



PRELIMINARY THOUGHTS ON PACIFICORP'S 2008R-1 RFP

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OUTLINE

I. KEY COMPONENTS OF RFP DESIGN

II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP



I. KEY COMPONENTS OF RFP DESIGN

- A. To assure the best deal for ratepayers, the RFP must :
 - 1. Be fair and transparent
 - 2. Address uncertainty and assign risk
 - 3. Lead to a positive result
 - 4. Be in compliance with Commission Guidelines



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

A. Fairness and Transparency

1. Positive Aspects

- a. Two defined transactions types allowed
- b. Multiple technologies permitted
- c. Sample contracts presented
- d. Debt Equivalence considered after analysis
- e. No Regulatory “Out” clause

2. Comparability for PacifiCorp and third-party bids



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

A. Fairness and Transparency

3. ACC method

- a. Start with PaR and IRP preferred portfolio
- b. Remove uncommitted renewable resources to determine “value” of renewables
- c. Forms the “savings” for bids
- d. Compare actual bid costs against savings
 - i. Gross versus net savings
- e. Unclear if aligned with IRP
 - i. Only \$8/ton CO2 costs used
 - ii. Depends on use of savings calculation



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

A. Fairness and Transparency

4. Unclear if certain bids are allowed
 - a. Existing resources
 - b. Non-asset backed bids
5. Amounts taken to shortlists are not specified



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

B. Address Uncertainty and Assign Risk

1. ACC method accounts for several risks, costs, and benefits
 - a. Storage and Schedulable power
 - b. Integration Costs
 - c. Transmission
 - d. Production Tax Credits
 - e. PaR runs reflect variations in gas price, power cost, load, hydro generation, thermal outages
 - i. Only “single point” emissions costs



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

B. Address Uncertainty and Assign Risk

2. Each transaction type has a different risk profile
 - a. PPAs assign most risk to the bidder
 - b. BOTs send construction risk to bidder and operating risks to ratepayers
 - c. Benchmarks send most risk to ratepayers



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B. Address Uncertainty and Assign Risk

3. Risks posed by each transaction must be measured within the evaluation process. There are several potential ways to do this
 - a. Index and “Risk-adjust” costs
 - b. PPA-like agreements
 - c. Cost “bands”
4. Production Tax Credit risk must be measured



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C. Achieve a Positive Result

1. Credit requirements appear reasonable
 - a. Commitment letter not required until after Final shortlisting
 - b. Total amounts in line with previous RFPs (assuming capacity factors accounted for)
 - c. May reduce for non-asset bids
 - d. Draw-down after a period of time
2. Multiple technologies invited
3. Flexibility on in-service dates



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

C. Achieve a Positive Result

4. Several items need bidder feedback
 - a. Indexing not permitted
 - b. PPA purchase option
 - c. Offer after termination
 - d. Requirement for “contractual right or option” to purchase major equipment
5. Minor clarifications needed in RFP and contracts



II. INITIAL REVIEW OF PACIFICORP'S 2008R-1 RFP

D. Compliance with Guidelines

1. Alignment with IRP

- a. Amounts seem in line
- b. Evaluation method as note

2. Benchmark information

- a. Disclosure
- b. IE will review and validate
- c. PacifiCorp must submit score with Benchmarks