

**PUBLIC UTILITY COMMISSION OF OREGON  
REDACTED STAFF REPORT  
PUBLIC MEETING DATE: April 7, 2020**

REGULAR   X   CONSENT        EFFECTIVE DATE                      NA                     

**DATE:** March 30, 2020

**TO:** Public Utility Commission

**FROM:** Rose Anderson

**THROUGH:** Bryan Conway, Michael Dougherty, and JP Batmale **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket No UM 2059)  
Selection of an Independent Evaluator for PacifiCorp's 2020AS RFP and request for waiver of OAR 860-089-0250(2)(a).

**STAFF RECOMMENDATION:**

Select PA Consulting to serve as an Independent Evaluator (IE) in the event PacifiCorp (Company) pursues any Requests for Proposals (RFP) in 2020 for resources identified in its 2019 Integrated Resource Plan (IRP), and waive the requirement in OAR 860-089-0250(2)(a) for approval in the IE selection docket of a proposal for scoring and associated modeling prior to preparing a draft RFP.<sup>1</sup>

**DISCUSSION:**

Issues

Whether the Commission should select Staff's recommended bidder to serve as IE in the event PacifiCorp pursues any RFP in 2020 for resources identified in its 2019 IRP.

Whether the Commission should waive the requirement in OAR 860-089-0250(2)(a) for approval in the IE selection docket of a proposal for scoring and associated modeling, prior to preparing a draft RFP.

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<sup>1</sup> Staff's recommendation in this staff report should not be interpreted as a position, or a recommendation, on the outcome of PacifiCorp's 2019 IRP Docket, LC 70, any resource acquisition decision, or whether PacifiCorp may seek to recover any IE costs; rather, Staff is making an IE recommendation at this time to accommodate the timeline of the Company and stakeholders should PacifiCorp choose to issue the contemplated RFP in the future.

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:<sup>2</sup>

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.<sup>3</sup>

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

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<sup>2</sup> OAR 860-089-0200(1), (2), (3), (4).

<sup>3</sup> OAR 860-089-0400(6).

writing to the Commission prior to or concurrent with the initiation of a resource acquisition.

Per OAR 860-089-0250(1), (2), a draft RFP must reference and adhere to the RFP elements, scoring methodology, and associated modeling described in the Commission-acknowledged IRP associated with the RFP.

OAR 860-089-0250(2)(a) requires that if the utility does not have a Commission-acknowledged IRP in which the RFP design, scoring, and associated modeling was included, the utility must develop and file for approval, in the IE selection docket, a proposal for scoring and associated modeling prior to preparing a draft RFP.

### Analysis

#### *Background*

PacifiCorp filed its 2019 IRP on October 8, 2019, in Docket No. LC 70. Action Item 2b in the 2019 IRP action plan is an RFP that would use the IRP methodology to procure resources.<sup>4</sup> The type, location, and capacity of such resources would be determined through the analysis in the RFP docket. To date, this IRP has not been acknowledged. A public meeting on that issue is currently scheduled for May 5, 2020, and for May 7, 2020. Staff recommended in its Final Comments in LC 70 that PacifiCorp re-file Action Item 2b with language to limit any RFP acquisition to no more than 110 percent of the cost or capacity of resources acquired in the IRP preferred portfolio.

PacifiCorp filed an application for Commission Approval of a 2020 All-Source Request for Proposals, and a request that the Commission appoint an IE on February 24, 2020, in Docket No. UM 2059. At the same time, the Company issued an IE RFP and solicited bids from 26 entities. The bids were due on March 9, 2020, ten business days after the RFP was released. Only four bids were received. All of these bids met the minimum qualifications and were scored. The four firms that were evaluated were:

- Accion Group
- Bates White
- London Economics
- PA Consulting

PacifiCorp's filing explains that a team of three people independently reviewed and scored each proposal. The Company then developed a consensus score for each RFP bid. Broadly, PacifiCorp's IE RFP scoring was broken into four categories and weighted accordingly:

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<sup>4</sup> PacifiCorp 2019 Integrated Resource Plan. Page 24.

<b>Task</b>	<b>Points</b>
A. Ability of bidder to perform proposed work	300
B. Bidder's Evaluation Methodology	350
C. Conformity to Proposed Contract	50
D. Price Proposal	300
<b>TOTAL POSSIBLE POINTS</b>	<b>1,000</b>

On March 19, 2020, Staff received PacifiCorp's recommendation for the IE. PacifiCorp's scoring process had selected London Economics.

On March 24, 2020, PacifiCorp hosted a conference call with Staff and the signatories to the UM 2059 Protective Order (non-bidding parties) to receive input on the Company's selection and answer any questions. Staff commends PacifiCorp's staff in balancing the need for openness with confidentiality on this conference call and responsiveness to stakeholder questions.

#### *IE Selection Recommendation*

As stated previously, PacifiCorp's scoring led the Company to indicate a preference to select London Economics. While Staff appreciates the work completed by the Company and the various firms in submitting competitive bids, Staff recommends the Commission not approve London Economics to serve as the IE. Rather, Staff recommends the selection of the second-highest-scoring firm, PA Consulting.

Staff recommends PA Consulting over London Economics and other bids for two reasons. The first reason relates to the scoring of the firms in the technical categories of Ability and Evaluation Methodology. The second reason is related to the overall level of experience and competence demonstrated in the IE application of PA Consulting relative to that of London Economics. Staff does encourage London Economics and the other bidders to bid into upcoming IE selection opportunities in Oregon, if not selected for this procurement.

While Staff believe that pricing plays an important component in any RFP, for the purposes of selecting an IE to oversee a large RFP, the technical scoring should be given substantial consideration. For context, PacifiCorp's IRP Preferred Portfolio includes over 7,000 MW of wind, solar, and storage nameplate capacity through 2023, as well as the 400-mile Energy Gateway South transmission line.<sup>5</sup> Given the potential

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<sup>5</sup> PacifiCorp 2019 IRP. Page 3.

cost of this resource acquisition and the complexity in determining the optimal mix of resources, Staff strongly believes the relative rankings in the categories of Ability and Evaluation Methodology are greatly indicative of the potential to assist Staff in safeguarding the needs of ratepayers and ensuring a fair, unbiased process.

PA Consulting scored [BEGIN CONFIDENTIAL] [REDACTED]  
[REDACTED] [END CONFIDENTIAL] Below are the rankings and actual scores:

[BEGIN CONFIDENTIAL]

RANKING	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
A. Demonstrated Ability	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
B. Evaluation Methodology	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
C. Conformity to Contract	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
D. Price	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
RANK	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Task	Max. Points	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
A. Ability of bidder to perform proposed work	300	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
B. Bidder's Evaluation Methodology	350	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
C. Conformity to Proposed Contract	50	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
D. Price Proposal	300	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
TOTAL POINTS	1,00	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[END CONFIDENTIAL]

Within the category of Evaluation Methodology, PA Consulting scored notably higher in the two sub-categories of experience with the interconnection and cluster study process and in the firm's critique of scoring methods and computer models. Given the interdependent nature of this RFP to PacifiCorp's queue reform efforts at FERC, and the heavy use of modeling by PacifiCorp to select an optimal portfolio of resources across multiple states, Staff finds PA Consulting's much higher score in Evaluation Methodology was critical.

As an academic exercise, Staff reweighted the scoring to downplay price and add more weight to the categories of Ability and Evaluation Methodology. To do so, Staff reduced the Price category weighting by 50 percent and then shifted the points on a proportional basis to Ability and Evaluation Methodology. Holding the scores by PacifiCorp staff constant on a percentage basis, PA Consulting emerged as the winner.

**[BEGIN CONFIDENTIAL]**

Task	Max. Points				
A. Ability of bidder to perform proposed work					
B. Bidder's Evaluation Methodology					
C. Conformity to Proposed Contract					
D. Price Proposal					
TOTAL POINTS					

**[END CONFIDENTIAL]**

This helped to further support Staff's conclusion that PA Consulting may be a better fit as an IE for this large and complicated RFP.

Regarding IE cost estimates, maximum bid prices are listed below:

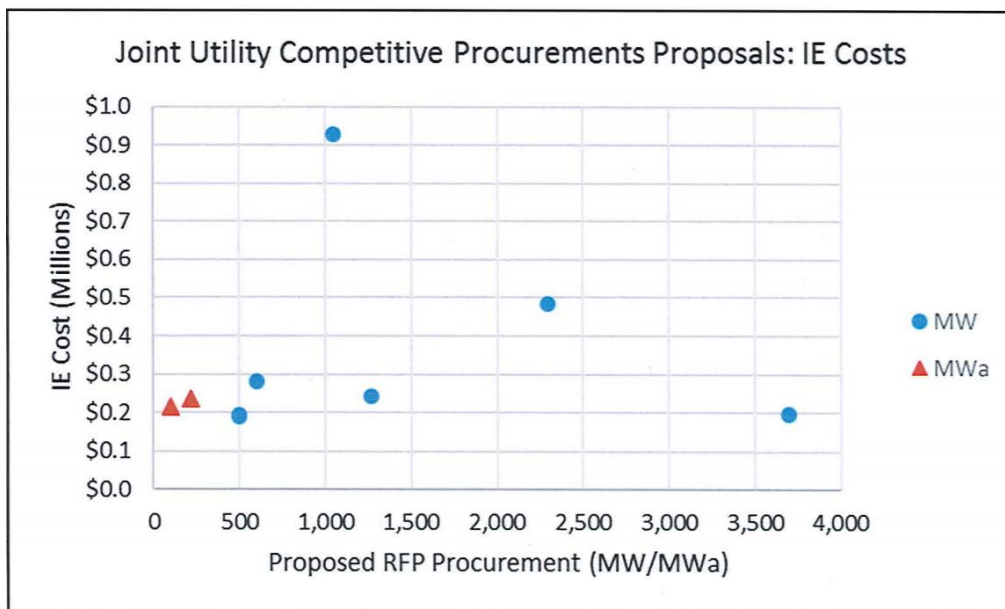
**[BEGIN CONFIDENTIAL]**

[REDACTED]

**[END CONFIDENTIAL]**

While PA Consulting is **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** the cost of London Economics, Staff would note several things. First, relative to the total cost and scope of the RFP itself, an additional **[BEGIN CONFIDENTIAL]** [REDACTED] **[END CONFIDENTIAL]** for a potentially higher quality IE review may be worth the price. Second, the cost of PA Consulting is historically in keeping with the cost of past IEs, especially relative to the size of the RFP.

In Docket No. AR 600, Staff conducted analysis on historic IE costs of Oregon utilities. Staff noted that, based on ten data points between 2007 and 2018 for two Oregon utilities, the range of IE costs was from \$190,000 to \$929,000.



Staff also noted that the drivers of IE costs include: the complexity of the RFP design process, the number of proposals received in response to an RFP, and the need for analysis and review of high-end production cost and transmission modeling. Given the complexity of PacifiCorp's proposed RFP design and modeling, as well as the large number of bids likely to be received, Staff finds that PA Consulting's IE bid for this RFP is reasonable.<sup>6</sup>

With regards to experience and competence, Staff would note several things. PA Consulting lists a history of IE assignments for California utilities that goes back to 2006 and includes solicitations for renewables, storage, demand-side resources, and generic capacity. London Economics, **[BEGIN CONFIDENTIAL]** **[END CONFIDENTIAL]**.

The proposed project team at PA Consulting has more substantial experience with utility long term planning, renewable integration, and mathematical models than the team proposed by London Economics. The PA Consulting team includes experienced Independent Evaluators, as well as technical experts, to validate PacifiCorp's RFP modeling. Staff also found the response of PA Consulting to a stakeholder question

<sup>6</sup> See AR 600, Staff Comments, June 13, 2018.

regarding utility bias in an RFP to be sufficient and comparable to the responses of other bidders.

Staff participated in two conference calls with the Company and non-bidding signatories to the protective order to discuss IE selection. Staff was able to share its recommendation of PA Consulting with PacifiCorp and the non-bidding signatories to the UM 2059 protective order. PacifiCorp is supportive of Staff's recommendation and reasoning. The Alliance of Western Energy Consumers (AWEC), Renewable Northwest, Oregon Citizens' Utility Board (CUB), and Northwest & Intermountain Power Producers Coalition (NIPPC) were supportive of Staff evaluation process and expressed no initial reservations with Staff's recommendation.

Given that PacifiCorp plans to base its RFP decisions to a large extent on its mathematical IRP models, the IE assigned to any RFP that results from the 2019 IRP should have a strong analytical team and extensive experience with RFPs to acquire substantial amounts of new resources. Because many important decisions will be included in this RFP, including whether to build Energy Gateway South for almost \$2 billion, Staff finds that the additional cost of PA Consulting is justified by the additional oversight this firm can provide into PacifiCorp's modeling assumptions and implementation. Selecting a more experienced IE will help protect ratepayers from the risks of inaccurate modeling in this potentially large acquisition process.

#### *Interdependent Schedules and the Need for a Waiver*

PacifiCorp has filed a revised schedule for its proposed 2020AS RFP in Docket No. UM 2059. The RFP schedule includes the schedule for selecting the IE, while also being designed to interact with the timeline for PacifiCorp's proposed interconnection queue reform request at the Federal Energy Regulatory Commission (FERC). The complementary schedules for the RFP and queue reform allow bidders to use selection in the initial RFP shortlist to demonstrate 'readiness' for participation in the interconnection cluster study at FERC. The date for short-listed bidders to enter the cluster study is October 15, 2020, which Staff understands is based on the need to complete the study on April 15, 2021 (this assumes FERC approval of PacifiCorp's queue reform proposal). As a result, this schedule dependency across complicated processes has placed substantial time constraints on the first steps of the proposed 2020 RFP process.

Below is a list of Oregon-specific dates from PacifiCorp's current proposed schedule for the 2020AS RFP:



<b>Milestone</b>	<b>Date</b>	<b>Status</b>
Open OR RFP Docket / Issue IE RFP for OR	02/24/2020	Complete
Notify Oregon parties of RFP and IE need	02/24/2020	Complete
OR IE bids due	03/09/2020	Complete
OR workshop with IE stakeholders on RFP modeling and scoring*	03/18/2020	Complete
OR workshop with IE stakeholders on IE candidates	03/20/2020	Complete
OR Commission public meeting approving IE and scoring*	04/07/2020	
Execute contract with Oregon IE	04/09/2020	
Initial draft RFP distributed to Oregon IE and parties in IE Docket	04/10/2020	
Bidder and stakeholder workshop to discuss draft All-Source RFP – Oregon	04/14/2020	
Oregon IE files comments on draft RFP**	04/20/2020	
File final draft RFP with OR Commission	04/22/2020	
OR party comments on final draft RFP	05/11/2020	
PacifiCorp reply comments on final draft RFP	05/22/2020	
OR IE files report on final draft RFP***	05/25/2020	
Provide models and assumptions to OR IE	06/30/2020	
OR Commission Special Public Meeting approving RFP**†	07/02/2020	
RFP Issued to market	07/06/2020	
RFP Bids Due	8/10/2020	
Bid eligibility screening completed*†	8/17/2020	
OR IE files status report on bid scoring**††	09/10/2020	
PacifiCorp notifies bidders selected to ISL	10/14/2020	
ISL bidders notify Pac Trans to enter cluster study	10/15/2020	
Cluster study results posted to OASIS / bidders notified by Pac Trans	04/15/2021	
Bidders provide ISL price update including cluster study results	04/22/2021	
IEs' review of FSL Completed	06/01/2021	
OR IE files status report on sensitivity analysis*†††	06/08/2021	
Final Shortlist filed with OR Commission for acknowledgement	06/10/2021	
OR IE Files RFP Closing Report*†††	06/17/2021	
OR Party Comments on IE Closing Report	07/06/2021	
OR Commission Public Meeting acknowledging FSL	08/03/2021	
OR Commission FSL Acknowledgement Order	09/09/2021	
File public summary of RFP results w/Commission	11/15/2021	
Make bid score available to bidder upon request	11/15/2021	

Staff provides the following bulleted comments on the current proposed schedule:

*	Staff does not support Commission approval of RFP design on April 7, 2020. <i>See Waiver discussion below</i>
**	The IE must submit its assessment of the final draft RFP when the Company files the final draft with the Commission per OAR 860-089-0450(3). Staff is available to assist the IE with submitting its assessment.
***	The IE is not required to prepare a second report under OAR Chapter 860, Div. 89.
*‡	The key juncture when the 150 percent screen is applied by region in the RFP, effectively eliminating many bids. <i>See screening discussion below.</i>
**‡	The proposed date for approval of the final RFP is approximately 72 days after the draft is filed. Under OAR 860-089-0250(6), the Commission will generally issue its decision within 80 days. Any person may request a 30-day extension of the review period upon a showing of good cause.
**‡‡	The IE is not required to prepare a status report per OAR Chapter 860, Div. 89.
*‡‡‡	Staff is available to assist the IE with submitting its assessment of the Company's sensitivity analysis and its Closing Report.

*The Timeline of the 2020AS RFP Requires a Waiver of OAR 860-089-0250(2)(a)*

The competitive bidding rules provide an alternate path for companies that do not have RFP scoring and methodology details included within a Commission-acknowledged IRP. These details may be provided instead in a separate filing, in advance of the filing of a draft RFP. PacifiCorp has chosen to provide its scoring and methodology details in a separate filing from its IRP, which was made in Docket No. UM 2059 on February 24, 2020.

PacifiCorp's proposed schedule provided only 32 days from the introduction of the scoring methodology to the meeting requesting approval of the scoring methodology on April 7, 2020. In PacifiCorp's schedule, approval of the scoring methodology would be decided by the Commission before the selection of an IE and before the acknowledgement decision in the 2019 IRP associated with this RFP. Staff finds PacifiCorp's proposed timeline to be inadequate for a meaningful review of the scoring methodology, especially because the screening model used to develop the initial pool of resources is not a model used in the IRP. Additionally, Staff is currently participating in PacifiCorp IRP and General Rate Case (GRC) dockets concurrently to the RFP.

Staff therefore requests that any decision on approval of PacifiCorp's scoring methodology be delayed until the Final Draft RFP approval decision meeting (currently scheduled for July 2, 2020), instead of the April 7, 2020, Public Meeting.

Accordingly, Staff requests the Commission grant a waiver to OAR 860-089-0250(2)(a) to account for the fact that, due to the specific time constraints of this RFP as described above, there is insufficient time to review the scoring details and methodology before the preparation of the draft RFP. Given the need to coordinate with the schedule at FERC for the queue reform proposal, Staff believes there is good cause for a waiver in this instance. Staff notes, however, that a period of at least four months would be reasonable in future RFPs, under normal circumstances.

*Staff's Initial Comments on RFP Design*

As noted previously, PacifiCorp has developed an aggressive timeline so the Company's RFP can be issued by July 2020 and coincide with planned actions at FERC. This limits both the time to influence RFP development and the number of interactions between stakeholders and the Company. While not necessarily problematic, it does put an emphasis on developing and articulating positions early in the RFP development process. Staff offers these comments to simply advance the RFP conversation; not for Commission action at this time per se.

*The Initial Pool Must Contain at least 300 Percent of Interconnection Capacity*

In PacifiCorp's RFP application document, the Company explains that, before selecting an initial shortlist, it will select an initial pool of bids using a proprietary model.<sup>7</sup> This initial screening step will eliminate all except a small number of bids in any given location, for each resource type. The Company explains that it would eliminate all bids except for 150 percent of the capacity selected in the 2019 IRP preferred portfolio. If there was no capacity selected at a location in the 2019 IRP preferred portfolio, the screen would eliminate all except for 150 percent of the maximum interconnection capacity assumed in the 2019 IRP for a given location.<sup>8</sup> Staff notes that the Company did not utilize the screening methodology in the 2019 IRP, and Staff had only 32 business days to review it before the April 7, 2020, public meeting (and fewer days prior to the submission of this report).

Staff finds this aggressive initial screening to be unnecessary and potentially harmful to a competitive RFP. Especially when there is limited time to review the screening methodology, as is the case in the currently proposed RFP schedule, an initial screen should allow a much greater number of bids to compete for inclusion in the initial shortlist. Staff finds that at least 300 percent of the 2019-IRP-assumed interconnection

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<sup>7</sup> PacifiCorp's Initial Application in UM 2059. Page 6.

<sup>8</sup> PacifiCorp's Initial Application in UM 2059. Page 6.

capacity at any given location, by resource type, should be considered for selection in the initial shortlist. While this may increase the setup and run times of PacifiCorp's IRP models when selecting the initial short list, it should improve the competitiveness of PacifiCorp's RFP.

*PacifiCorp Should Not Be Required to Proceed with an RFP.*

Given that the RFP process is proceeding before a Commission acknowledgement decision on the 2019 IRP, Staff recommends that the Company include language in its contract with any selected IE that clarifies the Company, by entering into an agreement with the IE, is not obligated to proceed with development of an RFP or engage in the RFP process.

Conclusion

Staff independently reviewed the four IE applications and recommends that PA Consulting be selected as the IE for any PacifiCorp 2020 RFP. Further, Staff recommends the Commission waive application of OAR 860-089-0250(2)(a), requiring approval of the RFP scoring and methodology prior to preparing a draft RFP.

**PROPOSED COMMISSION MOTION:**

Approve PA Consulting as the Independent Evaluator for any 2020AS PacifiCorp RFP.

Grant PacifiCorp a waiver to the requirement in OAR 860-089-0250(2)(a) for approval of a proposal for scoring and associated modeling prior to preparing a draft RFP.