

RFP 2012 Request for Proposals Credit Workshop

Utah Public Service Commission
September 21, 2006



Pacific Power | Rocky Mountain Power | PacifiCorp Energy

Agenda

- 2012 RFP Request for Qualification (RFQ) for Credit
- Credit Requirements
- Credit Matrix
- Credit Security Requirements Methodology
- Suggestions & Comments

Request for Qualification (RFQ)

- Credit prequalification via a RFQ
- Bidders submit RFQ to Independent Evaluator
- RFQ Requirements for Credit
 - ▶ Identify affiliate relationship, if any
 - ▶ Specify the exact, legal counterparty names
 - ▶ Provide exact, legal names of credit support providers
 - ▶ Provide evidence of ability to provide any required credit support
 - Comfort letter from financial institution providing a letter of credit
 - Comfort letter from proposed guarantor
 - ▶ Provide evidence of any additional credit assurances being offered
 - Ability to provide acceptable liens, step-in rights, etc.

Credit Requirements

- Credit Requirements are a function of five factors:
 - 1) Credit quality of the Bidder or entity providing Credit Support on behalf of Bidder
 - Credit assessment will be performed on financial statements
 - PacifiCorp’s credit risk tolerance is greater the more creditworthy the counterparty
 - 2) Type of Eligible Resource
 - B1 Power Purchase Agreements
 - B2 Tolling Service Agreements
 - B3 Asset Purchase and Sale Agreements on PPW sites
 - B4 Asset Purchase and Sale Agreements
 - B5 EPC Contract for Currant Creek
 - B6 Purchase of an Existing Facility
 - B7 Purchase of a portion of a facility jointly owned by or operated by PacifiCorp
 - B8 Restructuring of existing Power Purchase Agreement or Exchange Agreement
 - B9a Load Curtailment

Credit Requirements (continued)

- 3) Asset-Backed vs. Non-Asset Backed Resource
 - Asset-backed resource backed by physical asset assumes PacifiCorp has meaningful step-in rights and ability to ensure construction is tracking to schedule
 - Non-asset backed resource has greater potential credit exposure, as the Bidder could default at any point during the contract term
 - » Contracts are for longer terms
 - » Greater potential for power prices to increase significantly over the term

- 4) Size of Eligible Resource
 - As size increases, need for credit assurances increases

- 5) Date the resource comes online (June 2012, June 2013 or June 2014)
 - Greater uncertainty and greater risk further out in the future

Credit Matrix

- The Credit Matrix displays the maximum value of credit assurances required based on the five factors above
 - ▶ Credit assurances may include one or more of the following:
 - Third-party Guaranty
 - Letter of Credit
 - Other (as determined by PacifiCorp in its reasonable discretion)
 - ▶ A Credit Matrix for each category of 2012 Resource is shown on the following pages

Credit Matrix for 2012 Resources

For Eligible Resources B3, B4, B5, B6 and B7

Size of flameplate bid in MW ==>	100	101-150	151-200	201-250	251-300	301-350	351-400	401-450	451-500	501-550	551-600	601-650	651-700	701-750	751-800	801-850	851-900	901-940
Credit Rating																		
AAA/Aaa and above	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA+/Aa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA/Aa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA-/Aa3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A+/A1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/A2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A-/A3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BBB+/Baa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,929,500	\$30,638,750	\$39,348,000	\$48,057,250	\$56,766,500	\$63,733,900
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,801,750	\$29,511,000	\$38,220,250	\$46,929,500	\$55,638,750	\$64,348,000	\$73,057,250	\$81,766,500	\$88,733,900
BBB-/Baa3	\$0	\$0	\$0	\$0	\$0	\$10,964,750	\$19,674,000	\$28,383,250	\$37,092,500	\$45,801,750	\$54,511,000	\$63,220,250	\$71,929,500	\$80,638,750	\$89,348,000	\$98,057,250	\$106,766,500	\$113,733,900
Below BBB-/Baa3	\$17,418,500	\$26,127,750	\$34,837,000	\$43,546,250	\$52,255,500	\$60,964,750	\$69,674,000	\$78,383,250	\$87,092,500	\$95,801,750	\$104,511,000	\$113,220,250	\$121,929,500	\$130,638,750	\$139,348,000	\$148,057,250	\$156,766,500	\$163,733,900

For Eligible Resources B1, B2 and B8 (ASSET BACKED)

Size of flameplate bid in MW ==>	100	101-150	151-200	201-250	251-300	301-350	351-400	401-450	451-500	501-550	551-600	601-650	651-700	701-750	751-800	801-850	851-900	901-940
Credit Rating																		
AAA/Aaa and above	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA+/Aa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA/Aa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA-/Aa3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A+/A1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/A2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A-/A3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BBB+/Baa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,929,500	\$30,638,750	\$39,348,000	\$48,057,250	\$56,766,500	\$63,733,900
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,801,750	\$29,511,000	\$38,220,250	\$46,929,500	\$55,638,750	\$64,348,000	\$73,057,250	\$81,766,500	\$88,733,900
BBB-/Baa3	\$0	\$0	\$0	\$0	\$0	\$10,964,750	\$19,674,000	\$28,383,250	\$37,092,500	\$45,801,750	\$54,511,000	\$63,220,250	\$71,929,500	\$80,638,750	\$89,348,000	\$98,057,250	\$106,766,500	\$113,733,900
Below BBB-/Baa3	\$17,418,500	\$26,127,750	\$34,837,000	\$43,546,250	\$52,255,500	\$60,964,750	\$69,674,000	\$78,383,250	\$87,092,500	\$95,801,750	\$104,511,000	\$113,220,250	\$121,929,500	\$130,638,750	\$139,348,000	\$148,057,250	\$156,766,500	\$163,733,900



Credit Matrix for 2012 Resources (continued)

For Eligible Resources B1, B2 and B8 (NON ASSET BACKED)

Size of Nameplate bid in MW ==>	100	101-150	151-200	201-250	251-300	301-350	351-400	401-450	451-500	501-550	551-600	601-650	651-700	701-750	751-800	801-850	851-900	901-940
Credit Rating																		
AAA/Aaa and above	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA+/Aa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA/Aa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
AA-/Aa3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A+/A1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A/A2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
A-/A3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
BBB+/Baa1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$42,127,800	\$116,565,500	\$191,003,200	\$265,440,900	\$339,878,600	\$399,428,760
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,814,700	\$143,252,400	\$217,690,100	\$292,127,800	\$366,565,500	\$441,003,200	\$515,440,900	\$589,878,600	\$649,428,760
BBB-/Baa3	\$0	\$0	\$0	\$0	\$0	\$21,063,900	\$95,501,600	\$169,939,300	\$244,377,000	\$318,814,700	\$393,252,400	\$467,690,100	\$542,127,800	\$616,565,500	\$691,003,200	\$765,440,900	\$839,878,600	\$899,428,760
Below BBB-/Baa3	\$148,875,400	\$223,313,100	\$297,750,800	\$372,188,500	\$446,626,200	\$521,063,900	\$595,501,600	\$669,939,300	\$744,377,000	\$818,814,700	\$893,252,400	\$967,690,100	\$1,042,127,800	\$1,116,565,500	\$1,191,003,200	\$1,265,440,900	\$1,339,878,600	\$1,399,428,760

For Eligible Resource B9a)

Size of Nameplate bid in MW ==>	For a term of greater than 10 years			
	Up to 25	26 to 50	51 to 75	76 to 100
Credit Rating				
AAA/Aaa and above	\$0	\$0	\$0	\$0
AA+/Aa1	\$0	\$0	\$0	\$0
AA/Aa2	\$0	\$0	\$0	\$0
AA-/Aa3	\$0	\$0	\$0	\$0
A+/A1	\$0	\$0	\$0	\$0
A/A2	\$0	\$0	\$0	\$0
A-/A3	\$0	\$0	\$0	\$0
BBB+/Baa1	\$0	\$0	\$0	\$0
BBB/Baa2	\$0	\$0	\$0	\$0
BBB-/Baa3	\$0	\$0	\$0	\$0
Below BBB-/Baa3	\$37,218,850	\$74,437,700	\$111,656,550	\$148,875,400



Credit Security Requirements Methodology

- Methodology for the Credit Matrix and Credit Requirements
 - ▶ Potential Credit Exposure
 - Potential replacement energy cost to PacifiCorp in the event resource fails to come on-line when expected
 - ▶ Asset-Backed Resource with Step-In Rights
 - Potential credit exposure is 12 months of replacement power costs
 - Summer (Jun-Sep) on peak hours are of most concern, so these four months of replacement value are the measurement
 - For the 2012 Resource, this equates to \$174,185/MW
 - ▶ Non-Asset-Backed Agreements
 - Potential credit exposure is the potential cost to replace contract at any point during the term of the contract
 - Requires simulation of future price distribution
 - For the 2012 Resource, this equates to \$1,488,754/MW

Credit Security Requirements Methodology (continued)

- Forward Price Uncertainty
 - ▶ Future price distributions are simulated using current forward price curves and price volatility curves
 - ▶ Statistical and stochastic analysis utilized
 - ▶ Future price levels are estimated using an 84% confidence level

- PacifiCorp's Credit Risk Tolerance
 - ▶ Level of credit risk tolerance is determined for each credit rating, each category of Eligible Resource, and each resource term
 - ▶ Amount of credit assurances to be provided is the difference between the potential credit exposure and the level of credit risk tolerance

- Value of Credit Assurances
 - ▶ Security amounts required in the credit matrix may include a combination of letters of credit, parental guaranties, cash deposits, or other security deemed acceptable by PacifiCorp

Credit Methodology Overview

- RFP 2012 Credit Security Requirements Methodology
 - ▶ A detailed paper on this topic is available
 - ▶ Comments can be directed to PacifiCorp Credit

Comments & Information Sources

PacifiCorp Web Site

www.pacificorp.com

(go to “News & Info” and select “Resource Supply RFPs”, then choose RFP 2012) for:

2012 RFP,
bidder workshop & conference slides,
Questions and Answers

PacifiCorp Credit

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