

# Final Draft 2012 Request for Proposals

**Oregon Public Utility Commission Workshop**  
August 16, 2006



**Pacific Power | Rocky Mountain Power | PacifiCorp Energy**

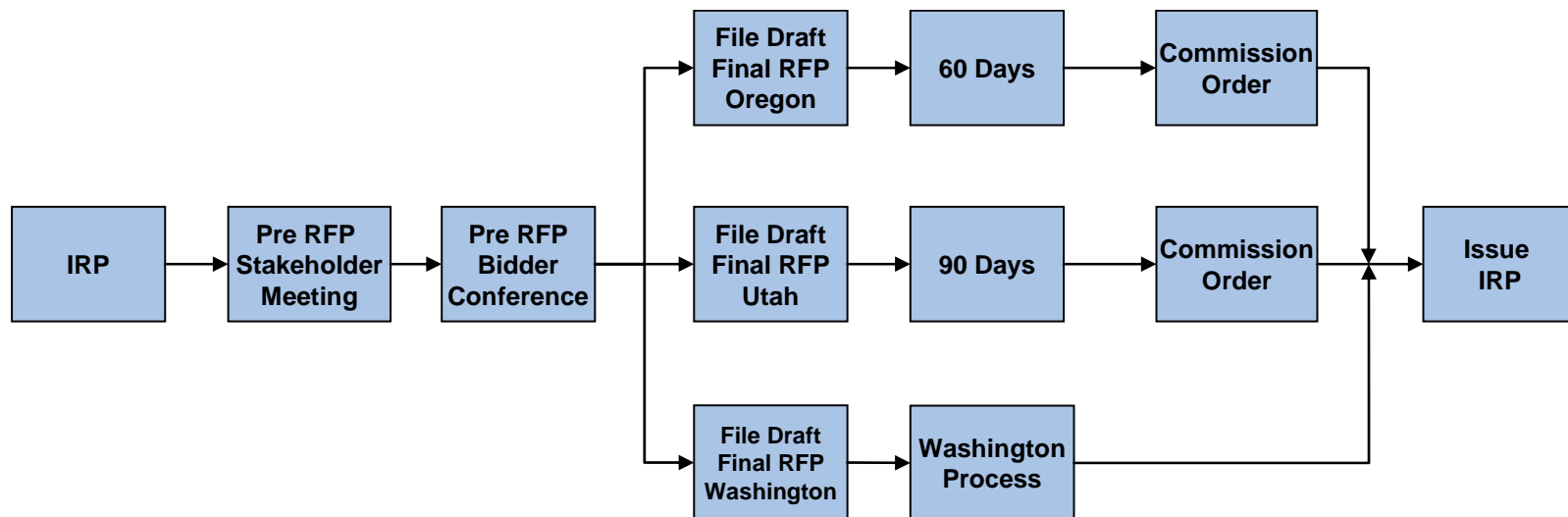
## Agenda

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- Regulatory overview and schedule
- Order No 06-446 (UM 1182)
- Key Features of the 2012 Request for Proposal (RFP)
- Overview of the 2012 Request For Proposal Structure
- Request for Qualification (RFQ)
- Credit Matrices
- Eligible Resources and Points of Delivery
- Company Benchmark (s)
- Capacity Charts and Company Benchmark Resources
- Evaluation of Proposals
- Overall Process

## RFP 2012 – Initial Regulatory Process

- Regulatory Review of the Final Draft 2012 RFP will take place in three states (OR, WA, UT)
- Processes for RFP:
  - ▶ Pre Draft RFP Presentation was given to stakeholders and bidders on June 1 and 2, 2006 to seek comments and feedback.
  - ▶ Final Draft 2012 RFP was filed in Washington, Utah, and Oregon on July 11, 2006



## Order No 06- 446, UM 1182

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- The Final Draft 2012 RFP was issued on July 11, 2006
- The Oregon Commission issued Order 06-446 on August 10, 2006
  - ▶ As a result of Order 06-446 the Company plans to file:
    - a request for non-retroactive application of Order 06-446 regarding:
      - » Assessment of the Final Draft 2012 RFP by the Independent Evaluator (Merrimack Energy Group) to be filed concurrently with final RFP.
      - » Non-use of bid fees such as those currently proposed in the filed Final Draft 2012 RFP.
    - an Amendment to the Final Draft 2012 RFP including:
      - » Evaluation of direct and indirect debt in the final shortlist instead of the initial shortlist.
      - » The addition of an Eligible Resource exception to allow Qualified Facilities greater than 10MW to participate.

## UM 1208 Proposed Schedule

Bidders Conference	June 1, 2006
Stakeholders Conference	June 2, 2006
Final Draft 2012 RFP	July 11, 2006
Final Draft 2012 RFP Workshop	August 16, 2006
Parties submit comments	September 1, 2006
PacifiCorp submits reply to parties' comments	September 15, 2006
Staff releases public meeting memo	October 5, 2006
Commission public meeting	October 10, 2006

## Key Features of the 2012 RFP Process

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

- An Independent Evaluator (IE) will be used throughout the process
- Affiliates are precluded from bidding
- Blind bid evaluation will be required
- Notice of Intent to Bid will be in the form of a Request for Qualification (RFQ)
- Initial Shortlist will be determined on price and non-price factors
- Final Shortlist in each portfolio (fixed amount of MW) will be determined using production cost modeling to determine the least cost/risk adjusted portfolio
- Pro forma Contracts are attached to the 2012 RFP
- PacifiCorp sites at Lake Side and Currant Creek may be available to Bidders based on specific compliance criteria

## Overview of the Request for Proposal Structure

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- 2012 Request for Proposal (RFP)
  - ▶ Request for Qualification (RFQ)
  - ▶ Bid Fees returned to Bidders who did not qualify
  - ▶ IE to provide Bid numbers to Qualified Bidders
  - ▶ Qualified Bidders will submit blinded proposals using Bid numbers
  - ▶ Code of conduct between Bid Team and Benchmark Team
  
- Bidders will be required to provide the following specific information
  - ▶ Whether response is to a specific category or combination of categories with each requiring a separate proposal, bid number and Bid Fee
  - ▶ The Eligible Resource(s) they propose to bid into the RFP 2012
  
- IE provides RFQ to Bid Team for evaluation
  
- Bidders will either pass or fail the initial RFQ screening
  - ▶ IE will be consulted during the evaluation process
  
- IE Provides Bid number to qualified bidder
  - ▶ One bid number per Category and eligible resource

## Request for Qualification (RFQ)

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- RFQ Requirements will identify the following
  - ▶ Identify affiliate relationship if any
  - ▶ Specific credit requirements will be met
  - ▶ Supply technical expertise
  - ▶ Cite technical and financial feasibility
  - ▶ Project feasibility
    - Project schedule
    - Necessary permits
    - Site control
    - Transmission
- IE provides RFQ to Bid Team for evaluation
- Company determines results of the RFQ in consultation with IE
- IE Provides Bid number to qualified bidder
  - One bid number per Category and eligible resource
- Bid Fees to be returned to nonqualified bidders

## Credit Requirements

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- Credit Requirements will be determined by
  - ▶ Credit quality of the Bidder
  - ▶ Type of Eligible Resource
    - Power Purchase Agreement, Tolling Service Agreement, Asset Purchase and Sale Agreement, EPC Contract, etc.
    - Asset backed vs. Non-asset backed
  - ▶ Size of Eligible Resource
  - ▶ Date the resource comes online (June 2012, June 2013 or June 2014)
  
- The Credit Matrix displays the maximum value of credit assurances required based on the factors above
  - ▶ Credit assurances may include one or more of the following:
    - Parental Guaranty
    - Letter of Credit
    - Other (as determined by PacifiCorp in its reasonable discretion)
  - ▶ A Credit Matrix for a 2012 Resource is shown on the following page

# Credit Matrix Requirements for 2012 Resources

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

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
<b>Credit Rating</b>													
AAA/Aaa and above	\$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
AA/Aa2	\$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
A+/A1	\$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
A-/A3	\$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
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,801,750	\$29,511,000	\$38,220,250	\$46,929,500
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
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

## For Eligible Resources B1, B2 and B8 (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
<b>Credit Rating</b>													
AAA/Aaa and above	\$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
AA/Aa2	\$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
A+/A1	\$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
A-/A3	\$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
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,801,750	\$29,511,000	\$38,220,250	\$46,929,500
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
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



# Credit Matrix Requirements for 2012 Resources

## 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
<b>Credit Rating</b>													
AAA/Aaa and above	\$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
AA/Aa2	\$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
A+/A1	\$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
A-/A3	\$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
BBB/Baa2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$68,814,700	\$143,252,400	\$217,690,100	\$292,127,800
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
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

## 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
<b>Credit Rating</b>				
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

## Eligible Resources in the 2012 RFP

- All Eligible Resources in the 2012 RFP **must** be a minimum of 100 MW and for a term not less than 10 years.
- Eligible Resources may include the following:
  - ▶ Power Purchase Agreements
  - ▶ Development on an existing PacifiCorp site (s)
    - Must be bid to the site specific Specifications in the RFP
      - » EPC Contract required at the Currant Creek site
      - » Asset Purchase and Sales Agreement required at the Lake Side site
    - Costs associated with Currant Creek and Lake Side (PacifiCorp Sites) will be disclosed in the RFP for bidders to evaluate
  - ▶ Purchase of an existing facility (subject to due diligence requirements)
  - ▶ Purchase of a portion of an existing facility, jointly owned or operated by PacifiCorp (subject to due diligence requirements)
  - ▶ Restructure of an existing Power Purchase Agreement (PPA) or an existing Exchange Agreement.
  - ▶ Eligible Exceptions to 100 MW minimum are (however term of not less than 10 years still applies):
    - Physical Load Curtailment – 25 MW minimum
    - Qualified Facilities 10MW or greater

## Eligible Resource – Point (s) of Delivery (POD)

- Within the Eastern Control Area – the points of interconnection between the resource, or electrical system to which the resource is connected, and PacifiCorp’s Utah network transmission system
- Mona 345 kV
- Nevada/Utah Border on Gonder 230 kV
- Glen Canyon 230 kV
- Four Corners 345 kV
- Nevada Utah Border (NUB) on Red Butte 345kV
- Located in Nevada - PacifiCorp is willing to purchase capacity and associated energy that is sourced from Nevada; provided, the selling entity is able to secure firm transmission and operating reserves from the resource to either Gonder or NUB
- Crystal 500kV – provided PacifiCorp Transmission includes it as a valid network point of delivery
- Wyoming - POD must be electrically south of Naughton-Monument.

**Note:** all incremental delivery costs, interconnection costs and or integration costs will be considered in economic analysis. Most POD’s will require a system impact study.

# Company Benchmarks

– The company benchmarks resources will be:

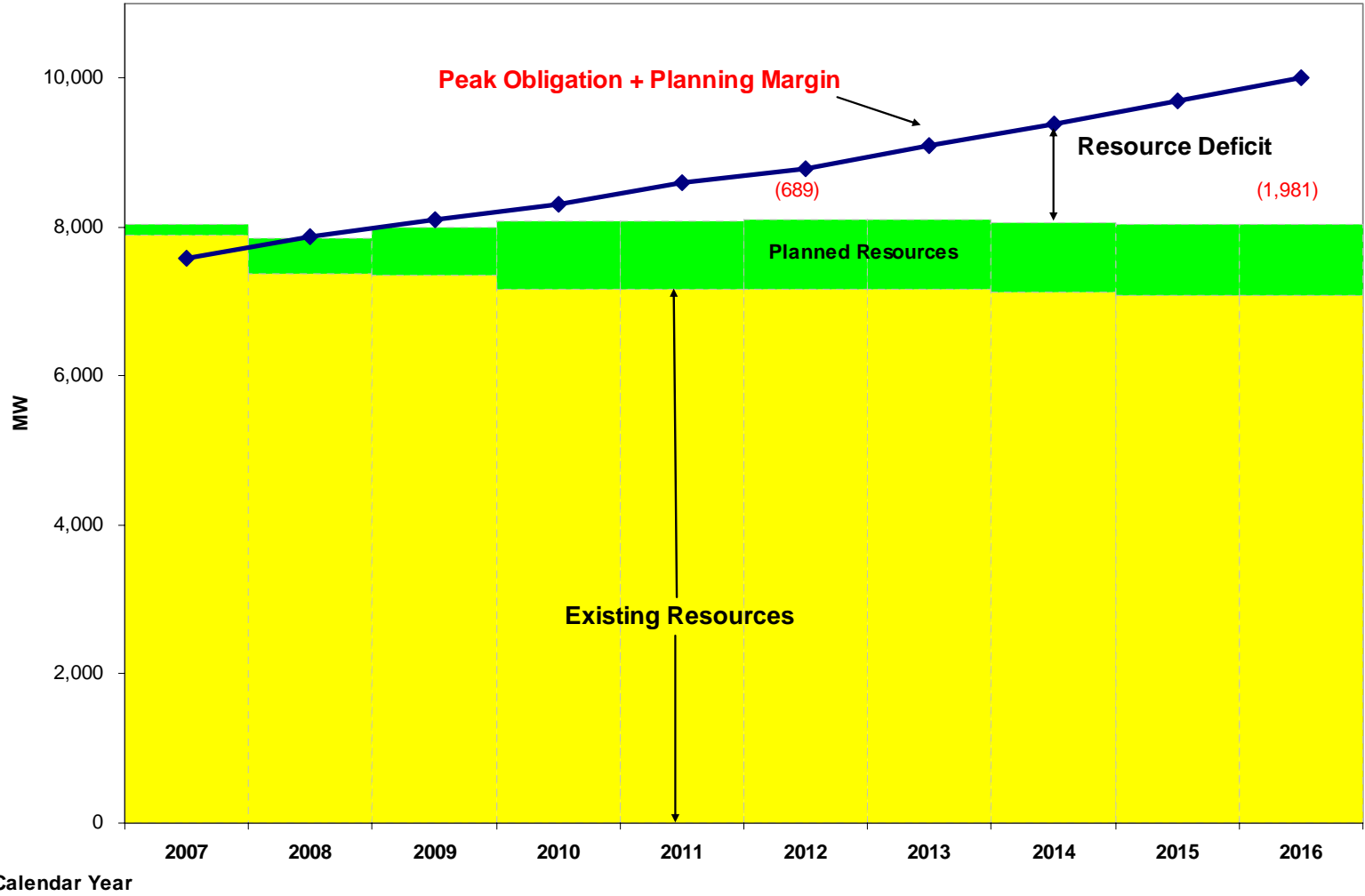
Category	2012	2013	2014
Benchmark Resource	Hunter 4 - 600MW IPP 3 - 340MW	Bridger 5 - 750MW	IGCC 250MW - 600MW

## Resource Requirements for the 2012 - 2014 Term

Total Resource Requirements	2012	2013	2014
A combination of Supply Side resources and Front Office Transactions in the 2004 IRP Update	1275MW	335MW to 935MW*	500MW
<b>RFP 2012</b>	<b>Hunter 4 600MW IPP 3 340MW</b>	<b>Bridger 5 750MW</b>	<b>IGCC 250MW- 600MW</b>
Total Resources required in the RFP 2012	600MW to 940MW	750MW	250MW to 600MW
Total Resources in the Term			1600MW to 2290MW
Total Resources in the RFP 2012			1775MW

- If resource quantities in the amount of the Hunter 4 and IPP 3 benchmark are acquired in 2012, then the 2013 resource quantity requirement is 335 megawatts.
- If resource quantities only in the amount of the IPP 3 benchmark are acquired in 2012, then the 2013 resource requirement is 935 megawatts.

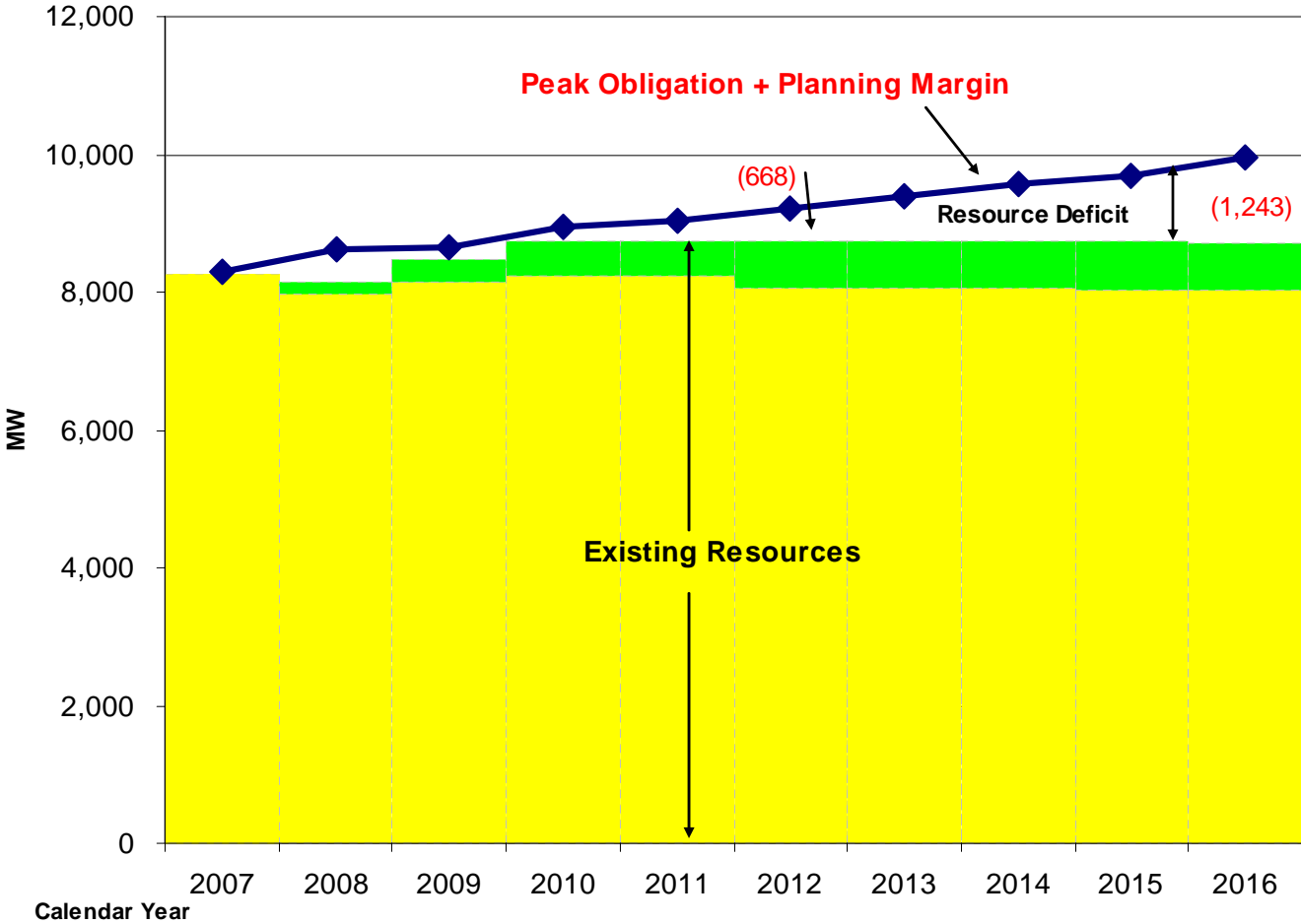
# 2004 IRP Update – East Coincident Peak Capacity Chart



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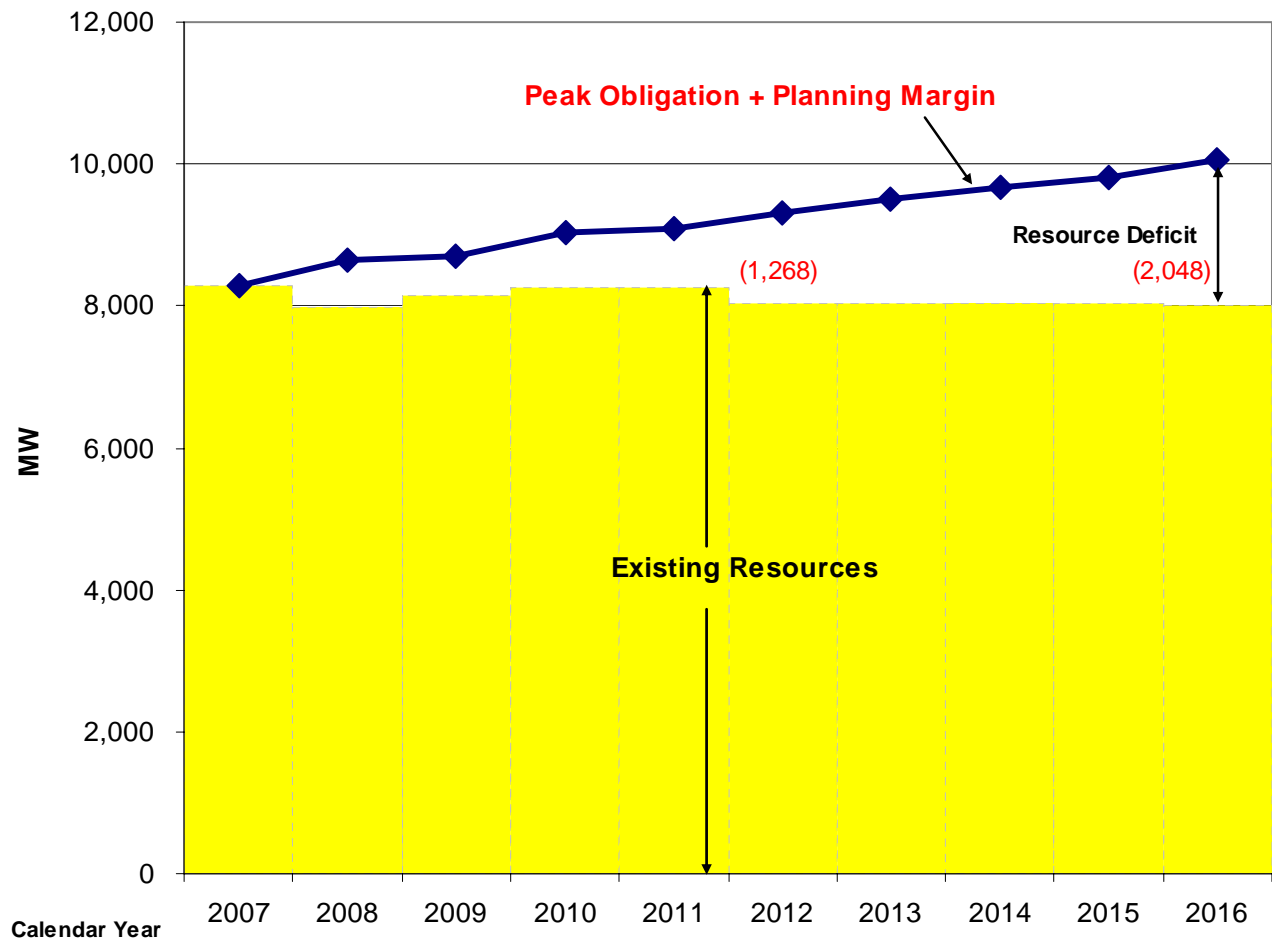
# 2006 IRP - East Coincident Peak Capacity Chart 1



— Includes 700 MW of Front Office Transactions



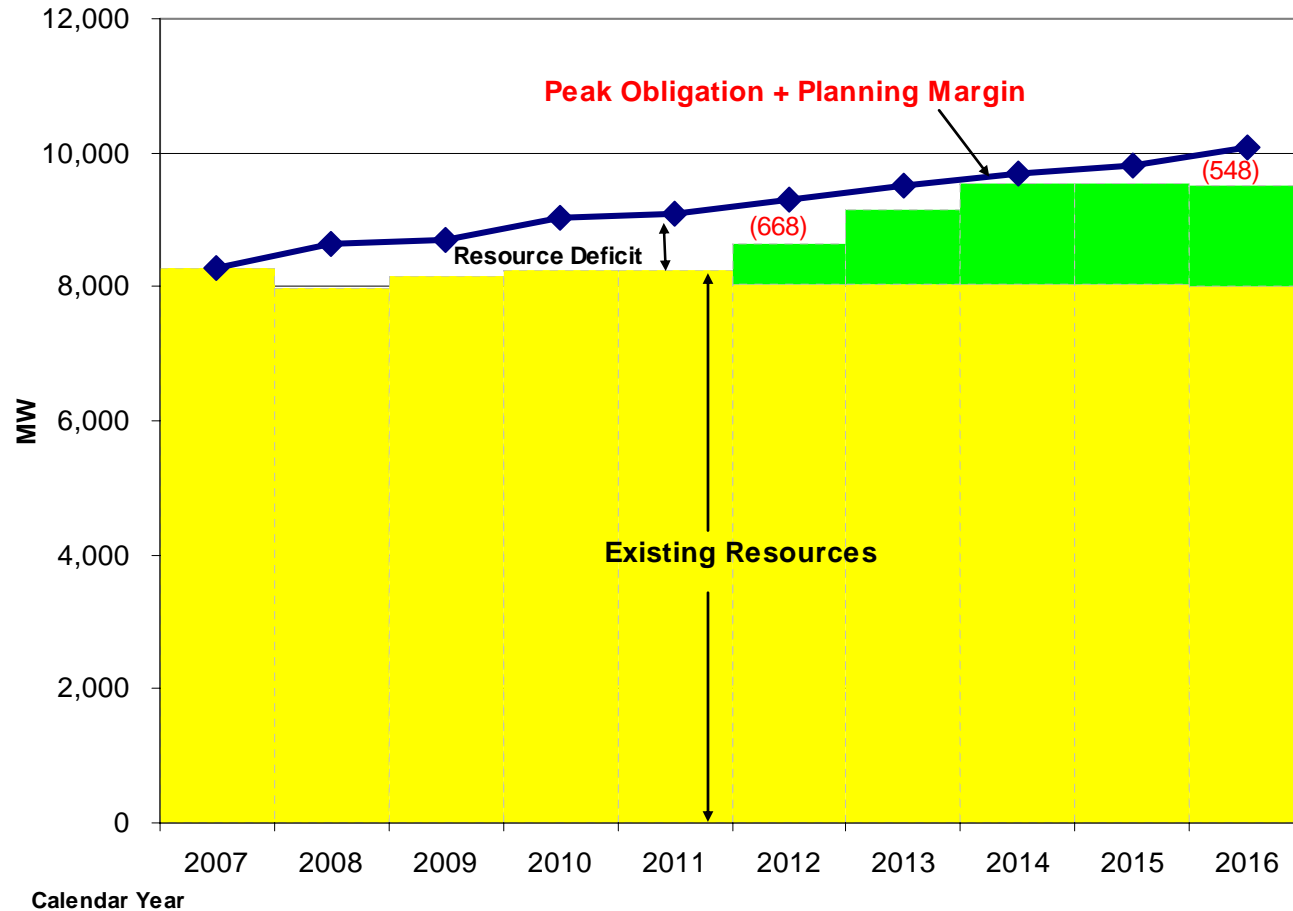
# 2006 IRP - East Coincident Peak Capacity Chart 2



— Excludes 700 MW of Front Office Transactions

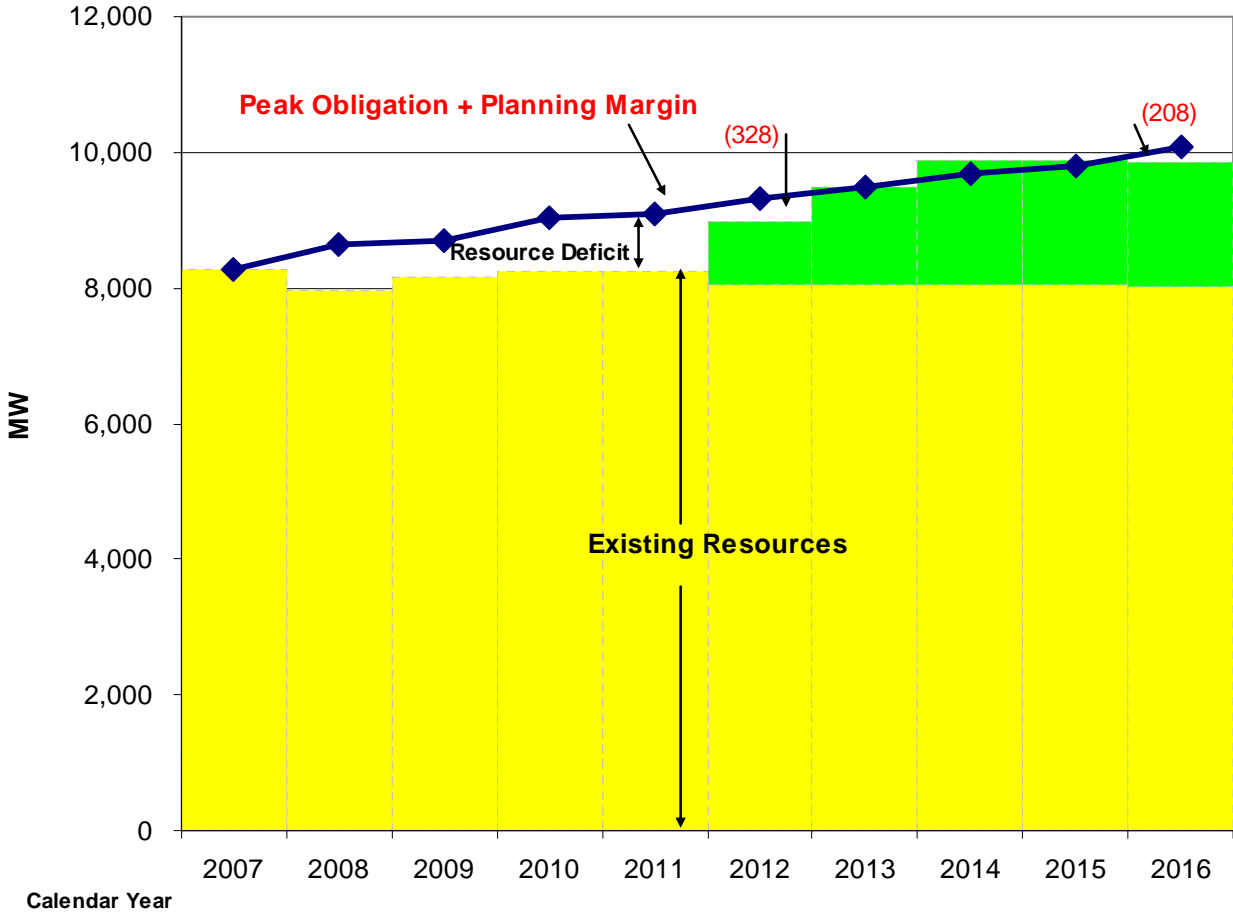


# 2006 IRP - East Coincident Peak Capacity Chart 3



- Without 700 MW of Front Office Transactions and includes benchmark plants Hunter in 2012, Jim Bridger in 2013 and a 2014 IGCC plant.

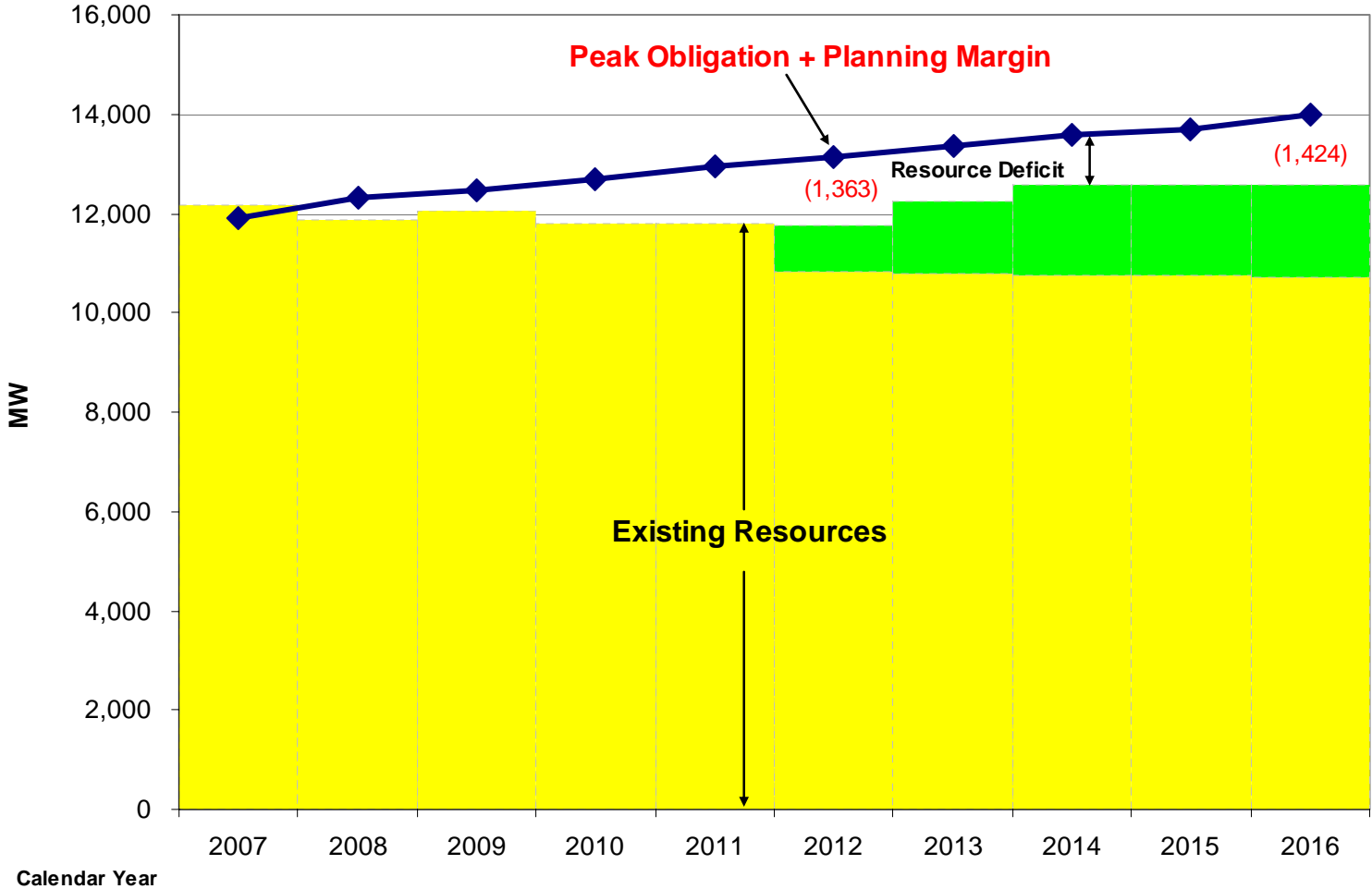
# 2006 IRP - East Coincident Peak Capacity Chart 4



- Excludes 700 MW of Front Office Transactions and includes benchmark plants Hunter and share of Intermountain Power Project in 2012, Jim Bridger in 2013, and IGCC plant in 2014



# 2006 IRP – System Coincident Peak Capacity Chart



– Same as Chart 4 (previous slide) but for the System



# Evaluation of Proposals - Overview

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- Evaluation will be completed in a three step process:
  - ▶ Step 1: Initial Short List Analysis
    - By Eligible Resource Category, an initial short list will be determined based on Price and Non-Price factors.
- Consistent with IRP
  - ▶ Step 2: Portfolio Development/Optimization
    - Using the initial short list and the company's benchmark resources, Global Energy Decision's Capacity Expansion Module (CEM) will be used to develop optimized portfolios under various assumptions for future carbon tax levels and market prices.
  - ▶ Step 3a: Stochastic Analysis
    - Global Energy Decision's Planning and Risk (PaR) model will be used in stochastic mode to develop expected PVRR and PVRR volatility parameters for each optimized portfolio.
  - ▶ Step 3b: Deterministic Scenario Analysis
    - To evaluate scenario risk, CEM will be used to calculate the deterministic results of each optimized portfolio for each of the future scenarios used in Step 2.
- Analysis Conclusion:
  - ▶ The resources in the highest performing (least cost adjusted for risk) portfolio will advance to contract negotiations.

# Evaluation of Proposals – Initial Shortlist (Step 1)

## – Initial Shortlist Bid Evaluation - RFP Base Model

### ▶ **Price - 70% weighting**

- Comparison metric will be the Net Present Value Revenue Requirement per kilowatt-month (Net PVRR/kW-mo).
  - » Real levelization and the equivalent annuity method will be utilized
  - » Bid metric  $\leq$  80% value receives 70% score
  - » Bid metric  $\geq$  120% value receives 0% score
  - » 80% value  $>$  bid metric  $<$  120% value receives linearly interpolated score between 0% & 70%.
- Includes transmission costs to integrate the resource and/or third party transmission if applicable.
  - » Transmission and or transportation costs currently available will be disclosed to bidders
- Emission (Hg, NO<sub>x</sub>, SO<sub>2</sub> are fairly sizeable for coal) expenses will be included in the evaluation.

### ▶ **Non-price - 30% weighting**

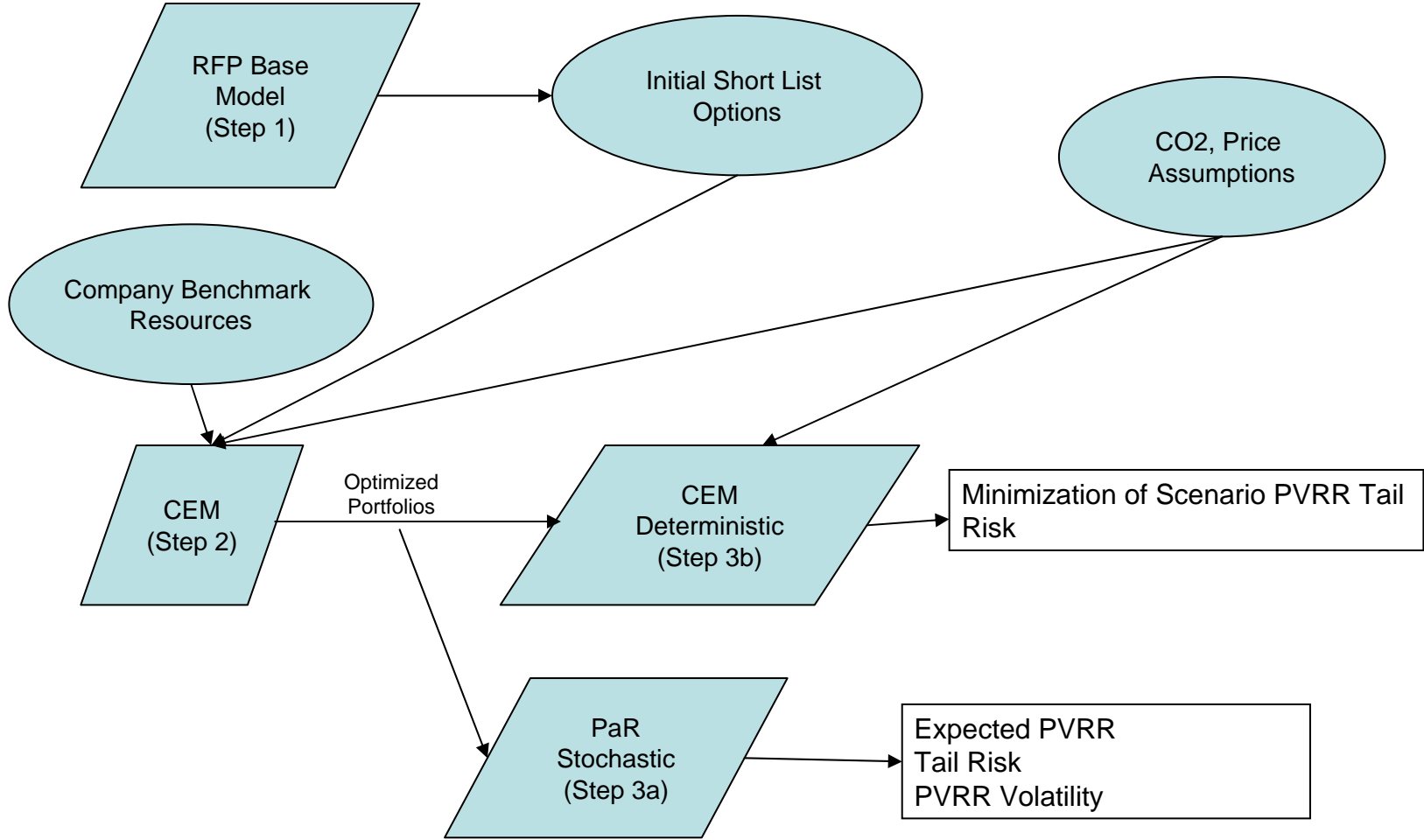
- Development, Construction and Operation experience (10%)
- Pro forma contract (10%)
- Site Control and Permitting (10%)

## Evaluation of Proposals - Final Shortlist (Step 2 and 3)

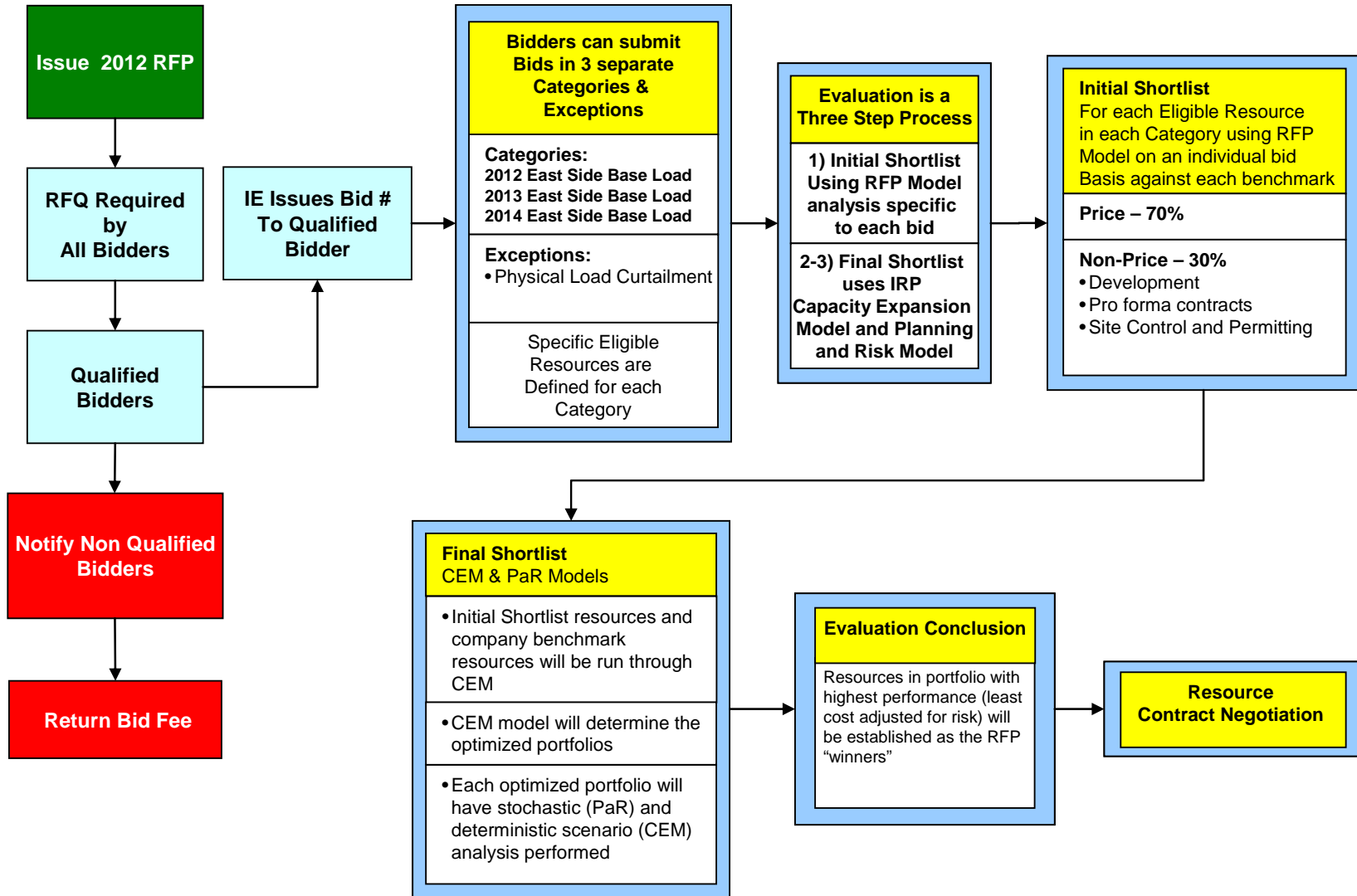
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- Results of the initial shortlist (Step 1) along with the Company’s Benchmark Resources will be used by CEM to develop optimized portfolios under various future scenarios – emissions and market prices.
- For each of the optimized portfolios, stochastic and deterministic scenario analysis will be performed using PaR and CEM
  - ▶ PaR - Expected PVRR and PVRR volatility parameters
  - ▶ CEM - Deterministic PVRR for each future scenario
- Resources in portfolio with highest performance (least cost adjusted for risk) will be established as the RFP “winners” and advance to contract negotiations.

# Evaluation of Proposals – Modeling Methodology Summary



# Overall Process



## Questions/Comments & Information Sources

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### **PacifiCorp Web Site**

[www.pacificorp.com](http://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 Transmission**

Attention: Kenneth Houston, Director, Transmission Planning

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Portland, Oregon 97232

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