021. The workshop was held on October 4, 2021.

The overall RFP process now concludes in early May 2023, as opposed to the originally proposed timeframe of January 2023. The RFP itself is slated to be issued on April 1, 2022, rather than the originally proposed date of January 10, 2022. While Staff appreciates the greater amount of time for stakeholder input, there are still areas where the RFP process has not followed the rules and where, without further rule clarification, Staff sees that the RFP may diverge from the rules future elements of the proposed schedule.

PacifiCorp solicited input from parties regarding IE candidate selection beginning on September 30 with their review of three bids and selection of one. Per the rules the Company is to solicit input from interested parties regarding potential IE candidates. While PacifiCorp stated they reached out to 34 bidders, Staff interprets the rules as giving stakeholders a chance to provide input on potential IE firms in the pool to be considered, not just after they have been scored.⁶ While this may be a small step in the overall RFP process it is in the rules, Staff would appreciate the Company taking this step prior to posting its next IE RFP.

Going forward the revised RFP schedule should add at least one other element to better demonstrate anticipated compliance with Oregon's competitive bidding rules. Specifically, bidder and stakeholder workshops must be conducted on the Draft RFP prior to filing the Draft RFP.⁷ The current schedule does not include a line item detailing when or if such a workshop(s) will occur. Further, the current schedule allows very little time for such a workshop.

Also based on Staff's recommendations in Docket UM 2059 that PacifiCorp schedule should include the dates as to when the Company will attempt to provide work papers and results to Staff and the IE in advance of comment filing dates.⁸ These should be

⁶ See OAR 860-089-0200(1)

⁷ See OAR 860-089-0250(1)

⁸ See UM 2059, Staff Report filed October 6, 2021

published in the RFP docket as a part of the docket schedule. Delays in providing this information to Staff and the IE can result in a corresponding delay to the RFP schedule. Staff suggests expanding the RFP schedule to include dates indicating the final dates PAC will return documents in advance of comment filing dates.

Bid Scoring and Associated Modeling Methodology

The competitive bidding rules provide an alternate path for companies that do not have RFP elements, or bid scoring methodology details included within a Commission-acknowledged IRP. These details may instead be provided in a separate filing for Commission approval, in advance of the filing of a draft RFP. For an adequate review by Staff and interested stakeholders, similar to the IRP process typically applied for approval of an RFP and associated scoring and modeling, this is a process that ideally may take up to six months.

PacifiCorp has chosen to provide its RFP design, scoring methodology details in a separate filing from its IRP. PacifiCorp's IE application states that the 2022 AS RFP scoring methodology "is consistent with the scoring and modeling methodology used by PacifiCorp to evaluate bids received in response to previous RFPs."

At a broad level as described in Attachment C to PacifiCorp's initial filing, Staff can confirm that the 2022 AS RFP bid scoring methodology does appear to be similar to that in the 2020AS RFP. However, there have been changes to the bid scoring, and there may be further changes to the assumptions or inputs of the bid scoring models. These models have been requested by Staff, as well as a summary of the changes from the 2020AS RFP. Included in PacifiCorp's reply was the following explanation:

Regarding 2022AS RFP bidder price scoring, PacifiCorp expects a similar approach to that employed in the 2020 All Source Request for Proposals (2020AS RFP). However, changes may include the addition of new minimum criteria; a change to the non-price score matrix; and the addition of an equity questionnaire to provide information for Oregon House Bill (HB) 2021 and Washington procurement of resources rules. Additionally, the Company expects one further step will be added (after the selection of the final shortlist to determine system resources) to analyze the addition of resources on a state-by-state specific basis to meet evolving regulatory requirements such as Washington's Clean Energy Transformation Act (CETA).

Other changes are being contemplated to shorten the bid evaluation timeline and will likely include the requirement that bidder provide a completed interconnection study so that interconnection costs and timelines can be included as part of all

2022AS RFP bids to assure more accurate price scoring and to assure a bidder's proposed project can interconnect within 2022AS RFP specified timeframe.⁹

The bid scoring and associated modeling methodology appears to be in development, and expected to include several changes from the previous 2020AS RFP methodology.

Given the requirements from 860-089-0250(2)(a) and (b) Staff recommends the timeline for review of the bid scoring and associated methodology be extended, from the proposed date of November 30, 2021 to the December 28, 2021 Public Meeting.

Extending the timeline for review of bid scoring and associated modeling could be important as the bid scoring and associated models are similar, but not the same, as was acknowledged in the 2019 IRP. Staff believes this can be accomplished and will not necessarily extend the overall timeline.

Additional or Modified Reporting and Analysis Requested

Staff have learned several lessons over the course of UM 2059 and from Portland General Electric's (PGE) recent RFP filing, Docket UM 2166. In terms of bid scoring, Staff will seek to add PGE's "level capacity ratio." This metric favors resources that offer higher capacity contributions with lower annual energy output.

In terms of additional sensitivity analysis and reporting requested from the Company, Staff plans to request the following be built into the RFP and reflected in the Draft RFP up for approval in early 2022:

- Assess the cost of any incremental transmission additions with/without ratepayer support of the underlying transmission.
- Report PVRR resulting from adding a social cost of carbon at a 2.5 percent discount rate applied to emissions from PAC system with and without the ISL resources.¹⁰
- Include a 'no market sales' sensitivity.
- Include a tax credit extension sensitivity, with low market prices.
- Provide workpapers to Staff and the IE within an agreed-upon number of days before Staff and IE filings or push out deadlines.

⁹ PacifiCorp response to Staff Information Request 1.

¹⁰ For a schedule of the Social Cost of Carbon, please see the Oregon Department of Energy's, "Primer on the Social Cost of Carbon," May 2020, page 3. <https://www.oregon.gov/energy/energy-oregon/Documents/2020-Social-Cost-of-Carbon-Primer.pdf>.

- Provide a storage modeling workshop for Staff, IE and stakeholders with a detailed model walkthrough at least 30 days prior to the approval decision on bid scoring methodology.

Staff Suggested Alternate RFP Timeline

Based on the feedback above, Staff proposes the following alternate RFP schedule for Commission-related dates going forward. (Proposed Staff changes are in italics and grey.)

Event	Target Date
IE Approval at Public Meeting	October 21, 2021
Scoring and Associated Modeling Methodology Workshop	Late-Oct. / Early-Nov 2021
<i>Storage Modeling Workshop</i>	<i>Early-Nov 2021</i>
Approval of scoring and associated modeling methodology at Public Meeting	<i>December 14, 2021</i>
<i>Circulate Draft RFP with Stakeholders prior to Workshop</i>	<i>December 28, 2021</i>
<i>Draft RFP Workshop with Stakeholders</i>	<i>January 7, 2022</i>
File Draft RFP with Oregon Commission	<i>January 14, 2022</i>
Party Comments on Draft RFP	<i>February 11, 2022</i>
PacifiCorp Reply Comments	<i>February 25, 2022</i>
IE Files Report on Draft RFP	<i>March 4, 2022</i>
Commission Decision on Final RFP	<i>April 4, 2022</i>

Trends in RFP Timing

This will be PacifiCorp's third RFP for generation that potentially involves transmission resources since 2017. UM 2193 will also be the third consecutive RFP the Company has launched prior to receiving acknowledgement of and concurrent to an open IRP.

RFP Docket	Date of IE RFP Request, Launching RFP	Date RFP Final Shortlist Acknowledgement	Est. GW, including Storage (Nameplate capacity)
UM 1845	June 1, 2017	May 23, 2018*	> ~ 1.5 GW
UM 2059	Feb. 24, 2020	Oct. 12, 2021	> ~ 3.1 GW
UM 2193	Sept. 2, 2021	Aug. 8, 2023**	> ~ 1.5 GW

* - Not Acknowledged / ** - Proposed

Staff can appreciate a need to accelerate an RFP process for a variety of reasons. Most notably, the value of Federal production tax credits has been a compelling incentive to complete RFPs before the credit's expiration.

However, as this is the third consecutive occurrence of an RFP being filed concurrently with an IRP, it would appear that the purpose of the RFP being complementary to an IRP process has been somewhat encompassed by the RFP process instead.¹¹ In Staff's recent experience given how the schedules of recent IRPs and RFPs have overlapped, the PacifiCorp IRP processes would appear to have evolved to:

- Buttress/Justify an existing RFP's scope and needs assessment;
- Allow stakeholders to publicly validate any shared modeling used in RFP resource selection;
- Provide the Company a vehicle to regularly demonstrate compliance with the implementation of individual state energy policies. Examples include:
 - Washington: CETA
 - Oregon: SB 1547
 - Economic evaluation of coal plants for removal from future rates;
 - Loading order to ensure cost-effective energy efficiency and demand response secured prior to new generation.
 - Wyoming: Continued coal operations

The pressures and complications from running these two types of dockets concurrently are manifest in past orders, reports, and comments in both UM 1845 and UM 2059. For example, in the UM 1845 Order No. 18-178, Commissioners noted that the IRP running concurrently with the RFP resulted in surprises that were not easy to deal with in the RFP docket.¹² Further, Staff believes that the non-IRP pathway outlined in the

¹¹ See ORS 860-089-0010(1)

¹² See UM 1845, Order No. 18-178, May 23, 2018, pg. 13, "We believe that accommodating PacifiCorp's request for an out-of-order RFP process, in which we were asked to approve PacifiCorp's RFP well before we concluded our review of the IRP, combined with an expedited schedule, is the primary factor

Competitive Bidding rules was meant to function more as an alternative track. It provides an opportunity to replicate the scrutiny that would normally be applied to RFP elements, scoring and modeling methodology in an IRP.¹³ When a utility seeks approval of an RFP design outside of the IRP process, and there is a concurrent IRP docket, the second RFP docket may be redundant and create inefficiencies.

These observations are not a judgement on how PacifiCorp operates or how the Company chooses to comply with state policy. Rather, Staff shares these observations to note that we lack evidence to suggest that this business practice will stop after this RFP. Rather, we anticipate it will continue into the future.

The continuation of this approach as the norm is suboptimal for three reasons:

- It strains Staff and Stakeholder resources, implicitly limiting time for review and input into either the filed IRP or the RFP design as it is developed. Both are complex proceedings.
- It expands the burden of stakeholder review and feedback from the filed IRP and RFP process and also to the IRP public input process. The IRP public input process now functions as the place where the assumptions, modeling, and analysis used in overlapping IRPs and RFPs are developed and solidified. Broadly, many stakeholders have express concerns about the resources required to stay engaged in lengthy and complex Commission processes. The sustained level of effort to stay engaged in an IRP input process for the 18 – 24 months, as is now necessary to influence the filed IRP **and** the RFP would most likely qualify as one of those types of processes.
- It assumes the assumptions and analysis used to create the filed IRP and associated IRP action plan are correct and will remain unaltered in the IRP acknowledgement process and thus a fine basis for RFP development and subsequent resource selection.

For this RFP, Staff will continue to adapt. We will target our analysis in LC 77 on key assumptions, compliance, and policy issues with the greatest impact on the concurrent RFP, UM 2193. This should leave Staff more resources to focus on the RFP. Going forward, Staff will continue to remain engaged in the exploration of policy issues and market developments, as has been happening, through the PAC IRP public input process *in between IRPs*. Such an approach should lessen the analysis demands within the filed IRP itself, especially when a Draft RFP is under development.

that resulted in a RFP design, process and, ultimately, shortlist that did not meet our expectations for a fair and competitive process.”

¹³ See ORS 860-089-0010(1) and AR 600 / UM 1776, Order No. 17-173, May 16, 2017.

However, Staff does not believe this was meant to be the intended effect of the Competitive Bidding Rules when the Commission adopted them. Evidence from the development of the Competitive Bidding Rules points to stakeholder desire for the RFP to complement the IRP process, not subsume it.¹⁴ Further, no evidence has been shared with the Commission that running an RFP subsequent to an IRP unduly constrains utility management's prerogative to acquire new resources. Staff questions not the Competitive Bidding Rule's "two track" system, but rather that the non-IRP pathway would function as the default option for all major resource acquisitions, as PacifiCorp has done since 2017. It is also unclear how this approach going forward may interact with any planning and resource acquisition approaches designed to implement the clean energy targets articulated in HB 2021.

Staff intends to evaluate how the competitive bidding rules may be improved, to address the process concerns outlined above, in 2022. For example, something like the following language could be added to 860-089-0250(2)(a):

The Commission will not approve a proposal for RFP scoring and associated modeling in an IE selection docket when the company has filed an IRP and the Commission has yet to issue an order on acknowledgment of the IRP.

This leaves open the option to pursue an RFP outside of an IRP, just not while one is in process.

Conclusion

Staff finds the PacifiCorp's request for approval to engage an IE is made consistent with the applicable current rules. Further, the Company's request for the selection of PA Consulting as the IE is well-supported by the available information. Staff recommends approval of PA Consulting as the IE.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's selection of PA Consulting as the Independent Evaluator IE in the event PacifiCorp pursues its proposed 2022 AS RFP.

¹⁴ See AR 600 / UM 1776, Order No. 17-173, May 16, 2017.