



RFP 2009 Pre Draft Bidder Workshop

June 13, 2005



Agenda

- IRP Action Plan
- Overview
 - Regulatory process
 - Proposed Overview of RFP Process
- 2009 Request for Proposal (RFP) overview
 - Request for Qualification (RFQ)
 - Credit and Capability
 - Eligible Resources
 - Point of Delivery for Eligible Resources
 - Pricing and evaluation
 - Screening
 - Initial Shortlist
 - Final Shortlist
 - Timeline

IRP Action Plan

- Implement need identified in IRP Action Item #7
 - Type - Supply-side, flexible,
 - Amount - ~ 525 MW of flexible resource (s),
 - Flexibility- defined as capacity and energy that can be prescheduled the day before delivery (up to sixteen hours during HE 0700 through HE2200, or within the day of delivery
 - Timing - delivered in or to Utah by summer of CY2009.
 - Term- Up to the life of an Asset (max of 35-years)
- “To implement material resource decisions in the Action Plan, PacifiCorp intends to use a formal and transparent Procurement Program in accordance with the then-current law, rules, and/or guidelines in each of the states in which PacifiCorp operates”

IRP located at www.pacificorp.com
(News & Info, Integrated Resource Planning)

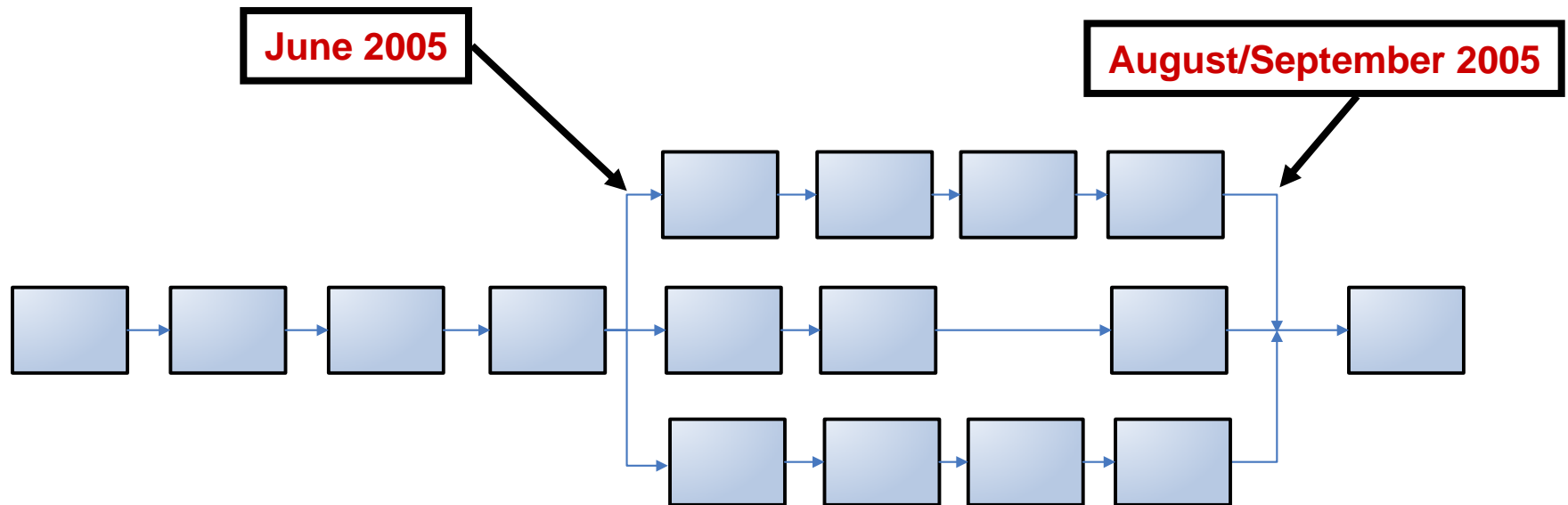
Key Features of the RFP Process

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

- Commission will hire an Independent Evaluator
- Affiliates are not precluded to bid
- Blind bid evaluation will be required
- Provides for at least two bidder workshops (pre-filing and post release)
- Notice of Intent to Bid will be in the form of a Request for Qualification (RFQ)
 - Pre-determined screening criteria for Capability and Experience to make initial short-list
- Initial Shortlist on price and non-price factors
- Final Shortlist will be determined using a production cost model
- Post-bid negotiations on price & non-price issues, will be limited
- Pro forma Contracts will be attached to the 2009 RFP
- PacifiCorp sites will be available to the Bidders

RFP 2009 – Initial Regulatory Process

- Regulatory Review of the RFP will take place in three states (OR, WA, UT)
- Processes for RFP 2009:
 - Draft RFP to be filed in WA, Utah, Oregon in June
 - Pre Draft RFP Presentation to stakeholders
 - Pre Draft RFP Presentation to potential bidders



State Guidance

- Utah – from PSC implementation of SB-26
- Oregon – from Order No. 91-1383 and subsequent orders
- Washington – from WAC 480-107
- California – exempt due to small customer base
- Wyoming & Idaho – no specific guidance currently in place

- At this point in time we do not expect specific guidance from Oregon Docket No. UM-1182 and Washington Docket No. UE-030423 prior to the time RFP 2009 is issued.

- However, we do expect feedback from those states in which the RFP is filed for review prior to issuance:
 - OR, WA, UT

Open Dockets – OR & WA

- Oregon:
 - Opened docket to re-visit IRP standards/guidelines and competitive bidding requirements.
 - Intent is to build upon existing rules
 - Pending decision by OPUC on the threshold issue of “cost” versus “market” for ratemaking purpose.
 - Direct access legislation deemed new resources shall be put in rates at “market”.
 - Highly debated issue of what “market” means. Recent order places the issue in abeyance and requires a waiver for rate treatment at cost.
- Washington:
 - Opened docket to re-visit IRP standards/guidelines and competitive bidding requirements.
 - Intent is to build upon existing code
 - One technical conference to date
 - Resolution this year not likely but not impossible.

Utah Legislation (SB 26)

- Requires UT PSC to issue rules to guide content of solicitations:
 - Screening- criteria for screening potential bidders
 - Evaluation- methodology to compare bids
 - Monitor =- Participation of an independent evaluator;
 - Evaluator opines on fairness of process and compliance with the law
 - Evaluator testifies in any approval proceeding
 - Multi- State Issues – Permits PSC to consider multi-state issues
- Utility and UT PSC obligations:
 - If a SER (>100 MW and > 10-years) then;
 - Utility must take decision before PSC
 - PSC must approve or disapprove the resource (no partial decision)
 - Must include in rates the state's share of actual costs (up to approved SER level)
 - Costs in excess of approved SER amounts subject to further review
 - Disallowance of approved SER amounts only if material misrepresentation or concealment by utility
 - Mid-Course review:
 - Allows utility to seek a review due to changed circumstances or costs
 - If PSC determines should proceed, PSC may not subsequently disallow costs incurred (up to approved amount) in reliance on determination
 - If PSC determines should not proceed, the PSC shall allow in rates the state's share of costs incurred to date as prudent termination costs

Overview Request for Proposal 2009

- Proposed structure and execution of the RFP 2009 Process
 - Utah Commission to hire Independent Evaluator per SB26 requirement
 - Process to gain approval of the Draft RFP – Utah, Oregon, Washington
 - Issue the RFP in September 2005
 - Bidders will submit the Request For Qualification
 - Bid Fees will be required with the RFQ
 - Evaluate credit, capability and experience
 - 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
 - RFP 2009 Bids will due December 1, 2005
 - Eligible resource – 7 types of resources proposal with 2 exceptions
 - Initial Short list determined using the RFP Model – Price and Non-price weightings
 - Final Short list determined using Production Cost model
 - Standard Pro forma contract facilitates negotiation
 - UT PSC must approve or disapprove resource selection
 - Finalize resource selection if UT PSC approves resource
 - Approved resources on line or start date by June 2009

Request for Qualification (RFQ)

- Bidders who elect to participate in the 2009 RFP will be required to respond to the RFQ, which will be attached to the RFP, by October 21, 2005
- As currently proposed, the Bid Fee to participate in the 2009 RFP is \$10,000 with the exception to Distributed Generation and Load Curtailment which will be \$1,000 per proposal. (Fee will be returned if the bidder fails the RFQ screening)
- Bidders will be required to provide the following information by October 21
 - The selected Eligible Resource (s) they propose to bid into the RFP 2009
 - Capability and Experience of the Bidder
 - Credit requirements based on the Eligible Resource they are submitting
- Bidders will either pass or fail the initial RFQ screening based on Credit and Capability
 - IE will be involved in the evaluation process

Request for Qualifications (cont)

- Credit Screening
 - The Credit Rating or Credit score will be determined by the lower of a or b;
 - a) The most recently published senior, unsecured long term debt or corporate rating from S&P or,
 - b) The most recently published senior, published senior, unsecured debt or corporate ratings from Moody's Investor Services.
 - However, if a or b are not available, the bidder will be required to request a Credit Score through the IE from PacifiCorp Credit. PacifiCorp Credit will determine The Bidder's Credit Score through an internal process review, and utilizing a proprietary Credit Scoring model.
 - Bidder will assess their credit requirements based on their current credit rating and the size of Eligible Resource they are submitting in the RFQ
 - PacifiCorp Credit will do an independent assessment when the RFQ's are received to validate the Bidders assessment.
 - The Credit Matrix will be on a \$/per MW basis which will be determined utilizing the Bidders Credit Rating or Credit Score and the size of the project.
 - This will result in a specific \$ amount per MW.
 - Bidder must demonstrate their ability to post credit assurances to cover the Credit Matrix exposure or they will not be eligible to participate in the 2009 RFP.

Request for Qualifications (cont)

- Capability and Experience screening
 - Bidders will be required to submit the following information with each Eligible Resources they are submitting in the RFQ
 - 1) Demonstrated capability
 - 2) Experience
 - 3) Performance references
- In addition the RFQ will ask the Bidders the following
 - will be asked if they will accept change of law
 - will their Bids be subject to financing
 - What the Bidders anticipate the accounting treatment outcome based on the Eligible Resource they are submitting

Eligible Resources

- Eligible Resources in the 2009 RFP must be a minimum of 100 MW for a minimum of ten years. Subject to a \$750/kW cap if an asset sale.
- Costs associated with Currant Creek and Lake side (PacifiCorp Sites) will be disclosed in the RFP for bidders to evaluate
- Eight “Eligible Resource” categories (with two exceptions):
 1. Power Purchase Agreement (PPA)
 - Bidders can bid on PacifiCorp sites however, PPW is not required to operate and the bidder must bid a minimum of 420MW and a minimum of 20 years
 2. Tolling Agreement
 - Bidders can bid on PacifiCorp sites however, PPW is not required to operate and the bidder must bid a minimum of 420MW and a minimum of 20 years
 3. Asset Purchase and Sale Agreement (BOT) on Bidder’s Site
 - Must be bid to one of the Specifications in the RFP
 4. Asset Purchase and Sale Agreement (BOT) on PacifiCorp Site (s)
 - Must be bid to the site specific Specifications in the RFP

Eligible Resources (cont)

5. Purchase of an Existing Facility (due diligence will be required)
6. Purchase of a portion of an existing facility, jointly owned or operated by PacifiCorp (due diligence will be required)
7. Restructure of an Existing Power Purchase Agreement (PPA) or an Existing Exchange Agreement
8. Eligible Exceptions to 100 MW minimum are:
 - Distributed Generation (Combined Heat & Power) – 3 MW minimum
 - Load Curtailment – 25 MW minimum

Eligible Resource – Point of Delivery

- 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 – System Impact pending from PPW Transmission
- Nevada/Utah Border on Gonder 230 kV
- Glen Canyon 230 kV
- Nevada Utah Border (NUB) (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 purchase firm transmission from the resource to either Gonder or NUB.
- Crystal 500kV – provided PPW transmission adds it as a valid network point of delivery (currently being studied by PPW)
- SE Idaho - POD must be interconnected to SE Idaho electric system and respect L&R balance.
- 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.

Initial Screening

- 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 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%.
 - When applicable, will include transmission costs to integrate the resource and/or third party transmission.
 - » 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
 - 20% on Flexibility of the Resource
 - » Day ahead
 - » Hourly
 - 10% on exceptions to any of the pro forma contracts
 - 10% environmental factors

Final Shortlist

- No price adjustments prior to initial or final short-list,
- Final Shortlist Bid Evaluation – Production Cost Model
 - Shortlist the most economics proposals in each Eligible Resource category
 - Goal to obtain 525 MW per category.
 - Operational savings associated with operating each of the proposal or combination of the proposals determining least cost/risk combination when the system is dispatched.
- Post bid negotiations may contain both price and non price issues.
- Specifications for the appropriate Eligible Resources are included in the RFP
- Proforma Contracts are included in the RFP

RFP 2009 proposed schedule

Event	Date
RFP Issued	September
Pre-bid Conference	October 2005
Intent to Bid Form due (Request for Qualifications)	October 21, 2005
Deadline for Proposals Due	December 1, 2005
Evaluation Complete	January 2006
Bidders negotiations	February- June 2006
PacifiCorp decision	July 2006
Commission Approval Proceeding -180 days	August – January 07
Definitive Agreement(s)	2007

The above schedule is an anticipated schedule only and is subject to change

Questions/Comments & Information Sources

PacifiCorp Web Site

www.pacificorp.com

(go to “News & Info” and then “Request for Proposal 2009” for:

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

PacifiCorp Transmission

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