

# **Pre Draft 2012 Request for Proposals Stakeholder Presentation**

**June 2, 2006**



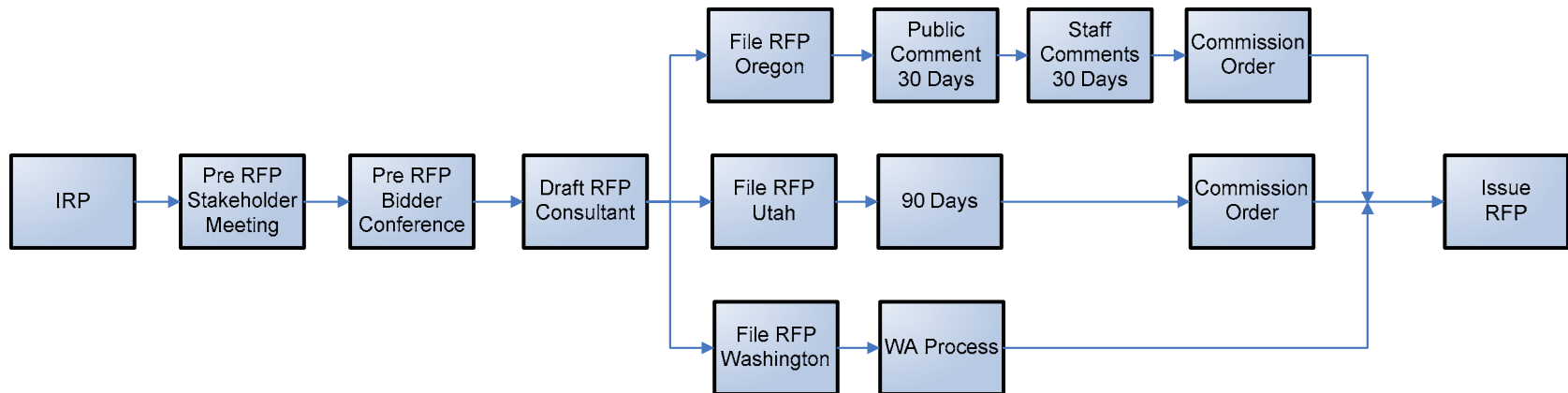
# Agenda

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- Regulatory overview and schedule
- Key Features of the 2012 Request for Proposal (RFP)
- Overview of the 2012 Request For Proposal Structure
- Request for Qualification (RFQ)
- Eligible Resources and Points of Delivery
- Bridging Resource (s) and Company Benchmark (s)
- Evaluation of Proposal
  - Initial shortlist
  - Final shortlist
    - Capacity Expansion and Planning and Risk models
- Overall Process

# RFP 2012 – Initial Regulatory Process

- Regulatory Review of the RFP will take place in three states (OR, WA, UT)
- Processes for RFP:
  - ▶ Draft RFP to be filed in Washington, Utah, Oregon in July
  - ▶ Pre Draft RFP Presentation to stakeholders and bidders prior to filing the draft
- The outcome will likely determine key RFP issues:
  - ▶ RFQ requirements
  - ▶ Initial and final evaluation requirements and inputs



# 2012 RFP Schedule

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- ▶ Pre Draft RFP Presentation to Bidders June 1, 2006
- ▶ Pre Draft RFP Presentation to Stakeholders June 2, 2006
- ▶ PacifiCorp files Draft RFP July 11, 2006
- ▶ Stakeholders File Comments on Draft RFP August 16, 2006
- ▶ Independent Evaluator (IE) files comments on Draft RFP August 30, 2006
- ▶ PacifiCorp Files Reply Comments September 14, 2006
- ▶ Technical Conference September 21, 2006  
This conference will be held at 9:30 MST
- ▶ Hearings (if necessary) September 27-28, 2006  
These Hearings will be held at 9:00am MST.

# 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) has been hired
- 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
- Post-bid negotiations on price & non-price issues will be limited
- Pro forma Contracts will be 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
    - Exception will be Credit and Legal, Bidders who elect to participate in the 2012 RFP will be required to respond to the RFQ.
- Bid Fee to participate in the 2012 RFP is \$10,000 per bid, except for Bids related to Distributed Generation and Load Curtailment fees will be \$1,000 per bid. (the Bid Fee will be returned if the bidder fails the RFQ screening)
- 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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- Issue the Approved RFP 2012 with pre-qualification via a RFQ
- Bidders submit RFQ to Independent Evaluator
  - ▶ Bid fees required at submittal
- RFQ Requirements
  - ▶ 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

# Eligible Resources in the 2012 RFP

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- 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):
    - Distributed Generation (Combined Heat & Power) – 3 MW minimum
    - Physical Load Curtailment – 25 MW minimum

## 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
- 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 Benchmark and Bridging Resources

- The company benchmark will be separated into two categories (2012 and 2013)
- Separate Shortlists will be determined for each category
- The Bridging Resources will be run as portfolios
- The Eligible Resources will be short listed into each of the two categories, up to two times the fixed MW quantity

Category	2012	2013
<b>Benchmark Portfolio</b>	Hunter Supercritical Pulverized Coal	Bridger Supercritical Pulverized Coal
<b>Portfolio A</b>	Potential Bridging Resources (TBD): West Valley project Gadsby Repower IPP 3	Hunter Supercritical Pulverized Coal
<b>Portfolio B</b>	Potential Bridging Resources (TBD): West Valley project Gadsby Repower IPP 3	Bridger Supercritical Pulverized Coal

- The Company will continue to assess the economics and the feasibility of IGCC in parallel to the 2012 Request For Proposal.
- Prior to the Independent Evaluator locking down the company benchmark (s), the company will determine if bridging resources and a sensitivity to IGCC are appropriate.
- Two quantity exceptions for each of the two categories are CHP and physical load curtailment.

# Evaluation of Proposals

Evaluation will be completed for each category in a two step process measured against the benchmark portfolios

- Initial Shortlist Bid Evaluation - RFP Base Model

- ▶ Price - 60% 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 60% score
      - » Bid metric  $\geq$  120% value receives 0% score
      - » 80% value  $>$ bid metric  $<$  120% value receives linearly interpolated score between 0% & 60%.
    - » 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
    - » CO2 expense will be included in the evaluation.
    - » Debt Costs – Cost to rebalance debt/equity ratio as a result of inferred or direct debt.
      - » Inferred Debt- is debt that credit ratings agencies associate with contracts (like power purchase agreements)
      - » Direct Debt – is debt that is added directly to a buyer’s balance sheet as a result of capital lease accounting

- ▶ Non-price - 40%

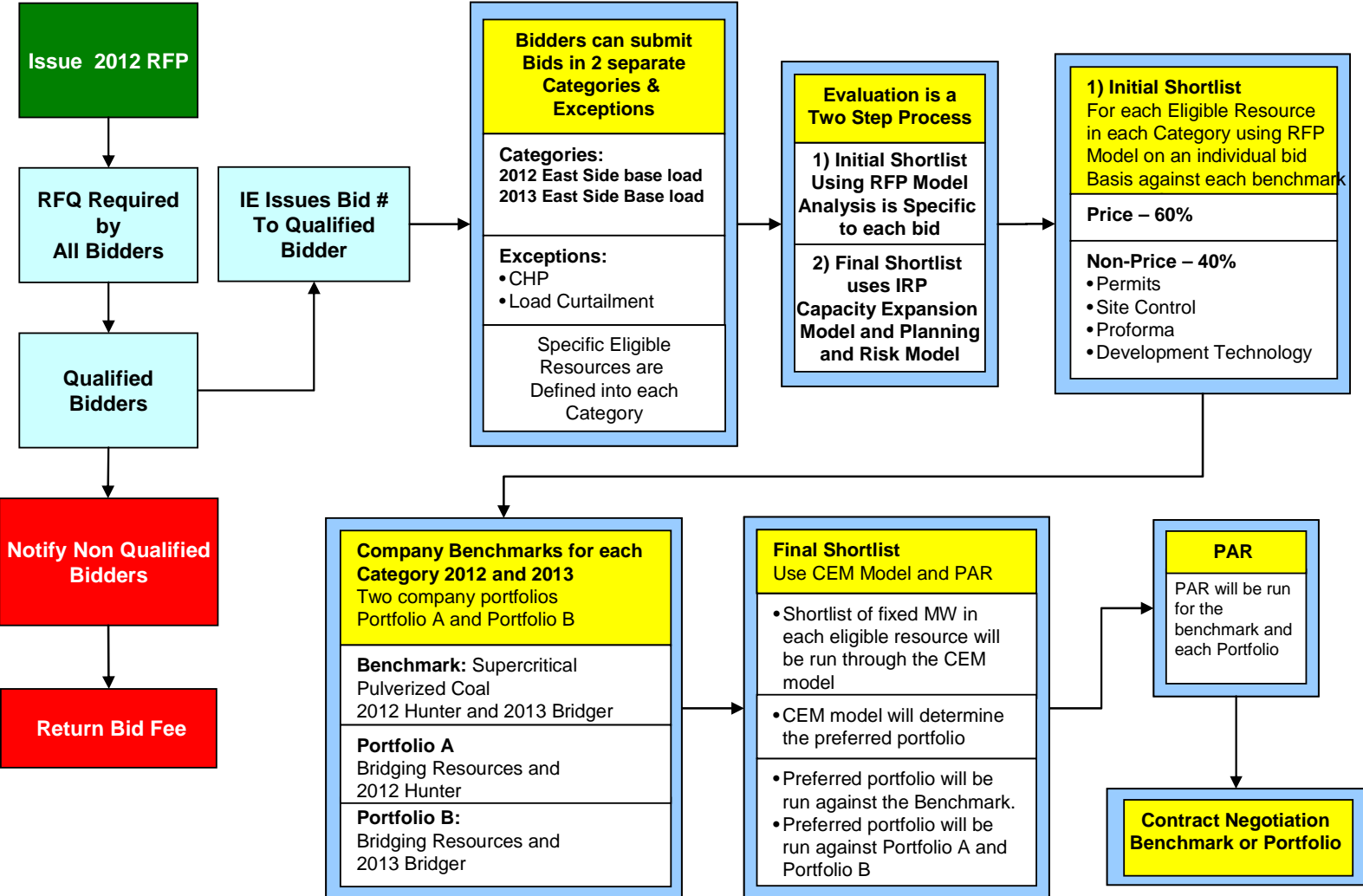
- » Site control (10%)
    - » Pro forma contract (10%)
    - » Development and technology risk (10%)
    - » Necessary rights and permits (10%)

# Final Shortlist

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- Initial shortlists will be completed for each Eligible Resource for each category.
- Results of the initial shortlist will be used in the Integrated Resource Planning Capacity Expansion and Planning and Risk models to determine the least cost/risk adjusted portfolio in each category.
- These portfolios are compared to the company Benchmark Portfolio and sensitivities to Portfolio A and Portfolio B .
- Final proposals may be selected for further negotiations based on the results to the comparison the company benchmark options.

# 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 “Request for Proposal”, then choose 2012)  
for:

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

## **PacifiCorp Transmission**

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