

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1433

In the Matter of

IDAHO POWER COMPANY

Petition for a Partial Waiver of Competitive
Bidding Guidelines.

ORDER

DISPOSITION: PETITION GRANTED

On June 2, 2009, Idaho Power Company (Idaho Power or Company) filed a petition, with the Public Utility Commission of Oregon (Commission), for a partial waiver of the Commission's Competitive Bidding Guidelines and requested expedited review, citing time-limited opportunities to acquire a 150 MW wind resource of unique value to customers. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Staff recommends that Idaho Power's petition for a partial waiver be granted and that the Commission adopt the Company's proposal to hold Commission Staff reviews of the fast-track solicitation process, including bid scoring, bid evaluation and short list selection.

At its Public Meeting on July 16, 2009, the Commission adopted Staff's Recommendation and approved Idaho Power's current request.

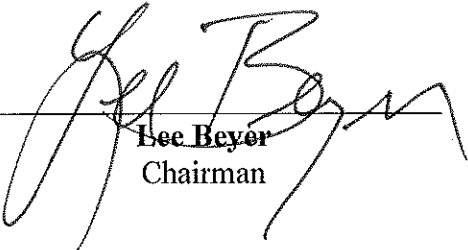
ORDER

IT IS ORDERED that:

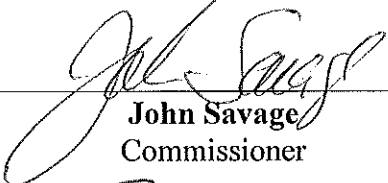
1. Idaho Power Company's petition for a partial waiver of the Commission's Competitive Bidding Guidelines to continue the fast-track Request for Proposal and resource selection process now underway for acquiring 150 MW of wind resource for deployment in 2012, is granted.

- 2. Commission Staff is directed to engage with Idaho Power Company and the independent consultant currently engaged to evaluate the Request for Proposal (RFP) process as it proceeds, including a review of the processes of RFP generation, bid screening, bid scoring, bid evaluation, and short list selection.

Made, entered, and effective JUL 27 2009.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 14¹⁶, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: June 30, 2009

TO: Public Utility Commission

FROM: Theresa Gibney

THROUGH: ^{LS} Lee Sparling, ^{EB} Ed Busch, ^{MG} Maury Galbraith

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1433) Expedited Review of Application for Partial Waiver of Competitive Bidding Guidelines.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Company's) application for partial waiver of the Commission's Competitive Bidding Guidelines.

Staff further recommends that the Commission adopt the Company's proposal to hold Commission Staff reviews of the fast-track solicitation process described in UM 1433, including bid scoring, bid evaluation and short list selection. Staff would play a portion of the role of Independent Evaluator (IE) and would engage with the Company's independent consultant in an overall process evaluation.

BACKGROUND:

In UM 1433, Idaho Power asserts that the increased likelihood of federal legislation requiring the Company to add new renewable energy resources to its resource portfolio and the availability of federal economic stimulus incentives for deploying new wind generation resources between 2009-2012 has led the Company to release a Request for Proposal (RFP) aimed at acquiring 150 MW of wind resource by 2012 as identified in its acknowledged 2006 IRP.

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The decision to launch this RFP process earlier than expected was initiated in April 2009, when the Company was approached with what it describes as a time limited offer to purchase 150 MW of wind resource with highly favorable attributes and at highly favorable prices. The April 2009 offer was expressly contingent on developer access to federal economic stimulus incentives.

At the time of the offer, the Company was also aware of a number of other wind developers interested in selling the output of their projects to them.

Because the benefits of the economic stimulus incentives are available to all developers, Idaho Power concluded it prudent to conduct an RFP process to select the most cost effective project. Since the RFP process was designed to capture time limited offerings, Idaho Power Company initiated a fast-track process to solicit bids for power purchase agreements (PPAs) for up to 150 MW of nameplate capacity wind generation to be available no later than December 1, 2012. This RFP process was launched on May 18, 2009 and bids were received by June 12, 2009. In addition to PPAs, the Company will consider ownership transfers or partial utility ownership arrangements, but will not accept bids from affiliates or offer a Benchmark Resource.

On June 2, 2009, the Company filed a petition for a partial waiver of the Commission's Competitive Bidding Guidelines and requested expedited review, citing time-limited opportunities to acquire a 150 MW wind resource of unique value to customers.

In Order No. 06-446, Guideline 2(c), the Commission provided that a utility is not required to issue an RFP when granted a Commission waiver (on a case by case basis). In Guideline 2(a), the Commission provided that a utility is not required to issue an RFP in a circumstance where there is a time-limited resource opportunity that is of unique value to customers. Idaho Power argues that either or both of these exemptions could warrant Commission approval of the Company's request for partial waiver of competitive bidding guidelines under Order No. 06-446.

The Company specifically requests that the Commission waive application of Guideline 5 (Independent Evaluator), Guideline 6 (RFP Design), and Guideline 7 (RFP Approval).

DISCUSSION:

Staff's primary support of this petition for partial waiver of competitive bidding guidelines is based on the fact that, under the Commission's Competitive Bidding Guidelines, the Company could have moved ahead with an acquisition by applying for a waiver of the requirement to issue an RFP under Guideline 2(a).

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Instead, Idaho Power has chosen to initiate a fast-track bidding process for a PPA of 150 MW of wind resource to be delivered no later than 2012.

This fast-track process uses an RFP process that has not been subject to public review and Commission approval and does not employ an IE hired by Commission Staff, but employs an open bidding process with published selection criteria that evaluates a broad set of wind resource proposals.

A Company-selected independent consultant will participate as a member of the team that generates the solicitation short list. Further, the Company has offered to provide periodic reviews to Commission staff, if requested, throughout the RFP process and offers that the independent consultant could prepare reports for submission to the Commission. The Company offers that the independent consultant will ensure that the RFP is fair and efficient and can provide the Commission with sworn testimony to that effect. Because the proposals may include ownership transfer or partial utility ownership, the engagement of an independent consultant is particularly valuable.

Staff agrees that the proposal presented to the Company for 150 MW of wind resource meets the definition of a time-limited resource opportunity; the developer intends the resource be on-line in time to qualify for the most generous stimulus incentives. With the large number of Northwest Utility solicitation processes already underway, it seems reasonable that the Company would need to move quickly to compete for this resource.

Staff is persuaded by comparisons of the indicative pricing (against a range of benchmarks) and of the resource attributes (against the Company's needs) that this resource meets the definition of a resource of unique value to customers. Staff agrees with the Company's decision to issue a fast-track RFP to verify that this resource is, indeed, the best resource for customers in the current market conditions.

Staff further agrees that the time required to complete a public process for approval of the draft and Commission approved RFPs, and for the selection and hiring of an IE would have prevented the Company from acting on this particular time-limited offer.

Under these circumstances, it is reasonable for the Commission to grant a partial waiver of its competitive bidding guidelines. As such, Staff supports most elements of the Company's request for partial waiver of the Competitive Bidding Guidelines.

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Although acquisition of the 150 MW wind resource is called out in the acknowledged 2006 IRP and in the 2008 IRP update,¹ Idaho Power Company did not ask for acknowledgement of its 2008 IRP update. With the economic recession, much may have changed since the forecast underlying these IRP submissions was developed.

In Order No. 09-183, the Company received Commission approval to file its 2009 Integrated Resource plan in late December 2009, so as to be able to refresh its load growth forecast to address the potential impacts of the recession. In UM 1433, the Company asserts that it continues to experience commercial and industrial load growth and to field requests from new large industrial loads. Whether the acquisition of a resource is prudent at this time is left to future rate cases.

The Company also asserts the importance of near term renewables purchases given the likelihood that federal legislation will require renewable resources in the Company's resource portfolio. Acquiring 150 MW of new wind generation in 2012 is projected to move Idaho Power Company's fraction of generation from renewables to just above the 7.5% federal renewables target proposed for 2013.²

In the Company's filing, Idaho Power Company asserted that the intent of Order No. 06-446 would be carried out by the oversight of the Idaho Commission. Although the oversight provided by the Idaho Commission may be sufficient, this does not relieve the Oregon Commission of its responsibility to provide direct oversight on behalf of Oregon customers.

Staff recommends that the Commission direct Staff to accept the Company proposal to provide periodic briefings to Staff. Staff recommends that these briefings cover a review of which bids were screened out (and why), a review of the scores and scoring evaluation process of the remaining bids, and a review of the decision process that led to the short list of bidders selected.

Staff also recommends that the Commission direct Staff to engage with the independent consultant to carry out an evaluation of the RFP process, including review of the generation of the original RFP, and to prepare a report for Commission review.

¹ In Idaho Power's acknowledged 2006 IRP, the 150 MW of wind resource was expected to be online in 2010, with an RFP released in 2008. In Idaho Power's 2008 IRP Update, the 150 MW wind resource was expected to be online in 2012, with an RFP released in 2009. Idaho Power Company did not ask for acknowledgement of its 2008 IRP Update.

² 2009 IRP Advisory Council presentation, 2/3/2009, Highlights of Federal RPS Legislation
<http://www.idahopower.com/pdfs/AboutUs/PlanningForFuture/irp/2009/20090203IRPACMeetingPresentations.pdf>

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Any additional costs that might be incurred in the Company's contract with the independent consultant are eligible for recovery in Oregon rates.³

PROPOSED COMMISSION MOTION:

1) Idaho Power Company be granted a partial waiver of the Commission's Competitive Bidding Guidelines to continue the fast-track RFP and resource selection process now underway for acquiring 150 MW of wind resource for deployment in 2012,

and that,

2) Staff be directed to engage with Idaho Power and the independent consultant currently engaged to evaluate the RFP process as it proceeds, including a review of the processes of RFP generation, bid screening, bid scoring, bid evaluation, and short list selection.

Docket No. UM 1433 - Staff Comments

³ Guideline 5. The utility may request recovery of Oregon IE expenses in Oregon rates.