

Draft 2008
All Source Request for Proposal
Bidders and Stakeholders

March 12, 2008



Pacific Power | Rocky Mountain Power | PacifiCorp Energy

Agenda

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- Tentative schedule for Draft 2008 All Source RFP
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- Final Shortlist
- Credit Requirements
- Independent Evaluator
- Work groups
- Communications Protocols
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Overview

- Company has filed the Draft 2008 All Source RFP in Washington, Utah and Oregon

- Prior to releasing the Final 2008 All Source RFP to the market the company will be seeking approval in the following states
 - ▶ Utah – Senate Bill 26
 - ▶ Washington – WAC- 480-107-001
 - ▶ Oregon - Order 06 – 446

- Scheduling conference updates
 - ▶ Scheduling conference was held in Utah on March 4, 2008
 - Schedule has been issued under Docket No 07-035-94
 - ▶ Scheduling conference was held in Oregon on March 5, 2008
 - Schedule has been issued under UM 1360

Procedural Schedule

Event	Utah	Oregon	Washington
Stakeholder and Bidder Conference	March 12, 2008	March 13, 2008	March 12 or March 13, 2008
Opening Comments on Draft Request for Proposal	March 21, 2008	March 21, 2008	
PacifiCorp files and serve its Final draft version	March 28, 2008	March 28, 2008	
Filing date for IE Report	April 11, 2008	April 11, 2008	
Written Comments from stakeholders/ bidders			April 15, 2008
Comments/Reply comments on Final Draft RFP	April 25, 2008	April 25, 2008	
Hearing	May 1, 2008		
Open Meeting			May 15, 2008

Tentative Schedule for the 2008 All Source RFP

	Tentative Schedule
- RFP issued	
- RFP bid conference	Issued + 20 days
- Intent to Bid form due	Issued + 30 days
- Responses due	Issued + 75 days
- Evaluation complete	Issued + 120 days
- Oregon Commission acknowledgement of final shortlist ¹	Issued + 200 days
- Bidder negotiation	Issued + 240 days
- PacifiCorp decision	Issued + 270 days
- Utah Public Service Commission approval proceeding (180 days)	Issued + 450 days
- Avoided cost filing ²	Issued + 500 days

- ¹The Oregon Commission may acknowledge the final shortlist. See Oregon Order No. 06-446 Guideline 13.

- ²Updated avoided costs filing by state will be made to the extent required by law or regulatory order.

Resource Requirements

- Up to 2000 MW of capacity and energy
- Capacity and energy must be either scheduled into or dispatched by PacifiCorp
- Resources Categories

Resource Category	Capacity Factor	Heat Rate (HHV)
Base Load	60%	6,900 - 8,870
Intermediate Load	20% - 60%	8,870 - 11,500
Summer Peak- Q3 purchase		July-September HE0700 through H2300

- Coal will not be solicited in the Draft 2008 All Source RFP unless there is a change in current legislation or technology developments materially eliminate the carbon risk.
- Intermittent resources will not be eligible under Draft 2008 All Source RFP unless the resource can be dispatched by PacifiCorp or pre-scheduled into PacifiCorp control area.

Overview of the 2008 All Source

- ▶ Notice of Intent to Bid – review of credit, prequalification of capability and experience
 - Commitment letters will not be required until 20 business days after a bidder is selected on the final shortlist

- ▶ All Resources in the 2008 RFP **must** be a minimum of 100 MW and for a term **not** less than 5 years with the following minimum quantity exceptions
 - QF- 10MW
 - Load curtailment – 25MW

- ▶ Proposed bidder fees
 - One base proposal in addition to two alternatives for the same bid fee, \$10,000 bid fee, except for exceptions where fee is \$1,000.

- ▶ Types of Transactions
 - (1) Power Purchase Agreement (may include geothermal and biomass);
 - (2) Tolling Service Agreement;
 - (3) Asset Purchase and Sale Agreement (PacifiCorp specifications and site);
 - (4) Asset Purchase and Sale Agreement (Bidder site);
 - (5) purchase of an existing facility;
 - (6) purchase of a portion of a facility jointly owned or operated by the Company;
 - (7) restructuring of an existing Power Purchase Agreement or Exchange Agreement;
 - (8) Exceptions

Overview of the 2008 All Source (cont)

- Eastern Control Area – resources capable of delivery into or in the Company’s network transmission system in PACE.
 - ▶ Salt Lake Valley
 - ▶ PacifiCorp sites
 - Currant Creek
 - Lake Side
 - ▶ Mona 345 kV
 - ▶ Nevada/Utah Border
 - Gonder 230 kV
 - Siguard-Harry Allen 345 line know as “NUB” or Red butte 345kV
 - ▶ Glen Canyon 230 kV
 - ▶ Crystal 500kV

Overview of the 2008 All Source (cont)

- Western System Points of Delivery – resources capable of delivery into or in the Company’s network transmission system in PACW.
 - ▶ Within the Western Control Area - the point of interconnection between the resource, or the electrical system to which the resource is connected to the PacifiCorp transmission system.
 - ▶ Mid- Columbia
 - ▶ Paul 500kV
 - ▶ California Oregon Border

Pricing Input Sheet

- 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 to that bidders enter inputs by order of Field ID.
 - ▶ A Form 1 can be used for all Resource Categories. Selections made in Field ID 1 (Resource Category; e.g. Power Purchase Agreement, Tolling Service Agreement, etc) and Field ID 2 Transaction Type.
 - ▶ A definitions sheet is included with the Pricing Input Sheet – definitions 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 - 70% weighting

- Bidders must fix 60% of the price with the ability to float up to 40 percent the capital costs, up to 25 percent to Consumer Price Index and 15 percent to Producer Price Index- Metals and Metal Products.
- The cost and index will become fixed the earlier of: financing, signing of the engineering and procurement contract or two years from the signing of the transaction;
- 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 costs will be included in the evaluation.

▸ Non-price - 30% weighting

- Development, feasibility/Risk (up to 10%)
- Site Control and Permitting (up to 10%)
- Operational Viability / Risk Impacts (up to 10%)

In the initial short list evaluation process, selects resources by Resource Category which will advance to the next steps of the evaluation process

Final Shortlist

- **Consistent with Integrated Resource Planning:**
 - ▶ **Step 2: Portfolio Development/Optimization**
 - Using the initial short list, Global Energy Decision’s Capacity Expansion Module (CEM) will be used to develop optimized portfolios under various assumptions for future emission costs 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 risk measures 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.
 - ▶ **Step 4: Final Selection**
 - Consistent with Utah Energy Resource Procurement Act
 - Consistent with the Oregon Guideline 10(d)
 - Consistent with Washington solicitation rules (WAC 480-107-001)
- **Analysis Conclusion:**
 - ▶ The resources in the highest performing (least cost, adjusted for risk) portfolio will advance to contract negotiations

Credit Requirements

- Credit Requirements will be determined by:
 - ▶ Credit quality of the Bidder
 - ▶ Type of Resource Category and Transaction Type
 - Power Purchase Agreement, Tolling Service Agreement, Asset Purchase and Sale Agreement
 - 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 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)

Independent Evaluators (IEs)

- The 2008 All Source Request for Proposal (RFP) will have two IE's
 - ▶ The Oregon IE - Boston Pacific and Accion
 - ▶ The Utah IE - Merrimack Energy
- A web site is being set up by Merrimack to manage the overall Q&A process and maintain all documentation, amendments and or announcements.
- All 2008 RFP material and updates will be located on PacifiCorp web site under: <http://www.pacifiCorp.com/Article/Article62879.html>
- The IE will ensure that all third party bids and the company self build proposals are blinded.
- Attachment 4 in the 2008 RFP outlines the role and responsibility of the Independent Evaluator.
- Attachment 20 provides the company self imposed code of conduct

PacifiCorp Work Groups

- No member of the Evaluation Group will have **any** contact or communication with **any** bidder regarding RFP matters, other than through the Independent Evaluator.
- There are two separate and independent Groups/Teams
 1. **Intent to Bid Team**
 2. **The Evaluation Group**

Intent to Bid Team

- ▶ The Intent to Bid team consists of IRP, Legal, Credit and the IE.
 - The Intent to Bid Team is not a blinded Team
 - The Intent to Bid Team will determine if Bidders qualify to submit a proposal

Evaluation Group – six separate work groups

- ▶ Blinded (restricted) Individuals- shall not be given access to non-blinded individuals before final short list. Shall be given access to non-blinded (redacted) bidder's information.
 - » Origination
 - » Structuring and Pricing
 - » Environmental
- ▶ Non-blinded (unrestricted) Individuals – will have access to all information; however, will not be allowed to share information with restricted blinded individuals until after the final shortlist.
 - » Credit
 - » Integrated Resource Planning
 - » Legal

Communication Protocols

- ▶ **No communication** regarding blinded Bid information either directly or indirectly, between the non-blinded personnel and other Evaluation Group members until the final shortlist is determined unless the communication is done in the presence of the IE.
- ▶ The non-blinded personnel **must not reveal** to other Evaluation Group members, either directly or indirectly in any form, any blinded information regarding the identity of any of the Bidders.
- ▶ The Evaluation Group shall have **no** direct or indirect contact or communication with any Bidder other than through the IE until a final shortlist is selected by the company.

Communication Protocols (cont)

- Consistent with PacifiCorp’s identification of shared employees under FERC’s Standards of Conduct, the IRP work group will still be treated as a shared resource to perform work for the Evaluation Team.
- The IRP work group will not share any information it obtains between such Teams and the IRP group **will not** share any non-public transmission system information with Marketing Affiliates at any point in this process.
- Bidders **will be** directed to employees in PacifiCorp’s Transmission Business for any transmission related questions.

Questions/Comments & Information Sources

RFP Questions and Answers
Merrimack
<http://www.merrimackenergy.com/>

PacifiCorp Transmission

Attention: Kenneth Houston, Director, Transmission Planning
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