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November 1, 2013

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Salem, OR 97302-1166

Attn: Filing Center

Re: UM 1182—Investigation into Competitive Bidding Process

PacifiCorp d/b/a Pacific Power submits for filing its reply comments in the above-referenced proceeding.

Informal questions concerning this filing may be directed to Gary Tawwater, Manager, Regulatory Affairs, at (503) 813-6805.

Sincerely,


William R. Griffith
Vice President, Regulation

Enclosures

cc: Service List—UM 1182

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1182(2)

In the Matter of:

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation Regarding Competitive
Bidding.

**REPLY COMMENTS OF
PACIFIC POWER**

PacifiCorp, d/b/a Pacific Power (PacifiCorp or Company), submits these reply comments to the Public Utility Commission of Oregon (Commission) in accordance with Chief Administrative Law Judge Michael Grant’s Pre-Hearing Conference Memorandum issued August 6, 2013. On September 30, 2013, Commission Staff (Staff), the Northwest and Intermountain Power Producers Coalition (NIPPC), Idaho Power Company (Idaho), and Portland General Electric Company (PGE) filed opening comments in this docket. With only minor exceptions noted below, PacifiCorp supports the comments submitted by Staff, Idaho, and PGE. Therefore PacifiCorp’s reply comments primarily respond to NIPPC’s comments.

I. INTRODUCTION

In order 13-204, as part of an investigation into the unique risks and advantages of utility benchmark resources as compared to power purchased from a third party, the Commission directed parties to submit comments on the eight remaining comparative risks to be assessed in this docket.¹ Specifically, parties were requested to first “address [and explain] whether the risk factor is related to resource ownership.”² If a party determines that the risk factor is related to resource ownership then the party should make “qualitative recommendations” on how the

¹ *In the Matter of Investigation Regarding Competitive Bidding*, Docket No. 1182, Order No. 13-204 at 9-11 (Jun. 10, 2013)(Order 13-204).

² *Id.*

independent evaluator (IE) should respond.³ Rather than comply with this directive, NIPPC's opening comments contain recommendations for structural changes to the Commission's request for proposals (RFP) process. For the reasons described below, PacifiCorp recommends that the Commission reject NIPPC's new proposals in their entirety.

II. COMMENTS

A. NIPPC's Recommendations Should Be Rejected Because They Were Not Raised in a Timely Manner

In its opening comments, NIPPC makes two recommendations: 1) require mandatory Commission acknowledgment of the utilities' short lists; or 2) require utilities to procure certain resources through RFPs that do not include a utility ownership option where independent power producers (IPPs) will exclusively compete with one another.⁴ As an initial matter, these proposals should be rejected because they were not raised in an appropriate or timely manner. At the Commission's direction, the parties to this docket worked extensively to develop an issues list aimed at the development of a robust comparative analysis. The parties were directed to submit comments on the issues identified in the issues list. During the development of the issues list, NIPPC did not raise the issues now presented in its opening comments. Similarly, NIPPC did not raise these recommendations during prior phases of this docket. NIPPC does not provide a justification for its late introduction of new issues other than to state that it "contends that the IE cannot properly utilize qualitative adjustments or perform adequate comparative analyses unless the RFP process is changed as described."⁵ This statement is left unsupported, as NIPCC never explains why its recommendations are needed in order to apply qualitative criteria during the competitive bidding process. Furthermore, NIPPC does not provide a reason why these new issues were not raised in this docket over the course of the last eighteen months, when

³ *Id.*

⁴ NIPPC Opening Comments at 3.

⁵ *Id.*

comparative analyses has been the sole focus of this docket. In light of the Commission's rejection of NIPPC's proposed quantitative bid adders, NIPPC's latest recommendations is an additional attempt to skew the competitive bidding process to favor third-party resource ownership. Only now, when no other party but NIPPC will have an opportunity to provide opening comments on these recommendations, does NIPPC raise these new issues. NIPPC's recommendations should appropriately be rejected on these grounds alone.

B. NIPPC's Recommendation to Require Acknowledgment of the Shortlist Should Be Rejected

In order 06-446, the Commission adopted policies and guidelines regarding competitive bidding for investor-owned electric companies in Oregon.⁶ The issue regarding the option to seek acknowledgment of the final shortlist of resources was addressed in these guidelines. Specifically, the Commission noted:

We adopt the proposal to allow the utilities the ability to request Commission acknowledgement. Such Commission action would carry the same weight as an acknowledgment of an IRP—that is, a conclusion that the final short-list seems reasonable, based on the information provided to the Commission at that time. It will not, as ICNU fears, provide a guarantee of favorable ratemaking treatment during rate recovery. Moreover, Commission acknowledgement is not mandatory. The Commission may decline to acknowledge. We also direct the utility to explain whether its final short-list is consistent with the near-term resource acquisitions identified in its acknowledged IRP.⁷

As noted, requesting acknowledgment of the shortlist was designed to be an option *for the utility* to provide some assurance that the development of the final short-list was reasonable. It was not designed as a mechanism, as NIPPC proposes, to predetermine the relative prudence of the resources on the short-list. Furthermore, it is important to allow utilities to maintain the

⁶ *In the Matter of an Investigation Regarding Competitive Bidding*, Docket UM 1182, (Aug. 10, 2006).

⁷ Order 06-446 at 13-14.

flexibility *not* to seek acknowledgment of the short-list if, due to timing or other reasons, it would be in customers' best interest. NIPPC has not offered any compelling reasons for the Commission to modify its competitive guidelines to require a utility to request acknowledgment of the shortlist.

C. The Commission Should Reject NIPPC's Recommendation That Utilities "Set Aside" a Percentage of Resources To Be Allocated Between Utility-Owned Resources and Third-Party Owned Resources In Their Integrated Resource Plans

NIPPC's second recommendation is to require utilities, as part of their integrated resource plans (IRP), to identify and reserve, in advance, a percentage of resources to be allocated to utility-owned resources and to resources developed and operated by third parties.⁸ As part of the Company's current IRP process, both front office transactions and resources may be selected as part of the preferred portfolio. The development of the preferred portfolio does not involve prescribing what resources will be the least-cost least-risk resources under a competitive resource process. NIPPC takes this a step further in suggesting that the Commission modify its IRP guidelines, a topic that is not a subject of this docket, to require utilities to identify the amount of nameplate megawatts needed for utility-owned generation and the amount to be secured through purchases of power generated by unit contingent resources that they do not intend to build or subsequently acquire even if the mix of those resources are not least-cost least-risk if and when included in the preferred portfolio.

PacifiCorp recommends that the Commission reject this recommendation because it undermines a utility's ability to identify and procure least cost, least risk resources to serve customers. The IRP and competitive bidding guidelines are specifically designed for utilities to identify least-cost, least-risk resources. As has been discussed extensively in this phase of the docket, the cost of a particular resource is highly dependent on each resource proposal's specific

⁸ NIPPC Opening Comments at 6.

characteristics under the competitive procurement process. While PacifiCorp can use proxy assumptions regarding the cost of a natural gas plant or wind plant at the time it develops an IRP, it cannot make such generalizations with regard to the cost of a utility-owned versus a third-party owned resource. Accordingly, a pre-determination in an IRP regarding the ownership of the resource to be procured will severely limit the utility's ability to identify and procure the least-cost, least-risk resource at the time the resource is actually needed. In addition, PacifiCorp notes that it would be inappropriate to make such a pre-determination in an IRP, which is a planning document and by definition subject to changing conditions. Due to this and the foregoing, NIPPC's proposal should be rejected.

D. Staff's Recommendation With Respect To Verifying Output, Heat Rate, and Power Curve Requires Clarification

With respect to the comparative risks associated with performance verification, Staff notes that performance verification can only be done upon resource completion, not at the time of bid evaluation.⁹ Staff goes on to recommend that the IE verify that the RFP includes the same performance measures in terms of total annual output, average annual output, minimum and maximum net output to be produced by the IPP and the utility benchmark resource. It is unclear what is meant by this recommendation. To the extent that the recommendation is to include, in each proposal, the performance parameters listed, PacifiCorp agrees with this recommendation. The IE can then review the reasonableness of the performance factors included in a third-party resource proposal as well as those included in a utility benchmark proposal. However, PacifiCorp disagrees with this proposal to the extent that it is intended to introduce new or additional performance verification protocols at the time of resource completion. As noted in its opening comments, the most effective way to ensure that the output, heat rate, and power curve

⁹ Staff's Opening Comments at 10.

at the start of resource life are appropriately established as part of the bid evaluation process is to require the IE to review and validate that the long-term performance assumptions are reasonable.

III. CONCLUSIONS AND RECOMMENDATIONS

In its opening comments, PacifiCorp provided recommendations, for each of the remaining comparative risk items, to improve the comparative analysis conducted by the IE as part of a resource solicitation. In large part, the recommendations made by PacifiCorp are consistent with those made by Staff, Idaho, and PGE. The Commission should adopt the recommendations of these parties and reject those made by NIPPC, which for the reasons articulated above are not necessary or constructive in terms of improving the IE's comparative resource review.

Dated November 1, 2013.



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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Docket UM 1182, on the date indicated below by email and/or US Mail, addressed to said parties at his or her last-known address(es) indicated below.

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