

**All Source  
Request for Proposal  
Bid Conference**

**December 15, 2009**



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

## Agenda

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- Overview of All Source Request for Proposal
- Schedule and timeline
- Resource Alternatives
- Delivery Points
- Bid Fee (s)
- Fixed and Index pricing
- Benchmark Resource
- Pricing Input Sheet
- Initial Shortlists
- Final Shortlists
- Credit Requirements

# Overview of All Source Request for Proposal

## – Resource Categories -three bid categories

### ▶ Categories

- 1)Base Load
- 2)Intermediate Load
- 3)Summer Peak

### Capacity Factor

- ≥ 60%
- 20-60%
- Q3 purchases July-September  
HE 0700 through HE 2200

## – Utah and Oregon Commission approved the reissuance of the All Source Request for Proposal

- ▶ The Utah Commission approved coal as a source of supply
- ▶ Bidders can submit their Intent to Bid and bids to the Company and the company will evaluate the proposals accordingly under one All Source Request for Proposal
- ▶ Bidders who have already submitted an Intent to Bid form are required to resubmit one so that the Company knows that they are interested in participating in the RFP
- ▶ Bidders who have paid the bid fee and did not have it refunded do not have to pay again

## – Company Benchmark

- ▶ The Company Benchmark will be submitted to the IEs prior to the receipt of the bids

# Forecast Resource Capacity Requirements – 2014 to 2016

Table 1 sets forth the Company’s expected resource requirements for calendar years 2014 – 2016 based on its 2007 IRP

Table 1 – (MW)

Calendar Year	2014	2015	2016	
<b>East</b>				
East Existing Resources	7,105	7,101	7,080	
East Obligation	8,490	8,621	8,961	
East Reserves*	992	1,007	1,051	
East Obligation + Reserves	9,482	9,628	10,012	
East Position	(2,377)	(2,528)	(2,932)	← East Resource Requirement
East Reserve Margin	-16%	-17%	-21%	
<b>West</b>				
West Existing Resources	3,519	3,519	3,518	
West Obligation	3,520	3,429	3,360	
West Reserves*	416	405	397	
West Obligation + Reserves	3,936	3,834	3,757	
West Position	(417)	(314)	(239)	← West Resource Requirement
West Reserve Margin	0%	3%	5%	
<b>System</b>				
Total Resources	10,624	10,620	10,598	
Obligation	12,010	12,050	12,321	
Reserves	1,408	1,412	1,447	
Obligation + Reserves	13,417	13,462	13,768	
System Position	(2,794)	(2,842)	(3,171)	← System Resource Requirement
Reserve Margin	-11%	-12%	-14%	

\* Reserves assume a planning reserve margin of 12%, and include Company non-owned reserves.

# Overview of All Source Request for Proposal

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## – Transaction Term

- ▶ Online dates of June 1<sup>st</sup> for 2014, 2015, 2016
- ▶ Bidders may request alternative online dates via the Independent Evaluator web site at least 30 days prior to the bid due date
- ▶ The company will review and make a determination as to whether or not the alternative online date will be an approved eligible online date

## – Resource Need

- ▶ Up to 1,500 MW of cost effective resources that can be delivered to, or into the Company's network transmission in PacifiCorp East (PACE) and PacifiCorp West (PACW)

## – Proposals which require third party transmission

- ▶ If a third party transmission wheel is required in order to deliver to PacifiCorp's transmission system, the third party transmission details, including costs and availability, **must** be included in the proposal

## Schedule for All Source Request for Proposal

Event	Anticipated Date*
RFP issued	December 2, 2009
RFP bid conference	December 15, 2009
Intent to Bid Forms due	December 22, 2009
Benchmark submits proposals	February 15, 2010
Bidders submit proposals	March 1, 2010
Evaluation of Initial Shortlist completed	May 28, 2010
Benchmark submits best and final	July 1, 2010
Initial Shortlist submits best and final	July 15, 2010
Final evaluation of bids completed	September 10, 2010
Oregon Commission acknowledgement of final shortlist <sup>1</sup>	September 12, 2010
Negotiation of bids on Final Shortlist completed	January 10, 2011
PacifiCorp decision	January 17, 2011
Utah Public Service approval (120 days)	May 17, 2011

\* *Dates is subject to change*

## Resource Alternatives

<p>Power Purchase Agreement and Tolling Agreement</p>	<ul style="list-style-type: none"> <li>– A PPA not backed by assets is limited to a Maximum Term of under 5 years, a minimum of 100 MW, and is not eligible to use a PacifiCorp site</li> <li>– Fixed term specified in the bid up to the life of the asset from a single resource located in or delivering to PACE or PACW under the PPA.</li> <li>– Must be a minimum term of 5 years and a minimum of 100MW</li> <li>– A PPA or TSA not backed by an assets is limited to a Maximum Term of under five (5) years means a term of greater than one (1) year but less than five (5) years</li> </ul>
<p>Asset Purchase and Sale Agreements on PacifiCorp sites</p>	<ul style="list-style-type: none"> <li>– Currant Creek or Lake Side sites</li> <li>– The Bidder must build to the Currant Creek specification or the Lake Side specification</li> </ul>
<p>Asset Purchase and Sale Agreements on Bidders sites</p>	<ul style="list-style-type: none"> <li>– Bid to result in the development and construction of a facility that complies with the specifications in the APSA and the specification for each site set forth in the Appendices</li> <li>– Contractual privity between PacifiCorp and the EPC contractor</li> <li>– The Bidder must build to the Currant Creek specification or the Lake Side specification</li> </ul>

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## Resource Alternatives

<p>Purchase of an existing facility or Purchase of a portion of a facility jointly owned by and/or operated by PacifiCorp</p>	<ul style="list-style-type: none"> <li>– Evaluation will be completed based on the remaining depreciated life of the asset</li> <li>– Due diligence of facility that PacifiCorp deems appropriate. PacifiCorp would own and operate the facility</li> </ul>
<p>Restructuring of Existing Power Purchase Agreement or Exchange</p>	<ul style="list-style-type: none"> <li>– Fixed term specified in the bid up to the life of the PPA or Exchange Agreement must be a minimum of 5 years and 100 MW</li> </ul>
<p>Exceptions</p>	<ul style="list-style-type: none"> <li>– Load Curtailment -Fixed term must be a minimum of 5 years and 25 MW</li> <li>– Qualifying Facility – Fixed term must be a minimum of 5 years and 10 MW. A PPA not backed by assets is limited to a Maximum Term of 5 years and a minimum of 10 MW</li> <li>– Eligible Renewable Resource -Company must be able to dispatch or schedule renewable resource</li> </ul>



## Delivery Points - East

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Delivery Points for the eastern and western control area

– Eastern Control Area (PACE)

- ▶ Salt Lake Valley
- ▶ Mona 345kV
- ▶ Glen Canyon 230 kV
- ▶ Nevada/Utah Border
  - Gonder-Pavant 230 kV line known as “Gonder 230 kV”
  - Sigurd – Harry Allen 345 line known as “NUB” or Red Butte 345 kV
- ▶ PacifiCorp sites
  - Carrant Creek
  - Lake Side
- ▶ West of Naughton

## Delivery Points - West

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### – Western Control Area (PACW)

- ▶ Mid Columbia
- ▶ Paul 500 kV
- ▶ California Oregon Border
- ▶ Portland-Troutdale
- ▶ Willamette Valley
- ▶ Chiloquin
  - Within the Western Control Area –The point of interconnection between the resource, or the electrical system to which the resource is connected, and PacifiCorp’s transmission system
  - If the resource is located within the Bonneville Power Administration, the bidder must show they have scheduled to the point (s) of interconnection between PacifiCorp’s western control area and the Bonneville Power Administration or Portland General Electric such that transfer limitations are not exceeded. If the source located within the Bonneville the Bidder, must show they have control area service from the resource to the delivery point

## Structure of the Bid Fee (s)

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- ▶ Bidder fees structure
  - Resource Alternatives pay a Nonrefundable “bid fee” of \$10,000
    - » A bid in each Resource Alternative category may consist of one base proposal in addition to two alternatives, which may include a different index option for the same bid fee
    - » Alternatives will be limited to different bid sizes, index option for the same bid fee
    - » In addition, Bidders have the option of submitting up to five additional alternatives as follows:
      - » The fourth through sixth additional alternative at a fee of \$1,000 each,
      - » The seventh additional alternative at a fee of \$2,000 and
      - » The eighth additional alternative at a fee of \$3,000
  - The Resource Exceptions bid fee is \$1,000
  - The bid fee (s) must be submitted with the proposals to Merrimack Energy Group, Inc.
  - The Bidder must attach to its proposal a certified check

## Fixed and Index Pricing - Bidders and Benchmark

- Bidders have the option of either submitting a proposal with a fixed capacity charge or capital cost (e.g. fixed for the term of the contract or escalated by a fixed amount) or to index a portion of the capacity charge or capital cost to a variable index
- **Fixed Price** - bidders must provide a minimum of 60% of the capacity charge or the capital cost as a fixed price. Bids with less than 100% fixed capacity charge or capital cost will be assessed a risk premium
- **Index** - bidders may index up to 40% of the total capital cost or capacity charge to approved indices
  - ▶ A maximum of up to 25% of the capital costs or capacity charges may be indexed to the Consumer Price Index (“CPI”) and
  - ▶ A maximum of up to 15% of the capital costs or capacity charges may be indexed to the Producer Price Index (“PPI”) –Metals and Metal Products
- **Alternative indices** - bidders are required to submit requests for alternative indices to the Company via the IE website no later than 30 days prior to the bid due date.
  - ▶ The Company and IE will review the request by the Bidder and within 10 days make a determination whether or not the index will be classified as an approved index

## Fixed and Index Pricing (cont)

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- All reasonable indices specified by the Bidder will be considered; however, an index must be transparent, easy to forecast and independent
- Bidders' costs above the allowed indexing will not be reimbursed by the Company
- Bidders will be allowed to index up to 40% of the capital costs or capacity charges from the time of bid submission (or contract execution if agreed to by the Company and Bidder) until the earlier of the time 1) the Bidder executes the EPC Agreement or 2) the Bidder achieves project financing, provided that it is not longer than two years after the EPC Agreement has been executed
- Bidders may index the variable components to the CPI, or GDP from the contract effective date

## Benchmark Resource

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- The Company will submit the Lake Side 2 project as the Company Benchmark
- Company will submit a detailed score of the Benchmark Resources to the Oregon and Utah IEs prior to the receipt of the market bids
- The Company will adjust the non fixed capital costs of the Benchmark Resources for risk
- The Company will adjust the submitted capital cost of indexed bids from Bidders for risk in the same manner as the Benchmark Resource

## Pricing Input Sheet

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- The Form 1 Pricing Input Sheet is an interactive Excel spreadsheet
  - ▶ Provides critical inputs that will be used for the financial evaluation of each bid
  - ▶ It is critical that bidders enter inputs by order of Field ID.
  - ▶ A Form 1 can be used for all Resource Categories. Selection made in Field ID 1 ( Resource Category; e.g. Power Purchase Agreement, Tolling Service Agreement, etc) and Field ID 2 (Transaction Type) turn subsequent input fields "on" and "off"
  - ▶ The Pricing Input Sheet contains definitions which are cross-referenced by Field ID
- An electronic version of the Pricing Input Sheet must be submitted for each bid or bid will be rejected and returned to the IE
  - ▶ To the extent that information does not conform to the Pricing Input Sheet, bidders are to supplement the additional information

# Initial Shortlist Screening

– Step 1: Initial Shortlist Bid Evaluation -RFP Base Model

▶ PRICE FACTOR EVALUATION (UP TO 70%)

- PacifiCorp will utilize the RFP Base Model to screen the proposals and to evaluate and determine the price ranking
- Comparison Metric-The comparison metric will be the projected net present value revenue requirement (net PVRR) per kilowatt month (Net PVRR/kW-mo)
- The net PVRR component views the value of the energy and capacity as a positive, and the offsetting costs as a negative
  - » The more positive the net PVRR, the more valuable a given resource is to PacifiCorp’s customers
  - » The percentage range of 60% to 140% may be adjusted based on the bids received
  - » Initial shortlists –up to two times the quantity in each of the three separate categories may be selected

Bid Cost Relative to Adjusted Price Curves	Price Factor Weighting
Less than or equal to 60% of adjusted price projections	70%
Greater than 60% of adjusted price projections but less than 140% of adjusted price curves	Linearly interpolated
Equal to or greater than 140% of the adjusted price projection	0%

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## Initial Shortlist Screening (cont)

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- ▶ Non-price Factors ( up to 30% )
  1. Development Feasibility/Risk (up to 10%)
    - » Critical Path Schedule 0-5%
    - » Engineering Design and Technology 0-2.5%
    - » Fuel supply and Transportation Strategy 0-2.5%
  2. Site Control and Permitting (up to 10%)
    - » Permits Required 0-5%
    - » Access to Water Supply 0-2.5%
    - » Right of Ways 0-2.5%
  3. Operation Viability/Risk Impacts ( up to 10%)
    - » Environmental Compliance/Strategy 0-5%
    - » Environmental Impact 0-2.5%
    - » O&M Plan 0-2.5%

# Final Shortlist

## – Consistent with Integrated Resource Planning

### ▶ Step 2: Portfolio Development /Optimization

- Using the initial shortlist, Bidders will be asked to provide their best and final pricing prior to the modeling of the final shortlist
  - » The best and final pricing must be firm however, the price may still be indexed up to 40%
- The Ventyx Energy LLC's System Optimizer capacity expansion model will be used to develop optimized portfolios under various assumptions for future emission expense levels and market prices
  - » One optimized portfolio will result from each combination of emission and wholesale market and natural gas price assumptions, drawing from resources options in the initial shortlist along with the Company's Benchmark Resources

### ▶ Step 3: Risk Analysis

- In order to identify the resources in the highest performing (least cost, adjusted for risk) portfolios, stochastic and deterministic analysis will be performed on each optimized portfolio
- Consistent with the IRP, the Company will use the Planning and Risk Model (PaR) and the System Optimizer to assess the risk to each Resource Alternative
  - » The PaR model will model hydro generation, thermal outages, gas prices, electricity prices and load on a stochastic basis using Monte Carlo simulation
  - » The System Optimizer will model CO<sub>2</sub>, fuel prices (natural gas) and electricity on a scenario basis

## Final Shortlist

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### – Step 3a - Stochastic Analysis

- ▶ The PaR model will be used in stochastic mode to develop expected PVRR and PVRR risk measures for each optimized portfolio
- ▶ To capture capital cost risk in a manner consistent with the risk-adjusted PVRR methodology, a capital cost escalation premium will be added to resource capital costs for both benchmark and bidder resources. This premium is defined as the difference between the 95<sup>th</sup> percentile and mean values from a probability distribution of index escalation values

### – Step 3b – Deterministic Scenario Analysis

- ▶ To evaluate scenario risk, the System Optimizer will be used to calculate the deterministic PVRR results of each optimized portfolio for each of the future scenarios used in Step 2
- ▶ This step is intended to identify portfolios with especially poor cost performance under the range of future scenarios, thereby informing the final resource selection

### – Step 4 – Final Selection

- ▶ Consistent with Utah Energy Resource Procurement Act
- ▶ Consistent with Oregon Order No. 06-446, guideline 10(d)
- ▶ Consider any impacts or implications to the Company's multi-state cost allocation

## Credit Requirements

- Credit Requirements to be eligible for the Final Shortlist will be determined by:
  - ▶ Credit quality of the Bidder or the entity providing credit assurances on behalf of the Bidder
  - ▶ Type of Resource Category and Transaction Type
    - Power Purchase Agreement, Tolling Service Agreement, Asset Purchase and Sale Agreement, Purchase of Existing Facility or Jointly-Owned Facility, Restructuring of Existing Power Purchase Agreement, Exceptions
    - Asset backed vs. non-asset backed
    - Non-asset backed will be limited to five years
  - ▶ Size of Resource
  - ▶ Date the resource comes online
- The Credit Matrix displays the value of credit assurances required to be eligible for the shortlist 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)
  - ▶ Commitment letters to provide credit assurances on behalf of the Bidder will be required 20 business days after the Bidder is selected for the Final Shortlist
- Detailed credit terms will be negotiated with Final Short listed bidders to cover all appropriate terms for a particular bid, including but not limited to, limited loss of liability, delay liquidated damages and performance-based liquidated damages

## Questions/Comments & Information Sources

**All Source RFP website (new address):**

<http://www.pacificorp.com/sup/rfps/2009asr.html>

Email: [RFPAllSource@PacifiCorp.com](mailto:RFPAllSource@PacifiCorp.com)

**Utah Independent Evaluator:** Merrimack Energy Group, Inc.

<http://www.merrimackenergy.com/>

**Oregon Independent Evaluators:**

Accion Group and Boston Pacific Company, Inc.

To ensure timely responses, bidders should address questions and concerns to the Oregon IEs using both of the following email addresses:

Accion Group: [advisors@acciongroup.com](mailto:advisors@acciongroup.com)

Boston Pacific: [croach@bostonpacific.com](mailto:croach@bostonpacific.com)

**PacifiCorp Transmission**

Attention: Kenneth Houston, Director, Transmission Services

825 NE Multnomah, Suite 1600

Portland, Oregon 97232

[Kenneth.Houston@pacificorp.com](mailto:Kenneth.Houston@pacificorp.com)

