**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**PacifiCorp**

**DRAFT Request for Proposals**

**Market Resources**

**(2011 Market RFP)**

**ISSUED: January 16, 2012**

**DUE DATE: January 31, 2012**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

I. Introduction and Process

This document constitutes a Request for Proposals ("RFP") from qualified third parties ("Bidders") to supply electric resources to PacifiCorp ("Company"). It is an “All Market Sources” RFP in that any electric generation source will be considered, consistent with the requirements described herein. The RFP may be found at <http://www.pacificorp.com/sup/rfps.html>.

The Company is seeking the following resources with this RFP in the PacifiCorp western balancing authority area:

* Energy and Capacity resources
* Capacity

The Company will consider generation from existing and yet-to-be constructed generation resources with commercial operation dates between 2012-2014.

This RFP solicitation seeks power purchase agreements of varying contract lengths between 2012 through December 2014. PacifiCorp seeks resources with the ability to deliver firm power to PacifiCorp’s western balancing authority area for the duration of the proposal. In keeping with the company’s desire to continue to build a diversified portfolio of resources, PacifiCorp encourages qualified Bidders representing small or large-scale projects from all fuel types and technologies to participate in this RFP.

The Company evaluates unsolicited proposals outside of the RFP on an ongoing basis. Given the Company's demonstrated resource need and its obligation to provide the lowest reasonable cost to its customers, the Company actively seeks and evaluates external proposals as well as in-house development projects which may provide the greatest benefit to customers at the lowest reasonable cost, adjusted for risk. The Company’s estimated avoided cost for qualifying facilities in the state of Washington is provided in Appendix 1.

SECTION 1. Resource Strategy

This RFP is consistent with guidance provided by the Company’s most recent Integrated Resource Plan ("IRP"), as filed with the Washington Utilities and Transportation Commission ("WUTC") on March 31, 2011.[[1]](#footnote-1) A downloadable copy of the IRP is available to all interested parties on PacifiCorp’s Web site at <http://www.pacificorp.com/es/irp.html>.

PacifiCorp’s overall strategy for integrated resource planning is described below.

* Examine the Company’s electric resource needs over the next twenty years, and analyze the mix of conservation programs and supply resources that might best meet those needs.
* Provide the strategic direction to acquire a diversified, balanced electric resource portfolio that meets customer needs, results in reasonable energy supply costs and mitigates market risks.
* Identify key factors related to various resource decisions and provide a method for evaluating a resource acquisition in terms of cost, risk, and other factors at the time a decision needs to be made. The IRP does not commit to or preclude the acquisition of a specific resource type, project or facility.

SECTION 2. Resource Need

The Company is expected to need new resources to offset load growth and the expiration of long-term purchase power contracts occurring over the next several years in the western balancing authority area. Resource need is determined by developing a capacity load and resource balance that considers the coincident system peak load hour capacity contribution of existing resources, forecasted loads and sales, and reserve requirements. Table 1 shows the Company’s annual West capacity position for 2012 through 2014, while Figure 1 graphically highlights the capacity resource gap and contribution of currently owned and contracted west-side resources. Without new resources, the west experiences a capacity deficit of 567 MW in 2012 and 676 MW by 2014. The average deficit for the west position for years 2012-2014 is 566 MW. Underlying the capacity position is west annual peak load growth of 1.8 percent on a compounded average annual basis (prior to forecasted load reductions from energy efficiency). On an energy basis, PacifiCorp expects west average load growth of 1.7 percent per year.

Table 1 – PacifiCorp West Capacity Position Forecast (Megawatts)



Figure 1 – West Capacity Position Trend



For capacity expansion planning, the Company uses a 13-percent planning reserve margin applied to the Company’s obligation (load plus sales obligations) less firm purchases and dispatchable load control capacity. The 13-percent planning reserve margin is supported by a stochastic loss of load probability study conducted in late 2010.

SECTION 3. Market Purchase Additions IN THE 2011 IRP

PacifiCorp’s 2011 IRP preferred portfolio includes a resource type called “front office transactions” (FOT), which serves as a proxy for a variety of firm market purchase products. For portfolio modeling, the Company included two FOT types: a heavy load hour third-quarter product, and an annual flat product. The preferred portfolio includes FOT capacity quantities acquired in the PacifiCorp western balancing authority area (PACW) that serve system capacity and energy needs. Total PACW FOT additions in the preferred portfolio for 2012-2014 are as follows: 871 MW – 2012, 811 MW – 2013, 600 MW – 2014.[[2]](#footnote-2) These market purchase quantities should be considered only as indicative of what the Company plans to acquire. Resources evaluated as part of this RFP may vary from the proxy FOT resources identified in the IRP with respect to resource type timing, size, cost and location.

SECTION 4. Schedule

Table 3 identifies a schedule for this RFP, which is subject to adjustment based on WUTC review and the actual pace of PacifiCorp's evaluation process. The Company accepts no liability to the extent the actual schedule is different from the anticipated schedule. Any updates to the schedule will be posted online at <http://www.pacificorp.com/sup/rfps.html> (Menu: Suppliers > RFP’s).

Table 3 – Anticipated RFP Schedule

| **Event** | **Estimated Timeline** |
| --- | --- |
| Draft RFP filed with WUTC | October 14, 2011 |
| PacifiCorp hosts proposal conference | October 26, 2011 |
| Public comments due | December 12, 2011  |
| WUTC approval expected | January 11, 2012 |
| PacifiCorp releases final RFP solicitation | January 16, 2012 |
| Offers due to PacifiCorp | January 31, 2012 |
| Final short list selected, Bidders notified | January 31, 2012 |
| Avoided Cost Filing  | March 31, 2012 |

Interested parties and Bidders may submit questions, which will be addressed in a timely fashion. All information, including the pre-bid materials, questions and answers will be posted on the Company’s website at [www.pacificorp.com](http://www.pacificorp.com). The Company will maintain and post all materials on PacifiCorp’s website at [www.pacificorp.com](http://www.pacificorp.com). Any questions on the RFP or related documents should be sent to the Company via email at rfpmarket@pacificorp.com.

SECTION 5. Evaluation Process

PacifiCorp will follow a structured evaluation process to assess the merits of proposals with regard to meeting its need. The process is intended to screen and rank individual proposals.[[3]](#footnote-3) The Company will consider a number of quantitative and qualitative factors designed to reasonably compare proposals with diverse attributes. Each proposal will be evaluated based on its compliance with this RFP and according to the following Price and Non-Price information.

* 1. PRICE AND NON-PRICE INFORMATION

Proposals will be evaluated on the basis of price and non-price factors.

1. PRICE INFORMATION (70%)

The Price factors will be determined using the comparison metric of the projected net present value revenue requirement (net PVRR) per kilowatt month (net PVRR/kW-mo). The net PVRR component views the value of the energy and capacity as a positive, and the offsetting costs as negative. The more positive the net PVRR, the more beneficial a given resource is to PacifiCorp’s customers. The net PVRR/kW-mo metric is the annuity value which, when applied to the nominal kilowatts on a monthly basis and present-valued, will result in the same net PVRR as a straight NPV calculation. Price factors will recognize the value of the power (e.g., firm versus non-firm, delivery shape, but not an inferred value of environmental attributes associated with the facilities).

 The Company will consider PPA options as described in Part II, Section 1 below.

1. NON-PRICE INFORMATION (30%)

The Non-Price factors will include:

1. Conformity to the WSPP or EEI (Appendix 2) (10%)
2. Development and feasibility of proposal (10%)
3. Operational viability (10%)

All proposals will be contingent on firm transmission and must be able to be designated by PacifiCorp’s Commercial and Trading function as a Network Resource in the western balancing authority area under the network integration transmission service contract between PacifiCorp Transmission ([**www.oasis.pacificorp.com**](http://www.oasis.pacificorp.com)) and PacifiCorp Commercial and Trading.

PacifiCorp has no obligation to enter into definitive agreements with any Bidder to this RFP and may terminate or modify the RFP at any time without liability or obligation to any Bidder. This RFP shall not be construed as preventing the Company from entering into any agreement that it deems appropriate at any time before, during, or after the RFP process is complete.

II. Information Requested from Bidders

Section 1. Proposal Requirements

**Bidders will be required to fill out the following and provide the following Term Sheet when submitting their proposals. Contract pricing must be submitted by Seller on January 31, 2012 at 9:00 am and Bidders must hold their prices valid until 11am PPT. . PacifiCorp will contact Bidders on January 31, 2012 at 11:00 PPT if the Bidder is successful in the RFP. Bidders are to email the Following TERM SHEET and any changes to Appendix 2 to** rfpmarket@pacificorp.com.

**TERM SHEET**

Seller: Counterparty

Buyer: PacifiCorp

Term: 2012, 2013 and/or 2014

Quantity: Minimum bid of 25 MW in 25 MW increments

Delivery Term: Product One: July – September (all months inclusive, Q3) or

Product Two: January – December all months during Calendar 2012, 2013 and 2014.

Point of Delivery: PACW (see defined Point of Delivery below)

Products Product One: Q3 Standard On-Peak (6x16); Monday through Saturday HE 0700 – HE 2200 PPT, excluding NERC holidays for Q3 and

Product Two: Flat Calendar product. All hours HE 0100 – HE 2400 PPT, including NERC holidays for 2012, 2013 and 2014.

Energy Price: Please specify energy price ($/MWh) for all Delivery Months in each year in the Term.

Quality of Product: WSPP Schedule C.

Pre-scheduling: Pre-scheduling will be pursuant to the WECC ISAS daily pre-scheduling calendar and the WECC Business Practices.

Credit Requirements: Credit requirements will be evaluated based on the Bidders’ credit rating and the Product, Quantity, Delivery Term and the Price of the Bidders’ proposals.

Counterparty Name (Seller): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contact Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Phone number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Delivery Point** | **Delivery Months** | **Year(s)** | **Delivery Schedule** | **Quantity (MW)** | **Energy Price ($/MWh)** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

POINT OF DELIVERY

PacifiCorp seeks resources that are capable of delivery into or in PacifiCorp’s western balancing authority area. If the source is located within the Bonneville Power Administration or another balancing authority area, the Bidder must show they have all necessary transmission services, including: interconnection; transmission; balancing; reserve or other applicable balancing authority services from the resource to the delivery point to be able to schedule to the point(s) of interconnection into PACW.

West System Points of Delivery (PACW)

* Mid-Columbia – Yakima Area
	+ Midway 230 kV
	+ Wanapum 230 kV
* California Oregon Border
* Portland
	+ Troutdale 230 kV
* Willamette Valley
	+ Alvey 500 kV
	+ Fry 230 kV
* Southern Oregon
	+ Chiloquin 230 kV
	+ Dixonville 230 kV
	+ Meridian 230 kV
	+ Reston 230 kV
* Central Oregon
	+ Bend 69 kV
	+ Plot Butte 69/230 kV
	+ Ponderosa 230 kV
	+ Redmond 69 kV
* Oregon Coast
	+ Astoria to Tillamook 115 kV
	+ Boyer (Lincoln City) 115 kV
	+ Fairview (Coos Bay) 115/230 kV
* Within the Western Balancing Authority Area – The point of interconnection between the resource, or the electrical system to which the resource is connected, and PacifiCorp’s transmission system.
* Scheduled to the point(s) of interconnection between PacifiCorp’s western balancing authority area and the Bonneville Power Administration or Portland General Electric such that transfer limitations are not exceeded. If the source located within the Bonneville Power Administration balancing authority area the Bidder must show they have balancing authority area services from the resource to the delivery point.

Section 2. Credit Requirements

PacifiCorp will not accept collateral thresholds, credit ratings triggers, general adequate assurances language or similar language that might require the Company to provide performance assurance. However, PacifiCorp's credit risk department may require the seller to provide performance assurance in the form of a commitment letter(s) from a proposed guarantor(s) and/or from a financial institution(s) that would be issuing a Letter of Credit. The amount of performance assurances to be provided will be determined based upon:

* + - 1. The Credit Rating of the Bidder and the entity(ies) providing credit assurances on behalf of the Bidder, if applicable.
			2. The Proposals/Contracts type.
			3. The Eligible Online Date.
			4. The size of the Proposals/Contracts.

In order for PacifiCorp’s credit risk department to conduct a credit evaluation, the Bidder or its Credit Support Provider must provide audited financial statements (including balance sheet, income statement, and cash flow statement) for the three (3) most recent fiscal years.

The Credit Rating is defined as the lower of: x) the most recently published senior, unsecured long term debt rating (or corporate rating if a debt rating is unavailable) from Standard & Poor’s (S&P) and/or y) the most recently published senior, unsecured debt rating (or corporate rating if a debt rating is unavailable) from Moody’s Investor Services. If option x) and y) are not available, the Credit Rating will be determined by the Company through an internal process review utilizing a proprietary credit scoring model developed in conjunction with a third party. With few exceptions, PacifiCorp will expect sellers with sub investment-grade credit ratings (or being of similar creditworthiness) to provide performance assurance acceptable to the Company.

Please note that a financial institution providing credit assurances on behalf of the Bidder must have a Credit Rating of at least ‘A’ and ‘A2’ from S&P and Moody’s, respectively, and have assets (net of reserves) of at least $10,000,000,000.

COMPANY RESERVATION OF RIGHTS AND DISCLAMERS

The Company reserves the right, without qualification and in its sole discretion, to reject any or all proposals, and to terminate this RFP in whole or in part at any time. The Company further reserves the right without qualification and in its sole discretion to decline to enter into any agreement with any Bidder for any reason, including, but not limited to, change in regulations or regulatory requirements that impact the Company and/or any collusive bidding or other anti-competitive behavior or conduct.

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  |  |  |

1. WUTC Docket No. UE-100514. [↑](#footnote-ref-1)
2. PacifiCorp 2011 IRP, Chapter 8 – Modeling Results, Table 8.16, page 230. [↑](#footnote-ref-2)
3. PacifiCorp will comply with WAC 480-107-035(3), which states, "After the project proposals have been opened for ranking, the utility must make available for public inspection at the utility's designated place of business a summary of each project proposal and a final ranking of all proposed projects." [↑](#footnote-ref-3)