



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

November 20, 2009

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

RE: **Docket No. UE-091468**
PacifiCorp's Petition for a Waiver

Dear Mr. Danner

Enclosed for filing is PacifiCorp's Petition for a Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107. An electronic copy of the filing will also be sent to the Commission's record center.

Communications regarding this petition should be addressed to:

Washington Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
WashingtonDockets@PacifiCorp.com

Michelle R. Mishoe
PacifiCorp
825 NE Multnomah Street, Suite 1800
Portland, OR 97232
Michelle.Mishoe@PacifiCorp.com

In addition, PacifiCorp requests that all formal correspondence, Staff requests and data requests regarding this petition be addressed to:

By E-mail (preferred): datarequest@PacifiCorp.com

By Facsimile: (503) 813-6060

By Regular Mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Washington Utilities & Transportation Commission

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Please direct any informal questions to Cathie Allen, Regulatory Manager, at (503) 813-5934.

Sincerely,

A handwritten signature in cursive script that reads "Andrea L. Kelly/ca".

Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: David Nightingale, Washington Utilities & Transportation Commission
Steve Johnson, Washington Utilities & Transportation Commission

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the Petition of

PACIFICORP, d.b.a. Pacific Power,

Petitioner

DOCKET No. UE-091468

PacifiCorp's Petition for Waiver of Certain
Requirements Related to Requests for
Proposals Contained in WAC 480-107

1. Pursuant to WAC 480-107-002(3) and WAC 480-07-370(b), PacifiCorp, d.b.a Pacific Power ("Company") petitions ("Petition") the Washington Utilities and Transportation Commission ("Commission") for a waiver of certain requirements related to requests for proposals ("RFP") contained in WAC 480-107-015(3).
2. PacifiCorp's name and address:

Washington Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
washingtondockets@pacificorp.com

Michelle R. Mishoe
Legal Counsel
PacifiCorp
825 NE Multnomah Street, Suite 1800
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michelle.mishoe@pacificorp.com

Background

3. On May 29, 2009, the Company filed its 2008 Integrated Resource Plan ("2008 IRP"). The next integrated resource plan ("IRP") is due to be filed no later than March 31, 2011. On September 14, 2009, PacifiCorp submitted a notice ("Notice") indicating that the Company does not intend to file an RFP in 2009 because the Company's 2008 IRP demonstrates additional resources will not be needed in the west control area until

2012.¹ The Company filed this notice within 135 days after filing the 2008 IRP, consistent with WAC 480-107-015.

4. WAC 480-107-015(3)(b) requires that proposed request for proposals and accompanying documentation be submitted no later than 135 days after a utility's IRP is filed with the Commission. WAC 480-107-015(3) does not apply when a utility's IRP demonstrates that the utility does not need additional capacity within a three-year period. WAC 480-107-015(3)(a). The timing and quantity associated with the acquisition of resources in the 2008 IRP action plan is calendar years 2009 through 2018. The Company interprets WAC 480-107-015(3)(a) to mean that "within three years" reflects the first three years covered by an IRP. The resource needs assessment in the 2008 IRP demonstrates there is no need for capacity resources for the west control area in calendar years 2009, 2010 and 2011, consistent with the Company's interpretation of WAC 480-107-015(3)(a). Therefore the Notice of September 14, 2009 was submitted to the Commission in compliance with WAC 480-107-015(3)(a).

5. Subsequent to the Company's filing of the Notice, Commission Staff ("Staff") and the Company held discussions regarding the interpretation of "within three years" as contained in WAC 480-107-015(3)(a). Staff interprets "within three years" as commencing the day the 2008 IRP was filed with the Commission. Given that the filing of the 2008 IRP occurred on May 29, 2009, Staff's interpretation of "within three years" is from May 29, 2009 through May 28, 2012. Staff therefore requested supplemental information about the resource need of approximately 800 MW in the west control area in 2012. This supplemental information was conveyed by the Company's director of

¹ Chapter 5 – Resource Needs Assessment, Table 5.18, section "West," p. 91 (2008 IRP, Docket UE-080826).

origination during a telephone conference held with Staff on October 22, 2009 and is provided here in support of this Petition.

West Control Area Resource Need in 2012

6. The Company's 2008 IRP preferred portfolio consists of a diverse mix of resources including demand-side management, construction of new generating resources, and front office transactions² at liquid hubs from existing generation, i.e. firm market purchases.³ The mix of new construction and market purchases allows the Company to make long-term investments in new generating capacity along with procuring shorter-term energy products from existing generating resources that vary from year-to-year and fluctuate with the overall load requirements. This minimizes the risk of procuring more resources than what is required and minimizes costs. The purchase of shorter-term market energy purchases, which are shaped to load or used to replace existing energy contracts, allows the Company to purchase products consistent with the resource requirements and to optimize the timing of the required energy resources. These market energy purchases provide the Company with the ability to determine its resource requirements on a year-by-year basis instead of locking into new resource requirements for the life of the asset, which may exceed the system resource need.

7. Front office transactions, as proxy resources, represent a range of purchase transaction types. They are usually standard products, such as heavy load hour, light load hour, and/or daily heavy load hour call options (e.g., the right to buy or "call" energy at a "strike" price) and typically rely on standard enabling agreements as the underlying contracting vehicle. Front office transaction prices are determined at the time of the

² Front office transactions are proxy resources for market energy purchases, made by the Company on a rolling-forward average cost basis to balance the Company's energy position.

³ Chapter 1 – Executive Summary, incremental resource additions table, p. 6 (2008 IRP, Docket UE-080826).

transaction; usually via a third party broker and/or based on the views of each respective party through a mini-request for proposal mechanism, which reflects the then-current forward market price for energy.

8. The Company's resource needs assessment in the 2008 IRP reflects a resource need of approximately 800 MW of front office transactions, which vary in term, quantity and delivery point, to balance the west control area in 2012.⁴ As outlined in the 2008 IRP preferred portfolio, the west control area 2012 resource needs would be satisfied through front office transactions at the following market hubs⁵:

- California Oregon Border (COB), Flat Annual – 389 MW (delivered all hours between January 1, 2012 and December 31, 2012),
- Mid-Columbia, 3rd Quarter Heavy Load Hour – 400 MW (July through September),
- West Main, 3rd Quarter Heavy Load Hour – 50 MW (July through September).

9. However, only a portion of the above transactions may be required prior to May 28, 2012. The front office transaction at the California Oregon Border of 389 MW is a flat annual product, which would cover the term of January 1, 2012 through December 31, 2012. Therefore, only a portion of the flat annual product may be required within the three years ending May 28, 2012. Also, the Mid-Columbia and West Main market energy purchases of 400 MW and 50 MW, respectively, are third quarter 2012 transactions, and are therefore required outside of the three years ending May 28, 2012.

⁴ Chapter 5 – Resource Needs Assessment, Table 5.18, section “West,” p. 91 (2008 IRP, Docket UE-080826).

⁵ Chapter 8 – Modeling and Portfolio Selection Results, Table 8.44, p. 245 (2008 IRP, Docket UE-080826).

The Use of Mini-RFPs

10. The Company solicits bids for front office transactions through mini-requests for proposals (“mini-RFPs”), broker markets, or over-the-counter purchases. Mini-RFPs are typically issued to the market every other month, and are utilized to potentially procure energy months, quarters or calendar years in advance. Annual transactions are available up to as much as three or more years in advance and can be procured within any given calendar year. Seasonal transactions are typically delivered during quarters and can be available from one to three years or more in advance within any given calendar year.
11. Mini-RFPs are typically two to three pages in length and are markedly simpler in nature and complexity to the RFPs that the Company issues for build-to-own plant resources or long-term power purchase agreements. The term, delivery months, quantity, delivery points, market hub, and type of product are variable components of each mini-RFP. Mini-RFPs typically require a response within two weeks of issuance to market, and the received bids are typically valid for two hours from the due date/time, and may or may not result in transaction(s) being executed. The timing of the mini-RFPs makes them incompatible with the RFP approval requirements. The proposed westside mini-RFP is provided as Attachment 1.

Request for Acknowledgement or Waiver

12. If the Company’s interpretation of “within three years” in WAC 480-107-015(3)(a), is accepted as being the first three years of the 2008 IRP (calendar years 2009, 2010 and 2011), the Company respectfully requests the Commission acknowledge that the Notice filed on September 14, 2009 complies with the rules and this Petition for a Waiver is not necessary.

13. If, however, Staff's interpretation of "within three years" is accepted as commencing on May 29, 2009 and concluding on May 28, 2012, then a portion of the Company's west control area resource need in 2012 could be deemed to be subject to WAC 480-107-015(3). WAC 480-107-015(3)(b) requires proposed RFPs and accompanying documentation to be filed within 135 days after an IRP is due to be filed, followed by a comment period of 60 days. The Commission then must make a determination of whether to accept or suspend the RFP within 30 days after the close of the comment period.

14. If Staff's interpretation is accepted, the Company respectfully requests a waiver from the requirements of WAC 480-107-015(3) and, Commission authorization to instead issue a mini-RFP, the content, timing and administration of which is incompatible with the requirements for the standard request for proposal process. Consistent with the 2008 IRP preferred portfolio, the mini-RFP will be issued to solicit bids for the 2012 west control area resource needs to be met by front office transactions through May 28, 2012. If the Commission authorizes the Company to issue the mini-RFP, the Company's proposed timeline would be as follows:

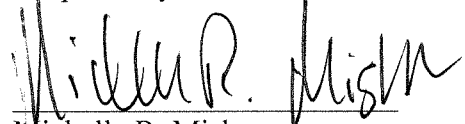
- Issue mini-RFP⁶ to market Within 10 days of Commission Order
- Bidders' due date Due 14 days after mini-RFP issued to market
- Evaluation of bids and determination of whether to execute transaction(s) Within two hours of bidders' due date

⁶ Provided as Attachment 1 to this Petition.

15. WAC 480-107-002(3) allows the Commission to grant waivers of the requirements of WAC Chapter 480, Section 107 “if consistent with the public interest, the purposes underlying regulation, and applicable statutes.”
16. The Company’s request is in the public interest, the purposes underlying regulation, and applicable statutes for several reasons. Front office transactions, procured through mini-RFPs, minimize the risk of over-procurement of resources while obtaining competitive pricing, and transaction transparency. Through mini-RFPs, the Company is able to structure products to meet its needs, such as shaping the product to meet load. Additionally, using mini-RFPs, the Company is able to ensure suppliers are able to meet credit requirements in advance. Requiring mini-RFPs to follow the RFP approval requirements could lead to lost opportunities to minimize procurement risks to the Company and its customers.

DATED: this 20th day of November 2009.

Respectfully submitted,



Michelle R. Mishoe
Legal Counsel, Pacific Power

Counsel for PacifiCorp

Attachment 1

[Insert Date]

PacifiCorp is interested in receiving proposals for the products shown in this Westside Request for Proposal (“RFP”).

Seller should provide PacifiCorp the following information on the attached matrix on the RFP due date of [Insert Date] by 9:00 a.m. Pacific Prevailing Time (PPT) by e-mail or fax copy to:

[Insert Name]

jim.schroeder@pacificorp.com

Fax: (503) 813-6260

Phone: (503) 813-5380

Cell: (503) 701-6688

Seller submitted contract pricing shall be valid until 11:00 a.m. [Insert Date].

[Insert Date] Westside RFP:

- Term: 2012 and or 2013, 2014
- Delivery Months: July or August or July – August in any year
- Quantity: Minimum bid of 25 MW in 25 MW increments
- Delivery Point: Please specify the delivery point(s). Acceptable delivery points are PacifiCorp West System, Mid-Columbia, California Oregon Border (N-S) and/or Paul 500kV.
- Energy Price: Please specify energy price for each delivery month in **\$/MWh**.
- Quality of Product: "Western System Power Pool (WSPP) Schedule C Firm Energy and Capacity", which means firm capacity and energy that (a) is obtained (i) under WSPP Schedule C Firm Energy and Capacity or (ii) under any new or successor WSPP schedule to Schedule C that provides for the sale of firm capacity and energy and (b) bears FS (Firm Service) NERC generation tags, or successor designation, and all other applicable tags for firm energy as required by the applicable control area, NERC, and WECC.
- Pre-scheduling: Pre-scheduling will be pursuant to the WECC ISAS daily scheduling calendar and the WECC Business Practices.

Product A: Super-Peak (6x8); HE 1300 – HE 2000 PPT, Monday through Saturday excluding NERC holidays.

Product B: Standard On-Peak (1x16); HE 0700-HE 2200 PPT, Sunday including NERC holidays.

Seller
 Counterparty Name: _____
 Contact Name: _____
 Phone number: _____

[Insert Date] Westside RFP

2012, 2012, 2013

Delivery Point	Delivery Month(s)	Delivery Year (s)	Product A	Product B	Quantity	Energy Price
			Monday - Saturday (6x8)	Sunday (1x16)	(MW)	(\$/MWh)

Contingencies – These Proposed Terms/Conditions are for discussion purposes only, and not an offer or commitment of PacifiCorp or any of its affiliates to enter into any transaction. The prices and terms are subject to change and further review and approval, until execution of a definitive agreement containing all appropriate provisions, including those related to dispute resolution, credit, and governing law. Neither party is obligated to enter into a transaction or definitive agreement with the other party and each party may cease discussions for any reason at any time. Counterparty shall not disclose the provisions of this document to any third party.