



June 29, 2005

**VIA OVERNIGHT MAIL**

Ms. Carole J. Washburn  
Executive Secretary  
Washington Utilities and Transportation Commission  
1300 S. Evergreen Park Drive SW  
Olympia, WA 98504-7250

**Re: PacifiCorp DRAFT 2009 Request for Proposals  
(Filed Pursuant to WAC 480-107-060(b))**

Dear Ms. Washburn:

PacifiCorp hereby submits an original and twelve (12) copies of its Draft 2009 Request for Proposals ("RFP 2009"), in accordance with WAC 480-107-060(b). One copy of the RFP and Avoided Cost Study in electronic format is provided on the enclosed CD.

PacifiCorp submitted its 2004 Integrated Resource Plan ("IRP 2004") to the Commission on January 20, 2005 in accordance with WAC 480-100-238; that filing was assigned Docket No. UE-050095. The Commission's current competitive bidding rules (Chapter 480-107 WAC) provide that within ninety days thereafter, PacifiCorp is required to file a "draft request for proposal" with the Commission to commence a process for soliciting bids to procure new resources. On April 18, 2005, PacifiCorp requested an extension of this ninety-day requirement to permit a later filing of a proposed Request for Proposals, or RFP. This represents the later filing for which the extension was sought.

As described in the Company's 2004 IRP and Action Plan, PacifiCorp has identified a need for a supply-side resource by the summer of calendar year 2009. Increasing demand, in conjunction with declining resources, is projected to lead to a resource deficit in fiscal year 2010 (12 months ending March 31, 2010). See 2004 IRP, Appendix F. To close that gap, Chapter 9 of the IRP lists ten recommended actions to implement the plan (the "Action Plan"). The purpose of this RFP 2009 is to implement Action Plan Item #7, which calls for a 525 MW supply side resource to be delivered to Utah by the summer of 2009. *IRP 2004, Table 9.1, page 178.* The term for the identified resource is up to 35 years or the life of an asset.



36 USC 220504

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PacifiCorp is proposing to develop RFP 2009 in a manner that will achieve compliance with requirements imposed by the Oregon competitive bidding rules<sup>1</sup> and recent legislation enacted in Utah,<sup>2</sup> as well as meeting the standards imposed by the Federal Energy Regulatory Commission with respect to affiliate participation.

### **Description of Proposed RFP**

While IRP 2004 identifies the need for and timing of resources with considerable specificity, it does not predetermine the specific resources to procure or whether the assets will be built and/or owned by the Company or acquired through power purchase or other contractual agreements. Instead, the Company's RFP specifies the characteristics of the solicited resource(s) that bidders must satisfy in order to have their bids evaluated in the bidding process. Although the proxy resource in the RFP evaluated for CY 2009 was a flexible, Combined Cycle Combustion Turbine Generator ("CCCT"), PacifiCorp's RFP 2009 does not intend to solicit only CCCT resources. Instead, a resource will be deemed a "flexible" resource as per RFP requirement if the resource can be prescheduled (a) the day before delivery (up to sixteen hours during HE 0700 through HE 2200, Pacific Prevailing Time or (b) within the day of delivery, to a point of delivery as described in RFP 2009. Attachment 1 to RFP 2009 describes in greater detail the minimum requirements for a flexible resource to be accepted and evaluated as a bid in the RFP.

RFP 2009 allows bidders to bid proposals into eight (8) eligible resource categories with two (2) exceptions. Bids in the eight eligible resource categories must be a minimum of 100MW for a minimum of 10 years and are subject to a \$750/kW cap. The cap is based upon the costs assumed for the proxy resource in the IRP while providing bidders with some flexibility. The eligible resource categories are: (1) Power Purchase Agreement; (2) Tolling Service Agreement; (3) Asset Purchase and Sale Agreement (at Currant Creek or Lakeside ("PacifiCorp Sites")); (4) Asset Purchase and Sale Agreement (at Bidder Site); (5) Engineering, Procurement and Construction Contract (at Currant Creek Site Only); (6) purchase of an existing facility; (7) purchase of a portion of a facility jointly-owned or operated by PacifiCorp; or (8) restructuring of an existing Power Purchase Agreement or Exchange Agreement. A detailed description of each of the categories is set forth in the RFP. For the first two categories, bidders may submit bids for the PacifiCorp Sites with some restrictions on size and term to ensure ratepayers receive adequate development of these sites in which they have already invested. Design evaluation criteria associated with the PacifiCorp Sites is also disclosed in the RFP for

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<sup>1</sup> OPUC Order No. 91-1383.

<sup>2</sup> Senate Bill 26, enacted as Title 54, Chapter 17 of the Utah Code.

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bidders to evaluate. In submitting a proposal, the bidder must select one bid category for each bid, although a bidder may submit separate bids for energy and capacity from a single resource under each of two or more categories. The two exceptions to the eligible resource categories are for distributed generation (combined heat and power) and load curtailment which have 3MW and 25MW minimums respectively. The acceptable points of delivery and preliminary associated transmission costs for the eligible resource bids are also specified in Attachment 13 of the RFP.

Each bidder electing to participate in 2009 RFP is required to respond to a Request for Qualifications ("RFQ"), which is attached to the RFP in Appendices A and B, prior to the time that bids are due. In the RFQ, the bidder must (1) indicate the Eligible Resource category(ies) they propose to bid into the RFP, and (2) provide information regarding their capability and experience and satisfaction of credit requirements based on the Eligible Resource(s) they are submitting. The Bidders will also be asked whether they are willing to accept change of law risk, whether their bids will be subject to financing, and what accounting treatment they anticipate based on the Eligible Resource(s) they are submitting. Bidders must pass this initial qualification in order to participate in the RFP.

### **Independent Evaluator**

In accordance with the Utah Energy Resource Procurement Act, an Independent Evaluator has been retained and will be involved in the process. The Independent Evaluator will actively monitor the solicitation process for fairness. The Independent Evaluator will also provide ongoing input regarding concerns raised in the process and ultimately render an opinion on whether the process is fair and the modeling used to evaluate bids is sufficient. The Independent Evaluator will not make the ultimate decision as to which bid(s) should be awarded under the solicitation. PacifiCorp's RFP also contemplates that the Independent Evaluator will issue bid numbers, maintain a web site for Bidders' questions and answers, receive bids, maintain confidentiality and blinding for evaluation purposes, provide information to PacifiCorp's legal and credit departments which will have access to non-blinded information and participate in negotiations as deemed appropriate. The Independent Evaluator will also be involved in the RFQ evaluation process.

### **Criteria Used to Rank Bids**

PacifiCorp will utilize a "first-price sealed bid format" in order to determine an initial short-list. Under this format, the Company will use the initial prices and/or pricing structures submitted by the Bidders in order to determine the initial short-list. The Company will not ask for, or accept, updated pricing during this phase of the evaluation period. Both price and non-price factors will

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be used to determine the initial short-list with weightings of 60% and 40% respectively. For the 60% pricing score, PacifiCorp will use a spread sheet model ("RFP Base Model") to screen proposals. A description of the RFP Base Model is included in the RFP. Bidders will be required to validate the key data points from their bid(s) that will be inputted into the RFP Base Model using the Bidder Pricing Input Sheet attached to the RFP as Bidder Supplied Form 1. The Company will include all relevant Carbon Dioxide ("CO<sub>2</sub>") expense (consistent with IRP assumptions or then-current assumptions, if applicable), transmission costs to integrate and/or third party transmission costs, and inferred and/or direct debt costs in this stage of the evaluation in order to arrive at a short-list that represents the actual least cost resource options available to customers taking into account all known costs. The benchmark comparison metric will be the projected Net Present Value revenue requirement ("Net PVRR") per kilowatt month ("Net PVRR/kw-mo"). The value of the energy and capacity is a positive and offsetting costs are a negative with the result that the larger the Net PVRR, the more valuable the resource to customers.

Non-price factors include (1) the flexibility of the resource (level of dispatch, up to 20%); (2) exceptions to the pro forma agreements (10%); and (3) environmental attributes relative to the resource, if applicable (up to 10%). A more detailed description of these factors and their scoring is included in RFP 2009.

Once a short-list has been determined, the Company will use a production cost model to determine the final shortlist and the least cost/risk resource(s). The production cost computer simulation of each proposal is required to estimate the operational savings associated with each of the proposals and/or combination of proposals when operated with the system dispatch. PacifiCorp will negotiate both price and non-price factors during post-bid negotiations.

### **Avoided Cost Information**

In accordance with WAC 480-107-050, Attachment 20 to RFP 2009 sets forth the Company's avoided cost schedule for Washington and supporting documentation. The assumptions used in calculating the avoided cost schedule are consistent with IRP 2004.

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### **Proposed Schedule**

The Company proposes the following schedule for RFP 2009:

<b>Event</b>	<b>Anticipated Date</b>
RFP 2009 Issued	September 2005
RFP bid Conference	October 2005
Intent to bid forum	October 2005
Responses Due	December 1, 2005
Evaluation complete	January 2006
Bidder negotiation	February-June 2006
PacifiCorp decision	July 2006

In order to provide sufficient time for the solicitation process, and any permitting, development and/or construction time that may be required by the winning bidder, PacifiCorp requests that the Commission issue an order approving 2009 RFP no later than 90 days after the filing date as outlined in WAC 480-107-060(b), or by September 28, 2005.

### **RFP Workshops**

PacifiCorp provided information to regulators and stakeholders regarding the content of 2009 RFP through a workshop in Portland, Oregon on June 14, 2005 with participants from Idaho, Washington and Wyoming participating by telephone conference. In addition, PacifiCorp solicited input and comment from bidders in a workshop on June 13, 2005. PacifiCorp will hold another pre-bid conference for bidders with the Independent Evaluator after Commission approval of RFP 2009.

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It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to the following:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 800  
Portland, OR 97232

Informal inquiries may be directed to the undersigned at (503) 813-6092 or Karl Anderberg, Washington State Manager, at (503) 813-6032.

Very truly yours,

**PacifiCorp**

By   
Christy Omghundro  
Managing Director, Regulation

Enclosures