

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

Docket No. UM 2255

In the Matter of  
IDAHO POWER COMPANY,  
2026 All Source Request for Proposals (RFP).

Staff Comments on Draft RFP  
and Scoring and Modeling  
Methodology

**Introduction**

Idaho Power (IPC or Company) is seeking to acquire electric energy and capacity products capable of delivering a minimum of 350 MW of peak capacity and 1,100 MW of variable energy. IPC is seeking resources which will be available to deliver that energy and capacity beginning in June 2026. While IPC will require some of the selected resources to have a Commercial Operation Date (COD) of June 1, 2026, to meet its most immediate capacity shortfalls, the Company will also consider resources with CODs in June 2027 as it expects its needs to grow over time.

Eligible products, technical specification for which are described in detail in Exhibits I, J, K, and L, cover market energy purchases, a wide variety of emitting and non-emitting generation technologies, and battery storage products. A range of contractual structures are also eligible for this RFP, including Power Purchase Agreements (PPAs), Battery Storage Agreements (BSAs), and Build-Transfer Agreements (BTAs).

The Public Utility Commission of Oregon Staff (Staff) offers these comments on IPC's Final Draft RFP.

**Background on IPC's 2026 All-Source RFP**

On September 15, 2022, Idaho Power Company filed an application to open an Independent Evaluator (IE) selection docket for its 2026 All-Source Request for Proposals (RFP). In that filing, IPC included a proposed Scoring and Modeling Methodology (SMM) and a preliminary draft of its RFP (Attached as Appendix A to the RFP).

At a public meeting on December 27, 2022, the Commission approved IPC's selection of London Economics International (LEI) as the IE for this procurement and granted a partial waiver of OAR 860-089-0250(2)(a).<sup>1</sup> The partial waiver requested by Staff and granted by the Commission allowed for the concurrent review and consideration of both the SMM and the draft RFP. This waiver was requested by Staff based on the proposed timeline of need and feedback from some stakeholders who felt it would be more efficient and effective way to evaluate the SMM within the context of the RFP, rather than in isolation.

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<sup>1</sup> See UM 2255, Order No. 22-495, December 29, 2022.

Prior to filing, IPC held a stakeholder workshop on the draft RFP on February 21, 2023. The Company subsequently made some alterations based on feedback from stakeholders, the IE, and Staff before filing its draft RFP and associated SMM on February 22, 2023.

### **Summary of Bid Evaluation Process – Scoring and Modeling Methodology**

Idaho Power’s draft RFP includes a proposed Bid Scoring and Modeling Process Methodology, incorporated as Attachment D of the RFP. The Company proposes a one-hundred-point scoring rubric, with up to seventy-five points available for the price score and twenty-five points available for the non-price score. At this time, and pending feedback from stakeholders, Staff has no objection to the proposed rubric.

The bid evaluation process described in the RFP consists of two parts:

1. Phase 1
  - a. Initial Screening
  - b. Price and Non-Price Scoring
  - c. Initial Shortlist
2. Phase 2
  - a. IRP Modeling
  - b. Portfolio Development and Risk Analysis
  - c. Final Shortlist

#### **Phase 1**

##### *Initial Screening*

The initial screening will be performed by verifying that bids conform to the minimum requirements established by the RFP and described in the Bid Eligibility Checklist, incorporated as Exhibit C to the RFP. This checklist covers basic administrative requirements with supporting documents uploaded and verified by the Company. The minimum requirements also include a demonstration of a resource project’s ability to interconnect IPC’s system with documentation of the transmission rights to achieve delivery.

Further requirements for a bid to be deemed conforming can be found in Exhibit P – Bid Format and Requirements. During this initial screening, bidders will be notified by IPC if they are nonconforming in any way and provided an opportunity to correct their bids within two days.

Staff does not have issues with the eligibility criteria proposed by IPC at this time. However, Staff notes a statement in the RFP that IPC may prioritize the evaluation of bids with relatively low prices to maximize the use of limited time and staff resources.<sup>2</sup> Staff is concerned that IPC has not provided any details on how these determinations would be made, whether this prioritization would result in the elimination of bids and, if not, how this prioritization would maximize time and resources.

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<sup>2</sup> Idaho Power Company Draft 2026 All-Source Request for Proposals, February 23, 2023, page 27.

IPC should commit to fully scoring and evaluating all conforming bids, irrespective of any prioritization in evaluation order that might occur. Additionally, if IPC intends to conduct prioritization of bid evaluation, Staff will expect to see more information on how and when this prioritization would occur.

Following the initial screening, all conforming bids will be scored based on the price and non-price scoring rubric included in the RFP.

#### *Price Scoring*

The RFP states that IPC will utilize its proprietary price scoring model to calculate the delivered revenue requirement per kilowatt cost of each bid, based on the cost data provided by bidders and its own internal financial assumptions for variables including, but not limited to, inflation, discount rates, and tax rates.<sup>3</sup> The Company will provide the pricing model to the IE and Staff for review. Bids will be separated by technology and each bid will be assigned a price score from zero to seventy-five points. The highest scoring bid for each technology grouping will be assigned seventy-five points, and the remaining bids in each category will receive a score from zero to seventy-five based on relative cost compared to the highest scoring bid.

Staff does not have explicit concerns at this time but looks forward to engaging with the Company to understand more about the impact of the price scoring model generally and specifically, the technology grouping proposed by the Company.

#### *Imputed Debt*

The Company notes that it will be applying a calculation of imputed debt costs to each non-benchmark bid's price score. According to the description in the RFP, an imputed debt cost will be added to the price score of each Battery Storage Agreement (BSA), Power Purchase Agreement (PPA), or other third-party owned and operated resource.<sup>4</sup>

Imputed debt is a financial concept attributable to the treatment of long-term, non-debt agreements like PPAs by bond ratings agencies such as S&P or Moody's. During the stakeholder workshop held on February 21, 2023, the Company explained that the ratings agencies treat long-term agreements between utilities and third parties—like PPAs—as a form of debt. As such, PPAs and similar contracts may raise the total debt of the utility for purposes of ratings agency analysis, which may increase the debt service costs for subsequent IPC bond issuances or debt refinancings.

In its initial report, the IE expressed several concerns on this topic which are shared by Staff.<sup>5</sup> As noted by LEI, contractual structures such as PPAs place a great deal of risk on the developer, notably construction and performance risk. Third-party resources have a lower risk profile from the Company's perspective, which may offset the imputed debt costs envisaged in the RFP. Moreover, it is difficult to ascertain the total magnitude of the imputed debt adders contemplated by the Company. Staff shares

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<sup>3</sup> *Ibid*, page 28.

<sup>4</sup> *Ibid*, page 28.

<sup>5</sup> London Economics International, Observations on Idaho Power Company's Draft 2026 All Source Report for Proposals for Peak Capacity and Energy Resources: Independent Evaluator Assessment Report, March 1, 2023, page 14.

LEI’s concern that the inclusion of an imputed debt cost would make price scoring both more complex and more opaque.

In light of these concerns, Staff is against the inclusion of imputed debt in the price scores for this procurement. Staff has not allowed imputed debt costs in prior RFPs. However, Staff appreciates the information provided by the Company and is open to additional discussion on this point. Staff requests more clarification on how this imputed debt cost would be calculated and attributed to the affected bids. Staff would also like to see calculations of the imputed debt cost that would be attributable to generic proxy resources of different resource types and contractual structures. Additionally, Staff requests one or more specific examples of a ratings agency citing imputed debt in its rating of an IPC debt issuance or refinancing. Finally, Staff requests a detailed description of how equivalent long-term debt implications will be applied to benchmark resources or any resources for which the Company will assume ownership.

*Non-Price Scoring*

IPC intends to use a self-evaluation system for the non-price component of bid scores and included a Non-Price Scoring Matrix as Exhibit D to its draft RFP. This matrix consists of thirty-four questions to be answered by bidders. Bidders are also responsible for providing whatever documentation is necessary for IPC to validate the responses provided.

The Non-Price Scoring Matrix is further divided into two sub-categories for Contracting Progress and Viability, and Project Readiness and Deliverability, worth five points and twenty points, respectively.

Table 7-1 Non-Price Factor Weighting<sup>6</sup>

Non-Price Factor	Number of Questions	Maximum Points
Contracting Progress and Viability	8	5 points
Project Readiness and Deliverability	26	20 points

In the filed RFP, the questions in the non-price scoring matrix all had binary choices to indicate whether a bid did or did not meet a certain criterion. Each question answered in the affirmative would be given one point, while each question answered in the negative would receive zero. The total points for each bid would then be scaled to arrive at a score out of twenty-five total points for non-price factors. During discussions with Staff and the IE, and in its stakeholder workshop, the Company indicated that this binary system was intended to make self-scoring as simple and objective as possible.

The IE made suggestions to improve the non-price scoring component of the evaluation process. While acknowledging some potential benefits of a simple, binary system for non-price scoring, the IE suggested that slightly more gradation in the scoring would provide clarity for bidders and yield more useful information for the Company. Questions such as number ten, “Bidder will have site control and site access by contract execution date,” may benefit from a more nuanced answer to differentiate

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<sup>6</sup> Idaho Power Company Draft 2026 All-Source Request for Proposals, February 23, 2023, page 29.

between projects which have no site access or control, those that are in the process of attaining site control, and those that already have it.

In meetings subsequent to filing the RFP, IPC proposed alterations to the non-price scoring to adopt the IE's recommendations and allow for more nuanced answers as opposed to a simple binary choice. The Company intends to allow for three answers on some questions, rather than two, with pro-rata distribution of the points attributable to each answer.

Staff has concerns with questions one and two of in the Non-Price Scoring Matrix, regarding contract redlines for technical specification and draft form agreements<sup>7</sup>:

1. *Bid(s) includes a redline or an issues (or exceptions) list related to applicable technical specifications that substantively impacts the bid.*
2. *Bidder provided redlines to Draft Form Agreements that likely lead to contract execution.*

In prior RFPs, Staff, stakeholders, and the Commission have objected to unreasonably penalizing bidders for providing justifiable amendments or redlines to contractual terms<sup>8</sup>. Staff remains focused on this issue and would like IPC to provide more detail on how answers to these questions will be evaluated and what impact they will have on non-price scores.

Staff appreciates the Company's willingness to further refine its scoring methodology and looks forward to further discussions on an updated Non-Price Scoring matrix.

#### *Initial Shortlist*

After each bid has been assigned its price and non-price scores, they will be rank-ordered based on their total score out of one hundred possible points. The Company's IRP Planning Team will evaluate this initial pool of rank-ordered bids using its AURORA production cost model. IPC states that in this step of the evaluation process:

*"Consistent with the treatment of capital revenue requirement in IPC's IRP modeling, IPC will convert any calculated revenue requirement associated with capital costs (i.e., return on investment, return of investment, and taxes, net of tax credits, as applicable) to first year-real-levelized costs. Similarly, all other bid costs are levelized and formatted for input into the IRP models."*<sup>9</sup>

Staff believes this statement could use additional explication to ensure that bidders and stakeholders have a thorough understanding of precisely how capital costs will be converted to a levelized cost. Specifically, IPC could incorporate or reference the modeling methodology utilized in its most recent acknowledged IRP and explain what ways, if any, that the analysis for this RFP will differ. Staff also requests that IPC provide some information about any currently banked, unrealized tax credits the Company is holding to determine whether it is able to utilize any tax credits accruing to resources in this procurement

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<sup>7</sup> Idaho Power Company Draft 2026 All-Source Request for Proposals, Appendix D, February 23, 2023, page 1.

<sup>8</sup> UM 2166, Order No. 21-460, December 10, 2021, pages 4-6.

<sup>9</sup> *Ibid*, page 30.

For renewable energy resources, the Company will utilize projected hourly capacity factors and projected Effective Load Carrying Capability (ELCC) for input into its IRP models.

Finally, the IRP model will select the least cost resource types to develop the initial shortlist.

All bidders selected for the initial shortlist will be notified and provided with an opportunity to update their price, project schedule, and interconnection study results as necessary prior to the analysis which will select the final shortlist.

According to the RFP, "IPC's initial shortlist may also include high-scoring bids in excess of the identified capacity limits if those projects have economic benefits."<sup>10</sup> Staff requests the Company provide further information on how this analysis will be conducted and how it will reference the most recently acknowledged IRP. If bids that otherwise would not be included on the initial shortlist are to be included on this basis, Staff would like some indication of what economic benefits might be considered and how they would be valued.

## **Phase 2**

### *IRP Modeling*

After any price, interconnection, or other updates are received, bids on the initial shortlist will be run through the AURORA production cost model again to select the bids that comprise least-cost, least-risk portfolio options. IPC will also assess the selected portfolio for reliability as described in the Loss of Load Expectation (LOLE) section of Technical Appendix C to the Company's 2021 IRP. The inputs for this stage of the selection process will be the cost, performance data, and ELCC for each bid.<sup>11</sup>

To the extent that any modeling assumptions or parameters used in this analysis have been updated since the Company's most recent acknowledged IRP, those assumptions and parameters should be clearly noted. Additionally, if any updated assumptions are used, Staff and stakeholders will require an explanation of, and justification for, the changes in advance.

### *Portfolio Development and Risk Analysis*

IPC will also use AURORA to perform stochastic analysis of several scenarios and risk factors. The Company offers hydro generation levels, natural gas prices, and load as examples of the variables to be evaluated at this stage. The Company will also evaluate a wide range of "policy-price scenarios" consisting of various environmental policy and market price futures.<sup>12</sup> Staff believes more detail is necessary regarding the policy-price scenarios the Company intends to utilize in its evaluation process. Staff would appreciate a specific breakdown of the parameters within which the listed variables will be evaluated. For example:

1. What are the maximum and minimum natural gas prices evaluated by the model?
2. What are the maximum and minimum market prices evaluated by the model?
3. What environmental policy futures will be examined?

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<sup>10</sup> *Ibid*, page 30.

<sup>11</sup> *Ibid*, page 30.

<sup>12</sup> *Ibid*, page 31.

4. What other variables aside from those explicitly listed within the RFP may be tested in AURORA?

Staff also requires IPC to explicitly and clearly state if any of these modeling assumptions and parameters differ from those used in its most recent acknowledged IRP and provide a justification for any updated assumption utilized in this analysis. Finally, the Company will develop its final shortlist consisting of those resources that are most frequently included in the least-cost, least-risk portfolios across all the scenarios evaluated in AURORA.

### **RFP Comments**

#### *Benchmark Bids*

IPC expects one or more benchmark resource bids. Oregon's competitive bidding rules (CBRs) require that any and all benchmark bids must be evaluated and scored by both the Company and the IE utilizing the same criteria and methodology as market bids and the scores filed with the Commission, prior to the opening of third-party bidding<sup>13</sup>.

In the RFP, the Company states that it will submit all benchmark bids to the IE no later than seven days prior to scoring bids. In its initial report, the IE suggested extending the time allotted between benchmark bid evaluation and the deadline for third-party bids to provide adequate time and ensure consistency with the requirements of OAR 860-089-0350. The IE states that the current timeline proposed by the Company would not allow for a thorough review.<sup>14</sup>

Staff shares the concern expressed in the IE's report regarding consistency with the CBRs and agrees that the time between benchmark bid submission and the opening of third-party bidding should be extended to ensure adequate time for the IE to analyze and score the benchmark resources, and for the necessary filings to be made with the Commission.

Staff also requests that IPC describe what resources, such as interconnections services, could be provided to benchmark bids by the Company and discuss whether any of those resources would also be made available to third party bidders.

Staff also notes that Oregon's CBRs require that if bid updates are allowed, then equivalent updates must be made to any and all benchmark bids<sup>15</sup> and requests Idaho Power include clearer language to that effect in the RFP.

#### *Market Energy Purchases*

Staff has questions about the inclusion of market energy resources in this RFP. The inclusion of market energy purchases as an eligible resource is a new development that Staff hasn't previously encountered in an RFP. In Exhibit E to its RFP, IPC provided information on the volumes of energy sought from market purchases, the preferred delivery points, and the most valuable hours for market energy purchases.

Staff requests IPC provide additional discussion of how market purchases will be treated in this procurement. Among other things, Staff would like to know if the volumes described Exhibit E maximum

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<sup>13</sup> OAR 860-089-0350(1),(2).

<sup>14</sup> Idaho Power Company Draft 2026 All-Source Request for Proposals, February 23, 2023, page 10.

<sup>15</sup> OAR 860-089-0350(2).

or minimum amounts of energy that the Company will seek to fill through market purchases. If those are minimum amount, Staff expects IPC to provide a simple and easily interpretable analysis showing what proportion of the total energy needs sought by this procurement would be filled by market purchases. Correspondingly, Staff would like IPC to show what proportion of the total procurement volume would then be filled by generation resources.

Staff would like the Company to provide a thorough analysis showing how these market purchases would interact with the capacity sought in this procurement. For example, after removing expected or desired market purchases from the total variable energy, are there any implications for the ELCCs or other characteristics of resources that would be providing capacity and the remaining energy needs?

Additionally, Staff expects the Company to provide a form of the contract for market energy purchases as it has for BSAs, BTAs, and PPAs, so that Staff, stakeholders, and potential bidders may assess the terms and conditions that will be imposed on market energy bids.

### *Sensitivities*

As the RFP and bid evaluation process move forward, Staff will also expect to see sensitivity analyses examining the impact of different energy, economic, and policy scenarios on potential resource portfolios. While the factors listed in IPC's description of its stochastic analysis cover some of the areas Staff would like to analyze, Staff will be suggesting others in subsequent reports and memos. At this time, however, Staff is suggesting the inclusion of at least one sensitivity around the Boardman to Hemingway transmission line, discussed below. Staff will engage with stakeholders, the IE, and the Company to develop additional sensitivities and scenarios as this process continues.

### *Boardman To Hemingway*

The filed RFP assumes that the Boardman to Hemingway (B2H) transmission line will be operational by the 2026 COD for eligible resources. Staff would like to see additional analysis around this assumption and how the preferred portfolio might change if B2H operation is delayed; Staff is especially interested in how changing the assumption around the B2H operation date would impact the volume of market energy purchases. In opening testimony in the PCN 5 docket, Oregon PUC Staff member Yassir Rashid raised several concerns with the practicability of B2H being completed and energized by IPC's summer 2026 target.<sup>16</sup> Given the uncertainty surrounding the project, Staff suggests that in its risk analysis, the Company should perform a sensitivity analysis assuming that B2H is not operational by 2026. To provide a more accurate assessment of the preferred portfolio, Staff requests IPC perform analysis under the following scenarios:

1. B2H operation is delayed until June 2027
2. B2H operation is delayed until June 2028
3. B2H is never operational

This concludes Staff's initial comments.

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<sup>16</sup> Staff's Opening Testimony, Exhibit 100, Opening Testimony of Yassir Rashid, January 17, 2023, Rashid/27-29.



Dated at Salem, Oregon, this 17 of March, 2023.

*/s/ Patrick Shaughnessy*

Pat Shaughnessy

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