

Montana Public Service Commission
Proposal for Capacity Assistance
Solicitation Number: NARUC-2011-RFP006-DE0123
DE-OE0000123; CFDA 81-122
Released: October 12, 2011
Responses Due: October 31, 2011

1. Need and Proposal Description

Applicant

The Montana Public Service Commission (Commission), a member of the National Association of Regulatory Utility Commissioners, is beginning a review of its administrative rules governing procurement of new resources and procurement planning. In 2003, the Commission added a second set of planning rules for restructured utilities, in addition to the existing set of integrated resource planning (IRP) rules applicable to non-restructured utilities. Taking into account how the regulatory landscape has changed since 2003, the Commission intends to compare its rules to those of other states in order to develop a single set of more comprehensive and robust planning and procurement guidelines.

Project Description and Need for Capacity Assistance

Following deregulation of electric utilities in 1997, Montana's largest electric utility sold its generation assets. The Commission established rules in 2003 to ensure that the resulting "restructured" utility would continue to provide reliable electricity supply service at the lowest long-term total cost. The 2003 rules established guidelines for resource procurement by restructured utilities and required a biennial procurement plan (including an "action plan"). Through the procurement planning process, the utility identifies resource needs and evaluates the full range of cost-effective electricity supply and demand-side management options. Non-restructured utilities remained subject to a separate, older set of IRP rules, and today both sets of rules remain in effect.

In 2007, the Legislature provided for re-integration of the restructured utility, and its resources are now a mix of owned and purchased resources. Because the restructured utility may once again own its own generation assets – and thereby compete with other generators – the

Commission is interested in revisiting the rules defining the competitive solicitation process. Whereas the IRP rules expressly contemplate the utility placing its own resources in competition with solicited resources, the 2003 rules allow for a decision to not use competitive solicitations, and merely direct the utility to thoroughly evaluate market-based alternatives before acquiring its own generating plant.

The Commission seeks assistance comparing its rules to those of other states and drafting a comprehensive, more robust set of planning and procurement rules. Technical assistance researching and summarizing the rules of other states in a readily-understandable document would be invaluable. In addition to the planning process generally, the Commission is interested in competitive solicitation requirements and the potential role of an independent evaluator in monitoring planning and procurement activities. The Commission ultimately seeks to determine whether revising and consolidating its two sets of rules would better facilitate provision of the most reliable, stable and low-cost portfolio of long-term resources.

Type of Assistance Needed and Consultant Expertise

The Commission requests the assistance of an experienced consultant to survey the planning and procurement rules and practices in other states and draft a more robust set of rules for Montana. The consultant would work with agency staff at every step of this process. Ideally, the consultant would have experience with utility planning and procurement processes, and the expertise to identify particular processes that could be adapted for use in Montana.

Preferences for Consultant Selection

The MPSC has no preferences with regard to a consultant.

Main Point of Contact on MPSC Staff

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Deliverable

The consultant would produce a report that provides an overview of state procurement rules and practices, describes the “best practices” in other states, and includes a bibliography with citations to the materials reviewed by the consultant. Utilizing this report, the consultant would then develop a single, revised set of supply planning and procurement rules for Montana that may provide for third-party evaluation and a more structured competitive solicitation process. In addition to consolidating the older IRP rules with the 2003 rules, the revised rules should create a workable process that will better ensure stably and reasonably priced service at the lowest long-term total cost.

Timeline

The Commission intends to initiate a rulemaking docket in the second half of 2011, with adoption occurring in the third or fourth quarter of 2012.

Beneficiaries

This project would be of benefit to any utility regulatory agency revising its resource planning and procurement rules. Documentation assembled in the process will catalog state rules and orders, creating a compendium useful to any regulatory agency overseeing planning and procurement activities, particularly in partially deregulated states.

2. Budget Estimate

Subcontractor(s) Labor	Hours	Rate	
Senior Consultant	100	\$300	\$30,000
Junior Consultant	300	\$150	\$45,000
Total Labor Cost Estimate			\$75,000
Other Direct Costs			
Travel (if any)	None		
Printing (if any)			\$1,000
Communications (such as conf. calls)			\$1,000
Other: Technical Writing	100	100	\$10,000\$
Total Other Direct Costs			\$12,000
Total			\$87,000