

ORDER NO. 11 243
ENTERED JUL 05 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1540

In the Matter of

PACIFICORP dba PACIFIC POWER

Application to Open Docket and Appoint
Independent Evaluator

ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On April 29, 2011, PacifiCorp, dba Pacific Power (Pacific Power) filed a request with the Public Utility Commission of Oregon (Commission) to open a docket for approval of an all source resource Request for Proposals (RFP). The purpose of the RFP is to implement Action Item 2 in the 2011 Integrated Resource Plan (IRP) to acquire peaking/intermediate/baseload resources by summer of 2016. More specifically, the RFP will solicit bids for up to approximately 600 MW of system-wide peaking, intermediate and baseload thermal resources. In addition, Pacific Power proposed a schedule to seek Commission approval of the RFP at the November 1, 2011 public meeting.

Pacific Power also requested appointment of an Independent Evaluator (IE) for the RFP. Pacific Power issued a draft request for proposals for IE services on April 26, 2011. The final IE request for proposals was issued on May 5, 2011.

A full description of the filing, its procedural history, and Staff's recommendation are contained in the Staff Report, attached as Appendix A and incorporated by reference.

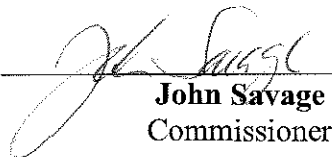
At its Public Meeting on June 21, 2011, the Commission adopted Staff's recommendations.

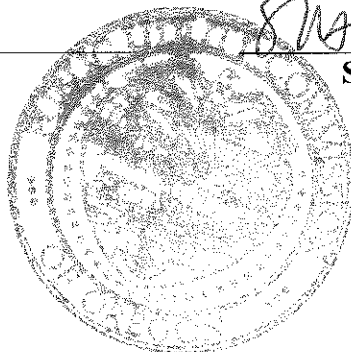
ORDER

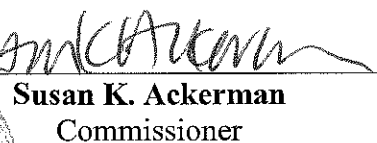
IT IS ORDERED that:

1. Pacific Power's 2011 all source resource Request for Proposals (RFP) is allowed to proceed in Docket No. UM 1540.
2. Pacific Power's proposed solicitation schedule is revised to seek Commission approval of the RFP at the December 6, 2011 public meeting.
3. Boston Pacific is selected to serve as Oregon's Independent Evaluator (IE) for Pacific Power's 2011 all source resource RFP, and Pacific Power is directed to negotiate a contract with Boston Pacific that conforms with Order No. 06-446.
4. Staff is directed to review the final draft negotiated contract, prior to its execution by Pacific Power and the selected IE, to ensure conformance with Order No. 06-446.
5. Staff is directed to explore why only two of the invited firms chose to respond to the request for proposals for IE Services.
6. Staff is to report within 30 days to Pacific Power and the intervenors on the exploration results, and consult with them to identify an appropriate method of reporting the results to the Commission.

Made, entered, and effective JUL 05 2011.


John Savage
Commissioner




Susan K. Ackerman
Commissioner

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. 4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 21, 2011**

REGULAR X CONSENT _____ EFFECTIVE DATE Upon Commission Approval

DATE: June 13, 2011

TO: Public Utility Commission

FROM: Erik Colville *EC*

THROUGH: *in* Lee Sparling and *MG* Maury Galbraith

SUBJECT: PACIFICORP: (Docket No. UM 1540) Request to Open a Docket and Appoint an Independent Evaluator for the 2011 All Source Request for Proposals.

STAFF RECOMMENDATION:

Staff recommends the Commission allow PacifiCorp's 2011 all source resource solicitation (RFP) to proceed in Docket No. UM 1540. Staff also recommends the Commission revise the proposed solicitation schedule to seek Commission approval of the RFP at the December 6, 2011 public meeting. In addition, Staff recommends the Commission select Boston Pacific to serve as Oregon's Independent Evaluator (IE) for PacifiCorp's 2011 all source resource RFP. Staff recommends PacifiCorp be directed to negotiate a contract with Boston Pacific that conforms with Order No. 06-446. Further, Staff recommends the Commission direct Staff to review the final draft negotiated contract, prior to its execution by PacifiCorp and the selected IE, to ensure conformance with Order No. 06-446. Lastly, Staff recommends the Commission direct Staff to explore why only two of the invited firms chose to respond to the request for proposals. Staff is to report within 30 days to PacifiCorp and the interveners on the exploration results, and consult with them to identify an appropriate method of reporting the results to the Commission.

DISCUSSION:

On April 29, 2011 PacifiCorp filed a request to open a docket for approval of an all source resource RFP. The purpose of the RFP is to implement Action Item 2 in the 2011 Integrated Resource Plan (IRP) to acquire peaking/intermediate/baseload resources by summer of 2016. More specifically, the RFP will solicit bids for up to

Docket No. UM 1540
June 13, 2011
Page 2

approximately 600 MW of system-wide peaking, intermediate and baseload thermal resources. In addition, PacifiCorp proposed a schedule to seek Commission approval of the RFP at the November 1, 2011 public meeting.

PacifiCorp also requested appointment of an Independent Evaluator for the RFP. PacifiCorp issued a draft request for proposals for IE services on April 26, 2011. The final IE request for proposals was issued on May 5, 2011.

Staff Analysis

PacifiCorp is requesting a docket be opened for approval of an RFP for all source resources. PacifiCorp has proposed a schedule to seek Commission approval of the RFP at the November 1, 2011 public meeting. The procedural schedule adopted for PacifiCorp's 2011 IRP (Docket No. LC 52) has Commission acknowledgment to be requested at the December 6, 2011 public meeting. The IRP is the source justifying the resource solicited in this RFP. PacifiCorp is requesting approval of this RFP nearly one month before the Commission will consider acknowledgment of the underlying IRP. Staff believes it is prudent to delay, and therefore recommends delaying approval of the RFP until the December 6, 2011 public meeting when the Commission considers IRP acknowledgment. Staff also recommends the Commission allow the RFP to proceed in Docket No. UM 1540.

Guideline 5 of the Commission's competitive bidding order (Order No. 06-446) addresses the IE selection and contracting process:

"...Commission Staff, with input from the utility and interested, non-bidding parties, will recommend an IE to the Commission, which will then select or approve an IE for the RFP. The IE must be independent of the utility and likely, potential bidders, and also be experienced and competent to perform all IE functions identified in these Guidelines. The IE will contract with and be paid by the utility. The IE should confer with Commission staff, as needed, on the IE's duties under these Guidelines. The utility may request recovery of its payments to the IE in customer rates." See Order No. 06-446 at 6.

In its discussion of the guideline, the Commission stated: "We believe the utility and non-bidders should participate in the process and provide input to Staff. Staff, however, should make a final recommendation to the Commission for approval, which could be accomplished at a public meeting." *Id* at 7.

Docket No. UM 1540
June 13, 2011
Page 4

The Citizens' Utility Board of Oregon's only preference is that the least cost proposal be selected. Industrial Customers of Northwest Utilities (ICNU) has no preference for selection of either proposer, but they would like Staff to explore, and report back by a specific date, why only two of the invited firms chose to respond to the request for proposals. Northwest Intermountain Power Producers Coalition (NIPPC) has a preference for the selection of Boston Pacific as the Oregon IE.

ICNU and NIPPC expressed a desire, so they can be more effective interveners, that the names of the proposers not be treated as confidential. PacifiCorp expressed a strong preference for the proposer names to be confidential, because, in the future, firms may chose not to respond to requests for proposals if they are unconvinced information related to their proposal will remain confidential. Recognizing their divergent views on this issue, ICNU, NIPPC and PacifiCorp agreed to address the issue in a separate forum.

Staff recommends the Commission direct PacifiCorp to negotiate a contract with Boston Pacific that conforms with Order No. 06-446. The Commission should also direct Staff to review the final draft contract to ensure compliance with Order No. 06-446.

PROPOSED COMMISSION MOTION:

PacifiCorp's 2011 all source resource RFP be allowed to proceed in Docket No. UM 1540. Also, PacifiCorp's proposed solicitation schedule be revised to seek Commission approval of the RFP at the December 6, 2011 public meeting. In addition, Boston Pacific be selected to serve as Oregon's Independent Evaluator for PacifiCorp's 2011 all source resource RFP, and PacifiCorp be directed to negotiate a contract with Boston Pacific that conforms with Order No. 06-446. Further, Staff be directed to review the final draft negotiated contract, prior to its execution by PacifiCorp and the selected IE, to ensure conformance with Order No. 06-446. Lastly, Staff be directed to explore why only two of the invited firms chose to respond to the request for proposals. Staff is to report within 30 days to PacifiCorp and the interveners on the exploration results, and consult with them to identify an appropriate method of reporting the results to the Commission.

Docket No. UM 1540 Independent Evaluator

Docket No. UM 1540
June 13, 2011
Page 3

PacifiCorp issued both a draft and a final IE services request for proposals. Staff reviewed the request for proposals and concluded it meets the requirements for soliciting IE services in Order 06-446.

PacifiCorp invited 16 firms believed to be qualified to perform the requested services to respond to the IE request for proposals. Proposals from two of the firms were received. To maintain fairness in the IE solicitation process Staff recommended to PacifiCorp that the two proposals be evaluated, rather than seeking additional proposals. Staff recommends the Commission direct Staff to explore why only two of the invited firms chose to respond to the request for proposals. Staff is to report within 30 days to PacifiCorp and the interveners on the exploration results, and consult with them to identify an appropriate method of reporting the results to the Commission.

PacifiCorp completed its evaluation of the two proposals received for IE services. PacifiCorp ranked Boston Pacific as the top proposer. Using price and non-price criteria, PacifiCorp gave Boston Pacific's proposal the best combined score, ranking first and tied respectively. According to PacifiCorp, Boston Pacific demonstrated:

- Understanding of the scope of work to be performed;
- The ability to perform the work;
- Soundness, professionalism and feasibility of their proposed methodology; and
- Completion at a reasonable price.

Staff independently ranked the two proposals as being essentially equal, with Boston Pacific scoring slightly lower in non-price criteria but slightly higher in price criteria. Of significant note in the Boston Pacific proposal is a description of the process they will follow to confirm the final shortlist of resources are consistent with the resource need identified in the IRP. Staff believes that Boston Pacific's experience meets the project requirements and covers the scope of work described in PacifiCorp's request for proposals, at a reasonable price. Staff recommends that Boston Pacific be selected to serve as Oregon's IE for PacifiCorp's 2011 all source resource RFP.

Related to the IE scope of work, Staff notes that the IE request for proposals does not request IE services to extend through negotiations and final resource selection. As Staff stated in its closing comments in Docket No. UM 1182, we believe the IE scope of work should not continue through utility negotiations and final resource selection, as a routine matter. Instead, if during the RFP shortlist acknowledgment process there is a need to extend the IE scope the Commission may, at that time, require the utility to do so. The Boston Pacific proposal specifically mentions their experience and willingness to extend their services through negotiations and final resource selection.