



PACIFICORP

RFP 2003-A Pre-Bid Conference

June 20, 2003
Portland, Oregon

Agenda

- » RFP Objectives
- » Timeline
- » Process
 - PacifiCorp role/responsibilities
 - Navigant Consulting role/responsibilities
 - Bidder role/responsibility
- » Products
 - “peaker” (~200 MW)
 - superpeak and/or daily call options (~225 MW)
 - baseload (~570 MW)
 - status of 25 MW firm blocks
- » Points of Delivery & Transmission
- » Making the shortlist
- » Post-bid negotiations

RFP 2003-A Objectives

Integrated Resource Plan

- » **Integrated Resource Plan resulted in:**
 - 28 Action Items:
 - 11 for supply-side resources
 - 10 for demand-side resources
 - 4 for transmission-related actions
 - 3 for strategy/policy decision resolution
 - Supply-side action items consist of:
 - East capacity resources
 - East & West wind/renewable resources, and
 - West capacity resources

RFP 2003-A Objectives, cont.

IRP Action Plan Implementation

	Solicitation	Resource	IRP Action Item
Issued June 5 →	RFP 2003-A	East Super-peak 2004/05/06/07	21
		East 200 MW “peakers”	15
		East 25 MW firm	21
		East 570 MW base load	2
To be issued In ~ 90-120 days →	RFP 2003-B	100 MW West wind/renewable	18, 20
		200 MW East wind/renewable	19, 20
		200 MW West wind/renewable	18, 20
		200 MW East wind/renewable	19, 20
		200 MW West wind/renewable	18, 20
		200 MW East wind/renewable	18,20
IRP update will drive issue date →	RFP 2003-C	West Off-peak	21
		West 230 MW “peakers”	15
		West 25 MW firm	21
		West 500 MW base load	1
To be issued early 2004 ↘	RFP 2004-A	East 500 MW base load	4

RFP 2003-A Objectives, cont.

Procurement Goals

» **PacifiCorp's Objective is to:**

- Administer a solicitation process that is understandable, objective and unbiased
- Solicit a wide number of responses & alternatives
- Ensure prudent credit assurances
- Maintain confidentiality as appropriate
- Develop a flexible process that helps us obtain the best cost/risk balance for new resources
- Minimize the solicitation cycle time
- Adjust next RFP process accordingly

RFP 2003-A Objectives, cont. Key Features of the Process

PacifiCorp's process is consistent in spirit with recognized Regulatory guidelines and offers additional enhancements

- » Affiliates will not be allowed to bid
- » Blind bid evaluation
- » Consultant to validate consistency
- » Adequate credit assurances a priority
- » Provides for a bidder workshop prior to release of RFP
- » Includes large customer firm load curtailment to be a supply-side resource
- » DSM will be handled separately
- » Pre-determined screening criteria to make short-list
- » Post-bid negotiations on price & non-price issues
- » Summary Report to be made public.

Note: No bid fee will be required

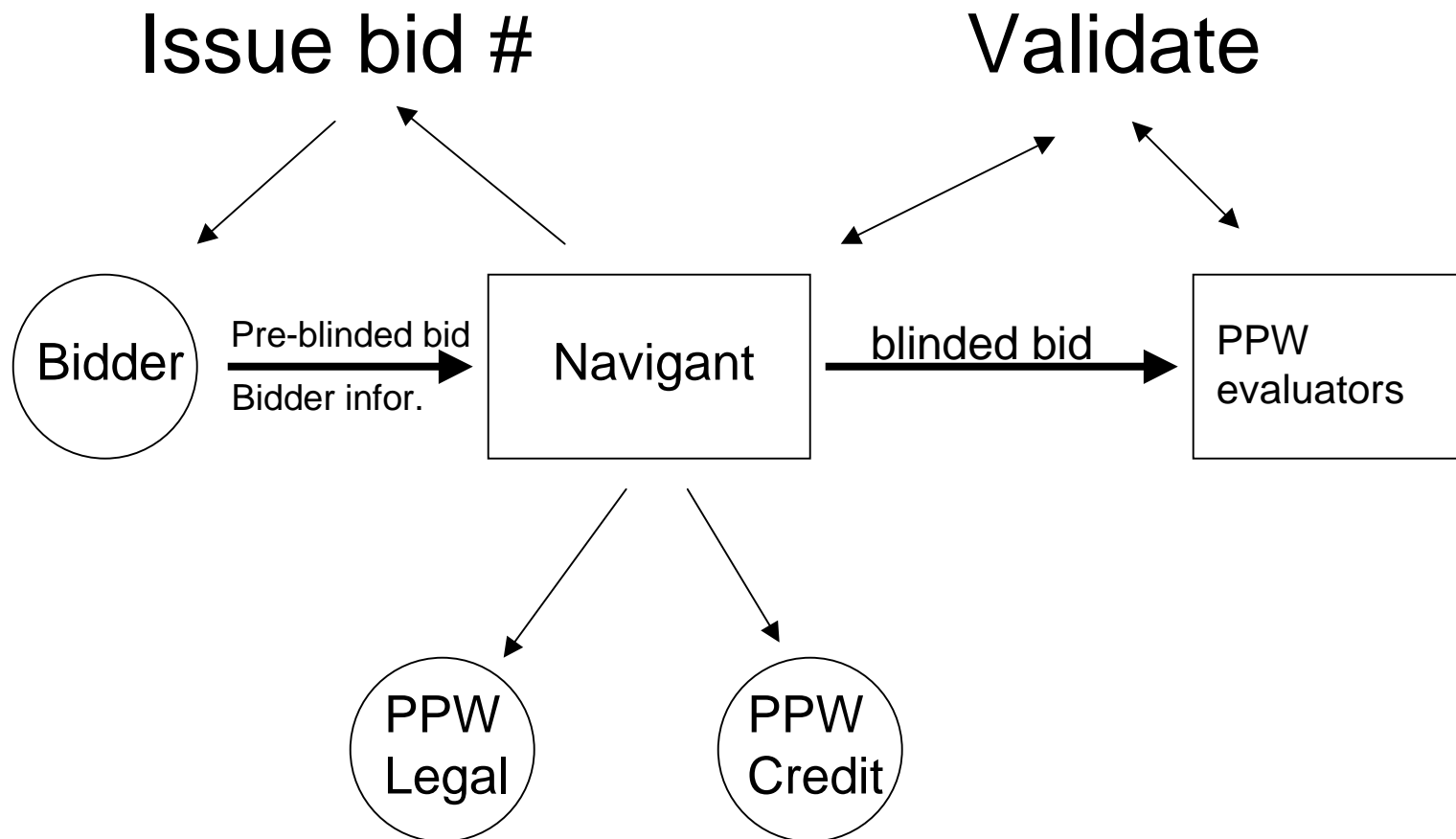
Timeline

Schedule of RFP Actions

Event	Date
RFP Issued	June 5, 2003
Pre-bid Conference	June 20, 2003
Intent to bid form due	June 27, 2003
Responses Due	July 22, 2003
Evaluation Complete	August 6, 2003
Short List Announced	August 13, 2003
Definitive Agreement(s)	October 1, 2003

Process

General Roles/Responsibilities



Note: Bidder information released to Credit and Legal for initial review (but not to PPW evaluators)

Process

PacifiCorp Roles/Responsibilities

- » **Next Best Alternative (NBA):**
 - identify NBA for “peaker” and baseload need,
 - establish NBA costs prior to bidder responses,
 - document subsequent changes to assumptions.
- » **Evaluation:**
 - evaluate bidder responses,
 - rank responses by product type,
 - determine depth of short-list for each product.
- » **Negotiate:**
 - Bi-laterally negotiate with entities on short-list,
 - seek internal approvals

Process, cont.

Navigant Consulting Roles/Responsibilities

» **Validate:**

- NBA cost assumptions are reasonable (< 7/22),
- analytical techniques are not inconsistent with industry practices,
- good faith negotiations took place.

» **Audit:**

- consistent application of evaluation models,
- consistent application of RFP processes,
- supporting information for NBA.

» **Administer:**

- issuance of bid numbers,
- bidder communications & bid clarification (Q&A)
- appropriate release of de-blinded information,

Process

Bidder Role/Responsibilities

- » **With Respect to Navigant Consulting:**
 - submit Intent to Bid forms directly to Navigant,
 - submit questions directly to Navigant,
 - answer questions presented by Navigant,
 - submit blinded and de-blinded information to Navigant.
- » **With Respect to PacifiCorp:**
 - Answer questions raised by PacifiCorp's Credit and Legal Departments (to be facilitated by Navigant as appropriate),
 - Negotiate with PacifiCorp's Commercial & Trading Department (administered by Navigant as appropriate),
 - Contact PacifiCorp's Transmission Department directly regarding transmission interconnection.

Products

Requested Products

- “Peaking” supply
- “Superpeak” supply
- “Baseload” supply
- 25 MW firm contracts (removed)

Products, cont.

Status of 25 MW firm

- 25 MW firm blocks have been removed from RFP 2003-A.
- This IRP action item was intended to support of wind resources.
- PacifiCorp is currently reviewing the issue of “capacity contribution” by wind resources for planning purposes and will be updating our view of the amount and type of resources that are most appropriate to support wind.

Products, cont.

Miscellaneous Information

- **Delivery Hour Definition:**

Heavy Load hours = HE 0700 - HE 2200 PPT (bidder to clarify if bidding NERC 6X16, except holidays, or 7X16 or 5X16)

Super-Peak hours = HE 1300 - HE 2000 PPT (bidder to clarify if bidding 7X8, 6X8, or 5X8 and if deliveries are during NERC holidays)

- **Contract Preference:**

EEl preferred for all transactions,

Bi-laterally negotiated long-form agreements acceptable for long-term agreements only.

Products, cont.

“Peaker”

- Type - a resource that can be dispatched at least daily (at PacifiCorp’s option) and during Heavy Load and/or Super-peak hours
- Amount - ~ 200 MW
- Minimum Performance Obligations - negotiated
- Term - from ~ April 2005 (but not later than June 1, 2005) through up to 20-years
- Point of Delivery - in or to PACE
- Pre-scheduling - Pursuant to industry practices (5-day shop)
- Transaction Structures - negotiated (PPA, tolling, lease, turn-key sale, equity participation, etc.)
- Reserves - bidder must clarify who (PacifiCorp or bidder) will be responsible for supplying operating reserves.
- Maintenance - Scheduled with PacifiCorp’s consent

Products, cont.

Superpeak

- Type - a resource that can deliver:
 - during pre-defined hours (Super-peak), or
 - at PacifiCorp's option, on a daily basis during pre-defined hours (Heavy Load and/or Super-peak hours)
- Amount - ~ 225 MW
- Term - from June 2004 through September 2007
- Delivery Months - June through September (individual months may be bid but all-month bids preferred)
- Point of Delivery - in or to PACE
- Pre-scheduling - Pursuant to industry practices (5-day shop)
- Transaction Structures - negotiated (PPA, tolling, lease, etc.)
- Reserves - bidder must clarify who (PacifiCorp or bidder) will be responsible for supplying operating reserves.

Products, cont.

Baseload

- Type - a resource intended to deliver all hours of the term (Note: dispatch and/or displacement flexibility will be valued)
- Amount - ~ 570 MW
- Minimum Performance Obligations - negotiated
- Term - from ~ April 2007 (but not later than June 1, 2007) through up to 20-years
- Point of Delivery - in or to PACE
- Pre-scheduling - Pursuant to industry practices (5-day shop)
- Transaction Structures - negotiated (PPA, tolling, lease, turn-key sale, equity participation, etc.)
- Reserves - bidder must clarify who (PacifiCorp or bidder) will be responsible for supplying operating reserves.
- Maintenance - Scheduled with PacifiCorp's consent
- Economic Displacement - negotiated.

Pricing Options

- Fixed capacity and energy
- Variable capacity and/or energy
- Physical tolling
- Virtual tolling
- Exchanges (time, POD, product)
- Call or put options
- Construction and subsequent lease and/or sale of an asset
- Equity participation

Products, cont.

Security

- PacifiCorp reserves the right to require “Adequate Credit Assurances” which may include:
 - parental guarantee,
 - acceptable letter of credit,
 - the amount may include the value of;
 - market-based liquidated damages for failure to perform,
 - construction delays,
 - failure to meet minimum production and/or availability,
 - and other forms of defaults

Note: Navigant will facilitate these discussions during the “blinded” period.

Products, Cont.

Minimum Bid Size

- Supply side = 1 MW
- Load Curtailment = 25 MW
 - typically reserve quality
 - typically executed in real-time
 - finite entities who can typically supply product
 - load curtailments will be contracted for using supply-side type terms/conditions and must be as contractually firm as a “firm” supply-side resource.

Products, Cont.

Air Quality Standards

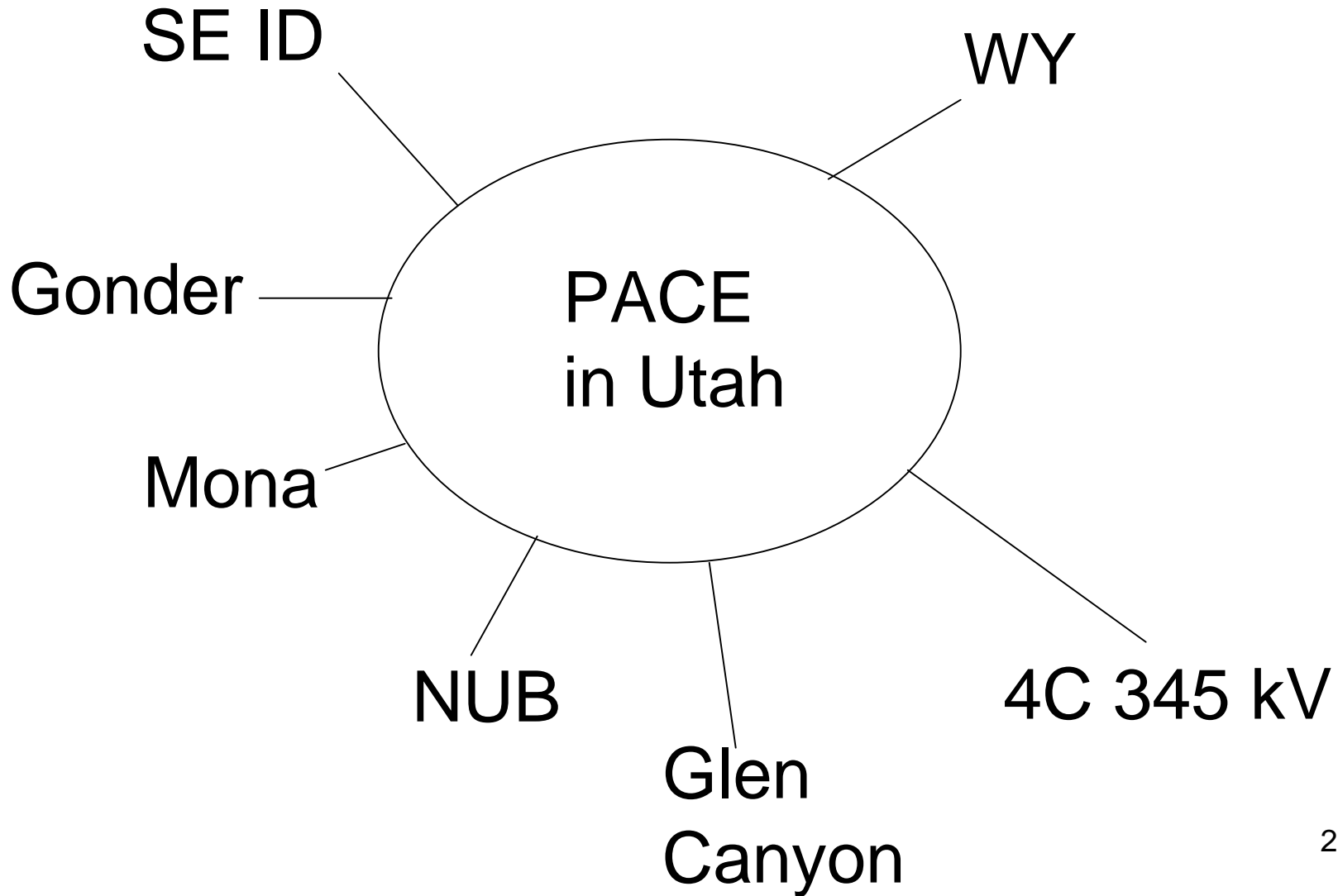
“.....it is PacifiCorp’s intent to incorporate cost assumptions into any PacifiCorp build option(s) that are consistent with the IRP base case assumptions.

These base case assumptions can be located in Chapter 3 of the IRP and represent the best information currently available to PacifiCorp via the IRP public input process and other information sources.

As such, Bidders are directed to submit bids that incorporate the assumption that the Bidder will not be able to pass through any costs associated with meeting future air quality requirements.”

[Section 2.a, page 6 of RFP 2003-A]

Points of Delivery & Transmission PacifiCorp's East System



Points of Delivery & Transmission, cont.

Preferred Points of Delivery

- Mona 345 kV
- Gonder 230 kV
- Glen Canyon 230 kV
- NUB on Sigurd-Harry Allen 345 kV
- in Nevada or elsewhere (requires firm transmission to acceptable PACE POD and clarity on cost/scheduling responsibilities)
- Within PACE in Utah

Note: all incremental delivery costs will be considered in economic analysis.

Points of Delivery & Transmission, cont.

Other Points of Delivery

- Four Corners 345 kV - Super-peak or daily call options only.
- Wyoming - POD must be electrically South of Naughton-Monument,
- SE Idaho - POD must be interconnected to SE Idaho electric system and respect L&R balance.

Points of Delivery & Transmission, cont. Transmission Department Interaction

- **Transmission/Bidder** - Bidder to work directly with Transmission on interconnection requirements and system impact studies related to system interconnection.
- **Transmission/PPW Commercial** - PPW Commercial is the transmission customer for network resources procured and must ultimately request that the resource be studied for acceptance by Transmission function as a “network resource”.

Points of Delivery & Transmission, cont. Study and System Upgrade Cost Responsibility

- » Interconnection Studies - bidder's responsibility.

- » System Upgrades:
 - Due to Interconnection Study - bidder's responsibility,
 - Due to inclusion as a Network Resource - PacifiCorp's responsibility. However, expected cost will be included in the economic evaluation of each bid (note: may require estimates of these costs to be made during screening process).

- » Transmission Credits - Bidder may either sell any transmission credits they acquire to third parties or negotiate the transfer of credits to PacifiCorp.

Making the Short-List Bid Evaluation

- Screening criteria to make short-list,
 - price (70% weighting)
 - non-price (20% weighting on flexibility)
 - environmental (10%)
- No price adjustments prior to short-list,
- Post bid negotiations on price issues,
- Post bid negotiations on non-price issues
- goal to achieve best cost/risk balance

Making the Short-List, cont.

Price Evaluation (70 points max)

- Bids will be compared against PacifiCorp's next best alternative for a "similar" resource:
 - "similar" based on product type (using economic dispatch),
sum of parts approach,
lower of:
 - "market" for a similar resource purchase, or
 - net cost to build, own & operate (present value revenue requirement consistent with IRP methodology)

Table 5: Price Factor Weighting

Bid Cost relative To NBA	Price Factor Weighting
Less than or equal to 75% of the NBA	70%
Greater than 75% of the NBA but less than the NBA	Linearly Interpolated
Equal to or greater than the NBA	0%

Making the Short-List, cont.

Non-Price Evaluation (20 points max)

Table 6: Operational Non-Price Factor Weightings

Dispatch Ability	Non-Price Factor Weighting
PacifiCorp’s option to dispatch the resource the day prior to delivery (i.e., day-ahead) and PacifiCorp has the option to adjust resource output throughout the delivery day and within the delivery hour.	20%
PacifiCorp’s option to dispatch the resource the day prior to delivery (i.e., day-ahead).	15%
PacifiCorp’s option to dispatch the resource the month prior to delivery (i.e., month ahead).	10%
PacifiCorp’s option limited to dispatching the resource for an entire quarter at a time (i.e., quarter ahead).	5%
PacifiCorp does not have any dispatch option.	0%

Making the Short-List, cont.

Environmental Evaluation (8 points max)

Table 7: Environmental Non-Price Factor Weightings

Resource Type	Adjustment Factor	Non-Price Factor Weighting
Coal	+/- 0.15	10% (1-.85-Adjustment Factor)
Nuclear	+/- 0.10	10% (1-.70-Adjustment Factor)
Oil	+/- 0.10	10% (1-.65-Adjustment Factor)
Solid Waste	+/- 0.10	10% (1-.60-Adjustment Factor)
Natural Gas	+/- 0.05	10% (1-.50-Adjustment Factor)
Biomass	+/- 0.15	10% (1-.50-Adjustment Factor)
Geothermal	+/- 0.15	10% (1-.50-Adjustment Factor)
Hydro outside protected areas	+/- 0.10	10% (1-.30-Adjustment Factor)
Hydro within protected areas	N/a	Bids not accepted

Note: Adjustment factor will be applied subjectively based on a resource relative to typical projects for that resource type.

Note: Undesignated resources (system sales or other PPA) will be deemed to be gas

Post Bid Negotiations Anticipated Activities

- **Post bid negotiations/clarification expected relative to:**
 - price and non-price issues,
 - key economic drivers,
 - overall structure,
 - bidder specific credit issues,
 - liquidated damages,
 - transmission issues,
 - any other resource specific issues that may impact price and/or performance.
- **Metrics for post bid negotiations will be:**
 - Net PVRR analysis (updated for changing market conditions)
 - Risk analysis (consistent with IRP methodology)
 - Additional economic analysis (such as valuing embedded and/or extrinsic optionality)
 - Overall risk assessment of deal terms/conditions

Confidentiality

- PacifiCorp will attempt to maintain confidentiality:
 - to the extent allowed by law or order,
 - bidder to clearly mark confidential information,
 - Information held for 5-years or more,
 - proprietary curves and evaluations will not be released.

Summary Report

- List characteristics of winning bids,
- Analyze participation of smaller bids,
- Summarize key points of losing bids,
- Maintain confidentiality of bidder information,
- Will be made public.

Questions/Comments & Information Sources

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PacifiCorp Web Site

www.pacificorp.com

(go to “News & Info” and then “Request for Proposal”) for:

- RFP,
- bidder workshop & conference slides,
- Questions and Answers