

September 5, 2013

***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

Attn: Steven V. King
Executive Director and Secretary

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

Dear Mr. King:

PacifiCorp d/b/a. Pacific Power & Light Company (PacifiCorp or Company) hereby submits an original and twelve (12) copies of PacifiCorp's Petition for 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
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Mary Wiencke, Senior Counsel
PacifiCorp
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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 Regular Mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Washington Utilities and Transportation Commission
September 5, 2013
Page 2

Informal inquiries may be directed to Gary Tawwater at 503-813-6805.

Sincerely,

A handwritten signature in cursive script that reads "William R. Griffith / GWT". The signature is written in black ink and is positioned above the printed name and title.

William R. Griffith
Vice President, Regulation

Enclosures

cc: David Nightingale, WUTC
Deborah Reynolds, WUTC
Jeremy Twitchell, WUTC

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION**

In the Matter of the Petition of

PACIFICORP, d.b.a. Pacific Power &
Light Company,

Petitioner

DOCKET UE-
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 & Light Company (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 Chapter 480-107.
2. The Company is an electric company and public service company in the State of Washington within the meaning of RCW 80.04.010, and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Washington. The Company provides electric service to approximately 127,612 retail customers in the State of Washington and approximately 1.8 million total retail customers in Washington, California, Idaho, Oregon, Utah and Wyoming.
3. PacifiCorp's name and address:

Washington Dockets
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232
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Introduction and Background

4. On September 6, 2011, in Docket UE-111418, the Company filed an Amended Petition for Waiver of Certain Requirements Related to Requests for Proposals Contained in WAC 480-107 (2011 Petition). The 2011 Petition requested waiver of certain requirements of WAC 480-107 with respect to the acquisition of capacity resources identified in the Company's 2011 Integrated Resource Plan (2011 IRP). On October 14, 2011, in Order 01, the Commission granted the Company's waiver requests made in the 2011 Petition. The waiver requested as part of the instant Petition is very similar, and in most cases identical to the waiver requested in the 2011 Petition.
5. On April 30, 2013, in Docket UE-120416, the Company filed its 2013 integrated resource plan (2013 IRP) pursuant to WAC 480-100-238. The 2013 IRP preferred portfolio identifies resources needed to serve the west balancing authority area (BAA) over the next three years. Table 8.7 of the 2013 IRP, included here as Attachment 1, provides detail on the preferred portfolio resources by east and west region, resource type, and the year the resource is required. This consists of a mix of resources, which includes front office transactions (FOT) at liquid hubs from existing or new generation sources, demand-side management (DSM), thermal plant turbine upgrades, combined heat and power (CHP), and solar resources. Within only minor differences,¹ the west-side capacity resources identified in the 2013 IRP preferred portfolio mirror those that were identified in the 2011 IRP preferred portfolio. Accordingly, the Company is now requesting the waiver of the same requirements of WAC 480-107, based on the same rationale, for the 2013 IRP that the Commission granted for the 2011 IRP.

¹ The 2011 Petition included waiver requests related to the acquisition of DSM class 1 resources and solar hot water heating. These resources were not identified as part of the 2013 IRP preferred portfolio and accordingly no waiver requests are include for those resources in the Petition.

6. For each identified resource the Company has procurement processes in place that are tailored to efficiently and effectively acquire each resource identified in the west region from 2013 through 2015. For reasons explained below, these processes are the most efficient mechanism, from the perspective of the Company and bidders, to procure the type of resources needed. However, in each instance, the process identified as the most efficient deviates from the RFP process as explicitly contemplated by the Commission's rules. In each case, the Company seeks waiver of the relevant rules in order to effectively procure each resource in the most efficient and cost-effective manner. This waiver request is in the public interest because it allows the Company to utilize procurement processes that are specifically designed, by type of resource, to achieve the maximum benefit for PacifiCorp's customers. Depending on the resource, the Company seeks either a waiver of the entire WAC Chapter 480-107 or a limited waiver of certain sections of WAC Chapter 480-107. Discussed below are a description of each resource, the procurement process for acquiring each resource, a description of how and whether each procurement process complies with the requirements of WAC 480-107, and an explanation of why a waiver of certain requirements of WAC 480-107 is in the public interest.

Front Office Transactions

Overview

7. FOTs are proxy market purchases, assumed to be firm, that represent procurement activity made on a forward basis to help the Company cover short energy or capacity positions. As proxy resources, firm FOTs represent a range of purchase transaction types. They are usually standard products, such as heavy load hour (HLH), light load hour

(LLH), and/or daily HLH call options (the right to buy or call energy at a strike price) and typically rely on standard enabling agreements as a contracting vehicle. Firm FOT prices are determined by comparing the pricing provided by bidders to the then-current forward market price for power. An optimal mix of these purchases would include a range in terms for these transactions. Solicitations for firm FOTs can be made years, quarters or months in advance. Annual firm FOT transactions can be available up to three or more years in advance depending on the liquidity and market depth of the product being provided. Seasonal firm FOT transactions are typically delivered during quarters and can be available from one to three years or more in advance. The terms, points of delivery, and products all vary by individual market point.

8. Two FOT products were included in the 2013 IRP portfolio analysis: an annual firm FOT flat product and a third-quarter firm FOT HLH product. An annual firm FOT flat product reflects energy provided to PacifiCorp at a constant delivery rate over all the hours of a year. Third-quarter HLH firm FOT transactions represent purchases received 16 hours per day, six days per week from July through September. Accordingly, for the four year energy transaction period (ETP) from 2014 through 2017, the Company intends to seek FOT products for up to a four year maximum duration within the ETP. In no event will FOTs be sought for a time period greater than four years during the ETP. To the extent no viable offers are provided within this RFP the Company would then reissue the RFP until such time as a transaction is executed consistent with the pricing and non-pricing metrics outlined in the RFP.
9. The 2013 IRP preferred portfolio includes firm FOTs to address the majority of the west BAA needs within the next three years, from the following market hubs:

- California Oregon Border (COB), Flat firm Annual and 3rd Quarter HLH—400 MW of installed capacity;
- Mid-Columbia, Flat firm Annual and 3rd Quarter HLH—400 MW + 375 MW of installed capacity with 10% price premium; and
- Southern Oregon / Northern California, 3rd Quarter firm Quarter HLH—100 MW of installed capacity.

To arrive at these maximum quantities, the Company considered the following: 1) historical operational data and institutional experience with transactions at the market hubs; 2) the Company's forward market view, including an assessment of expected physical delivery constraints and market liquidity and depth; and 3) financial and risk management consequences associated with acquiring purchases at higher levels, such as additional credit and liquidity costs. Prices for firm FOT purchases are associated with specific market hubs and are set to the relevant forward market prices, time period, and location, plus appropriate wheeling charges.

10. Firm FOT purchases allow the Company to procure short-term firm energy products from existing generating resources or new firm resources, if provided. The resource need requirements may vary from year-to-year due to the fluctuation in load and generation or due to planned and forced maintenance assumptions on existing resources. In utilizing firm FOTs on a short-term basis, the Company retains the flexibility to meet shorter-term resource deficits without the need to commit to a long-term built resource, which could take 18 to 24 months to solicit and an additional 36 to 42 months to construct. In this way, the Company can tailor the firm energy/capacity FOT products it procures on a quarterly basis to meet its peak needs as well as account for load forecast deviations to

effectively manage costs without over committing. Firm FOTs allow the Company to determine its resource requirements on a year-by-year and/or quarterly basis instead of committing to new long-term resources.

11. Although from a planning perspective the 2013 IRP uses specific types of resources as proxy resources in the base case and in the preferred portfolio, these should not be considered to be the only resource types or technologies that PacifiCorp is willing to consider to meet its resource needs. For example, to the extent a firm physical or financial toll or a qualifying facility (QF) is proposed that provides either an annual or third quarter product the Company would compare the costs of all the proposals to each of the proposals received to evaluate the economics of each of the resources. Furthermore, the Company may opt to contract for more or less power, depending on such items as the quality of bids received, updates to the Company's forecasts, regional transmission availability and timing, and changes in the wholesale energy market conditions. *Procurement Process (Market RFP)*
12. The Company procures firm FOTs through the use of a Market Request For Proposals (Market RFP or Mini-RFP) that solicits bids for firm energy products for specified time periods and points of delivery. The Market RFP is specifically designed to procure the type of firm FOTs needed consistent with the 2013 IRP. The solicitation reflects the then-current forward market price for firm energy to meet the peak requirements at liquid trading hubs in the west. Market RFPs are issued in response to fluctuating market conditions (e.g. regional and or non-regional economic or political conditions, weather, transmission conditions, load demand conditions, resource performance conditions) and are less complex than an RFP used to procure new or existing generating facilities and/or

long-term stand-alone power purchase agreements as the firm FOTs typically involve transactions that are contracted under standard terms and conditions under umbrella agreements (Edison Electric Institute (EEI), Western Systems Power Pool (WSPP), International Swaps and Derivatives Association (ISDA)). When considering timing of issuance, the Company considers current, expected market and fundamental factors. In order to effectively respond to changing conditions, and optimize the benefits of the market, the Company typically issues a Market RFP within a short period of time following the identification of the need to do so. In addition, bidders will typically only keep pricing open to the Company for up to 2 hours, so execution of a transaction must be completed within a very short timeframe. In this way, the Company is able to use Market RFPs to retain timing and flexibility to transact while leveraging the market depth of the delivery point, the transparency, and the liquidity that exist in the west BAA. Furthermore, Market RFPs allow flexibility in timing so that in the event a particular Market RFP does not result in sufficient FOTs, the Company may issue another Market RFP within a short time period.

13. Market RFPs are issued to all WSPP members via an email, sent as blind carbon copy to all Western Electricity Coordinating Council (WECC) market participants. The Company maintains and updates a record of market participant contact information, including contact information for utilities, power marketers and developers. When issuing Market RFPs, and prior to the due date, the Company describes the desired enabling agreement and/or confirmation that will be used to document any consummated transactions. Historically, the enabling agreements used have been WSPP agreements, ISDA agreements or EEI agreements which set forth the standard non-price terms and

conditions governing the transactions. Bidders providing responses to Market RFPs are requested to have at least one of these agreements already in place for the Company prior to accepting a firm bid, however, this is not a mandatory requirement.

Overview of WAC Chapter 480-107

14. The rules established under WAC 480-107 require utilities to solicit bids, rank project proposals, and identify any bidders that meet minimum selection criteria.² These rules do not establish the sole procedures utilities must use to acquire resources. Utilities may also construct electric resources, operate conservation programs, purchase power through negotiated contracts, or take other action to satisfy their public obligations.³ A utility must submit to the Commission a proposed RFP and accompanying documentation no later than one hundred thirty-five days after the utility's integrated resource plan is due to be filed with the Commission.⁴
15. The Company sets forth below the requirements of WAC 480-107 and explains how the Market RFP complies with the rules set forth in that chapter, and why a waiver of certain requirements of WAC 480-107 is in the public interest. The discussion below excludes certain administrative rules of WAC 480-107; the Company is not seeking waiver of any of these rules.⁵

WAC 480-107-015 – The Solicitation Process

16. WAC 480-107-015(1)-(2). This rule states that:

² WAC 480-107-001(1).

³ *Id.*

⁴ PacifiCorp filed the Petition for waiver on September 5, 2013, within the 135-day window. WAC 480-107-015(3)(b).

⁵ The following sections are not discussed in detail herein because they are discussed elsewhere in the Petition or are administrative in nature: 480-107-001 (Purpose and Scope); 480-107-002 (Application of Rules); 480-107-004 (Additional Requirements); 480-107-006 (Severability); 480-107-145 (Filings – Investigations); 480-107-999 (Adoption by Reference); 480-107-007 (Definitions).

Any owner of a generating facility, developer of a potential generating facility, marketing entity, or provider of energy savings may participate in the RFP process. Bidders may propose a variety of energy resources including: Electrical savings associated with conservation; electricity from qualifying facilities; electricity from independent power producers; and, at the utility's election, electricity from utility subsidiaries, and other electric utilities, whether or not such electricity includes ownership of property. Qualifying facility producers with a generation capacity of one megawatt or less may choose to participate in the utilities' standard tariffs without filing a bid.

Consistent with the first requirement of this section, the Company would receive and consider proposals from a variety of energy resources, as long as they meet the solicitation product requirements identified in the Market RFP. The Company does not need to limit its consideration of bids to market purchases and therefore is able to comply with this requirement. Similarly, the Company will comply with WAC 480-107-015(2), which requires that RFPs include a declaration of utility or affiliate participation in the bidding process, because the Market RFP will contain information about whether a utility or its affiliate/subsidiaries may participate.⁶

17. WAC 480-107-015(3). This rule states that:

(3) Timing of the solicitation process.

(a) The rules in this section do not apply when a utility's integrated resource plan, prepared pursuant to WAC 480-100-238, demonstrates that the utility does not need additional capacity within three years.

(b) A utility must submit to the commission a proposed request for proposals and accompanying documentation no later than one hundred thirty-five days after the utility's integrated resource plan is due to be filed with the commission. Interested persons will have sixty days from the RFP's filing date with the commission to submit written comments to the commission on the RFP. The commission will approve or suspend the RFP within thirty days after the close of the comment period.

(c) A utility must solicit bids for electric power and electrical

⁶ The company does not plan to allow utility, affiliate or subsidiary participation in the Market RFP.

savings within thirty days of a commission order approving the RFP.

(d) All bids will remain sealed until expiration of the solicitation period specified in the RFP.

Upon approval of the waiver request contained herein, the Company will submit for approval its Market RFP, consistent with WAC 480-107-015(3)(b). The Company will solicit bids within thirty days of a Commission order approving the Market RFP in accordance with WAC 480-107-015(c). The Company will then work with the Commission and other interested persons to ensure that adequate time is given for review of the Company's proposed Market RFP. However, because the bids are faxed and/or emailed to the Company and are reviewed and evaluated within a two-hour timeframe, the bids are not sealed. The Company therefore requests waiver of WAC 480-107-015(d) in order to not require sealed bids. This waiver is consistent with the public interest because it allows the Company to leverage current market conditions to benefit its customers by attempting to capture attractive market pricing and opportunities.

18. WAC 480-107-015(4)-(5). The Company will comply with WAC 480-107-015(4), as it allows utilities, at their discretion, to issue an RFP that limits project proposals to resources with specific characteristics as well as to issue RFPs more frequently than required by this rule. WAC 480-107-015(5) does not apply to the Company in that it provides a mechanism for interested persons to receive notice from the Commission of a utility's RFP filings.

480-107-025 – Contents of the Solicitation

19. WAC 480-107-025(1). This rule states that

The RFP must identify the resource block, consisting of the overall amount and duration of power the utility is soliciting, the initial estimate of avoided cost schedule as calculated in WAC 480-107-

055 Avoided cost schedule, and any additional information necessary for potential bidders to make a complete bid.

An example of the Company's Market RFP is provided as Attachment 2. The Market RFP identifies each of these items: 1) the minimum bid of 25 MW in 25 MW increments for Standard On-Peak (6x16) products that will allow acquisition of the overall amount solicited over the duration the Company is soliciting; and 2) a reference to market forward price curve (e.g., the Mid-Columbia, California Oregon Border or Southern Oregon/Northern California market hubs) as the initial estimate of avoided cost for which bids will be evaluated against. In addition, the Market RFP also includes any specified resource terms, including but not limited to, firmness of energy, capacity amount, delivery requirements, eligible points of delivery, and scheduling requirements.

20. WAC 480-107-025(2)-(5). The Market RFP contains all of the content required by these rules. It documents that the size of the resource block is consistent with the range of estimated new resource needs identified in the utility's integrated resource plan in accordance with WAC 480-107-025(2). It explains the general evaluation and ranking procedures the utility will use in accordance with WAC 480-107-035 project ranking procedure, and includes additional minimum eligibility criteria, in accordance with WAC 480-107-025(3). The additional minimum eligibility requirements include the Company's credit requirements as the selection of bids are contingent on Company credit approval which is dependent on the bidder's credit rating, notional dollar amount of specified transaction, and the term of specified transaction. The Market RFP also includes the due date and time of bid response and due date and time of completed evaluation in accordance with WAC 480-107-025(4). Further, the Market RFP contains all of the security requirements and rationale for them, as required by WAC 480-107-025(5).

21. WAC 480-107-025(6). This rule encourages utilities to consult with Commission staff during the development of the RFP. The Company has done this, and will continue to do so.

WAC 480-107-035 – Ranking Procedures

22. WAC 480-107-035(1). This rule states that the procedures and criteria the utility will use in its RFP to evaluate and rank project proposals are subject to Commission approval. The Company acknowledges this and will submit its ranking procedures for Commission review with its submittal of the Market RFP.
23. WAC 480-107-035(2). This rule states:

At a minimum, the ranking criteria must recognize resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, credit and financial risks to the utility, the risks imposed on ratepayers, public policies regarding resource preference adopted by Washington state or the federal government and environmental effects including those associated with resources that emit carbon dioxide. The ranking criteria must recognize differences in relative amounts of risk inherent among different technologies, fuel sources, financing arrangements, and contract provisions. The ranking process must complement power acquisition goals identified in the utility's integrated resource plan.

The Company evaluates the results of the Market RFP based on price in comparison to the Company's current market position, which is based on its forward market curve. The forward market curve reflects the then-current, competitive forward market price for energy/capacity and considers an assessment of physical delivery constraints and market liquidity and depth. Also, the forward price curve considers the range, or price spread, between the average buyers' price and the average sellers' price in the market. This ensures that the Company procures the optimal amount of energy/capacity at the lowest reasonable cost, adjusted for risk. To the extent bidders provide resource options other

than energy and capacity resources from the market then the Company will evaluate those proposals using a ranking criteria which will include any benefits, costs or risks associated with the resource as it pertains to the Company's dispatch rights of the resource, land ownership, development risk if any and other risks that may be imposed on customers which may include the impact, if any, of carbon dioxide.

24. WAC 480-107-035(3)-(5). The Company will retain each proposal, a summary of the proposal pricing, and the final ranking of all proposed projects available for public inspection in accordance with WAC 480-107-035(3). Further, the Company acknowledges that it may reject bids on the grounds set forth in WAC 480-107-035(4)-(5).
25. WAC 480-107-035(6). This rule allows competing bidders to request an independent evaluation of the bid if the utility, or the utility's affiliate or subsidiary submits a bid in response to an RFP. This rule will not apply to the proposed Market RFP because the Company does not plan to allow its subsidiaries or affiliates to bid in the Market RFP.

WAC 480-107-045 – Pricing and Contracting Procedures

26. WAC 480-107-045(1). This rule states that:

Once project proposals have been ranked in accordance with WAC 480-107-035 Project ranking procedure, the utility must identify the bidders that best meet the selection criteria and that are expected to produce the energy, capacity, and electrical savings as defined by that portion of the resource block to which the project proposal is directed.

Typically bidders' proposals are due within 7 days of when the Market RFP is issued. If a bid is found to best meet the selection criteria, that bid is selected for transacting on the Market RFP due date. The Company confirms the transaction terms on the same day via a recorded phone line within approximately 2 hours and the transaction is executed. This

verbal execution is then followed up with a written confirmation, which documents the agreed-upon price terms and conditions. An example of a written confirmation is provided as Attachment 3.

27. WAC 480-107-045(2). This rule states that the project proposal's price, pricing structure, and terms are subject to negotiation. The Company acknowledges that these items are negotiable.

WAC 480-107-055 – Schedules of Estimated Cost

28. WAC 480-107-055(1). This rule states that a utility must file annually a schedule of estimated avoided cost for the energy and capacity associated with the resource block the utility solicited in its most recent RFP filed pursuant to WAC 480-107-025. The Company intends to file this schedule in the fourth quarter of 2013.

29. WAC 480-107-055(2). This rule states that:

Schedules of estimated avoided cost are to be based upon:

- (a) The most recent project proposals received pursuant to an RFP issued under these rules;
- (b) Estimates included in the utility's current integrated resource plan filed pursuant to WAC 480-100-238;
- (c) The results of the utility's most recent bidding process; and
- (d) Current projected market prices for power. The utility must file documentation supporting its schedule of estimated avoided cost.

The Company estimates its avoided costs consistent with this rule. The Company's avoided cost is calculated based on its Schedule 37 (for QFs 2 megawatts or less) or market price (for QFs larger than 2 megawatts). Schedule 37 avoided cost prices are prepared using the Generation and Regulation Initiative Decision Tools (GRID) model runs to determine the value of the avoided energy during the sufficiency period and the all-in cost of a combined cycle combustion turbine for the deficiency period where the

sufficiency and deficiency period is determined based on the load and resource plan for the west BAA. Schedule 37 avoided cost prices are updated and filed every year in the fourth quarter covering a five-year period. For QFs greater than 2 megawatts, the Company offers projected market prices for power at its avoided cost consistent with the definition of avoided costs contained in WAC 480-107-007.⁷ The Company addresses these large QFs on an individual basis and provides avoided cost market prices specific to the timing and characteristics of the proposed resource.

30. WAC 480-107-055(3)-(4). To the extent that the Company revises its estimated avoided cost schedule, it will file such revisions with the Commission along with documentation supporting the revision as required by WAC 480-107-055(3). The Company also acknowledges that the schedule of estimated avoided cost provides only general information to potential bidders about the costs of new power supplies; it does not provide a guaranteed contract price for electricity, in accordance with 480-107-055(4).

WAC 480-107-065 – Eligibility for Long-Run Conservation Purchase Rates

31. WAC 480-107-065(1)-(2). These rules solely apply to conservation suppliers. Because conservation bids are required by WAC 480-107-065(2)(a) to be over a time period greater than five years, the Company does not expect to receive any eligible conservation bids in response to its Market RFP. Therefore, the Company does not expect that the

⁷ "Avoided costs" means the incremental costs to a utility of electric energy, electric capacity, or both, that the utility would generate itself or purchase from another source, but for purchases to be made under these rules. A utility's avoided costs are the prices, terms and conditions, including the period of time and the power supply attributes, of the least cost final contract entered into as a result of the competitive bidding process described in these rules. If no final contract is entered into in response to a RFP issued by a utility under these rules, the utility's avoided costs are the lesser of:

(1) The price, terms and conditions set forth in the least cost project proposal that meets the criteria specified in the RFP; or

(2) Current projected market prices for power with comparable terms and conditions.

requirements of these rules will apply with respect to the Market RFP issued to procure FOTs as identified in the 2013 IRP.

WAC 480-107-075 – Contract Finalization

32. WAC 480-107-075(1)-(5). The rules of this section govern the potential development of a final contract with any bidder. WAC 480-107-075(1) grants a utility discretion to decide whether to enter into a final contract. As mentioned above, the Company confirms transaction terms on the same day via a recorded phone line within approximately 2 hours and then documents the terms of the agreed-upon transaction with a written confirmation, which includes the price terms and conditions. However, in the event the Company receives proposals for resources other than energy or capacity resources that meet the criteria set forth in the RFP, the Company would consider whether or not to enter into a final contract. In the event the Company and the bidder opt to enter into a final contract, the Company will follow the requirements set forth in WAC 480-107-075(2)-(5).

WAC 480-107-085 – Obligations of Generating Facilities to the Utility

33. WAC 480-107-085(1)-(3). The rules of this section set forth the obligations of the utility and an owner or operator of a generating facility purchasing or selling electricity under this chapter. Given the short-term nature of the resources solicited in the Market RFP, the Company does not expect to receive proposals for new generating assets, which may take 36 to 42 months to engineer, procure, and construct. Therefore, the Company does not expect that the requirements of these rules will apply with respect to the Market RFP issued to procure FOTs as identified in the 2013 IRP. In the event the Company receives a proposal for a new generating asset from an eligible bidder that meet the requirements

of the solicitation, the Company will follow the requirements set forth in 480-107-085(1)-(3).

WAC 480-107-095 – Obligations of the Utility to Qualifying Facilities and WAC 480-107-105 – Rates for Sales to Qualifying Facilities

34. These sections govern certain aspects, including rates and services provided, of the Company's relationship with QFs. The Company currently follows these rules with respect to its relationship with existing QFs. To the extent a QF is a winning bidder resulting from the issuance of the Market RFP, the Company will continue to comply with these rules with respect to those QFs.

WAC 480-107-115 – System Emergencies and WAC 480-107-125 – Interconnection Costs

35. These sections address requirements for generating facilities. The Company currently follows these rules with respect to existing generating facilities. Given the short-term nature of the resources solicited in the Market RFP, the Company does not expect to receive proposals for new generating assets, which may take 36 to 42 months to engineer, procure, and construct. Therefore, the Company does not expect that these requirements will apply with respect to the Market RFP issued to procure FOTs as identified in the 2013 IRP. In the event the Company receives a proposal for a new generating asset from an eligible bidder that meet the requirements of the solicitation, the Company will follow the requirements set forth in these sections.

WAC 480-107-135 – Conditions of Purchase of Electrical Power or Savings from a Utility, a Utility's Subsidiary or Affiliate

36. This section sets forth the requirements for a utility, its subsidiary or affiliate participation in the utility's bidding process. This requirement will not apply to the

Company because the Market RFP will not allow the utility, subsidiaries or affiliates to bid.

Other West BAA Resources

Overview

37. In addition to FOTs, Table 8.7 of the 2013 IRP identifies DSM, thermal plant turbine upgrades, combine heat and power (CHP), and solar resources as needed resources in the west BAA in the next three years. For each of these resources the Company has established procurement processes in place to effectively acquire each resource. These are described below. In addition, the Company provides an explanation of why each requested waiver is in the public interest.

Jim Bridger Turbine Upgrades, CHP Biomass, and DSM Class 2

38. The preferred portfolio supports efficiency improvements to existing resources, when economically justified. Turbine upgrades identified in the preferred portfolio are to Jim Bridger Unit 2 and are part of ongoing planned capital investments and ongoing maintenance and management of the Company's thermal fleet. The procurement of goods and services to accomplish the upgrades utilize an engineer, procure, and construct (EPC) RFP, specifically targeted to the upgrade project. The EPC RFP associated with the Jim Bridger Turbine Upgrades was already conducted and the project was completed in June 2013.

39. The preferred portfolio also includes distributed generation biomass-based CHP resources which are acquired through QF contracts, utilizing the terms and conditions of avoided cost purchases. These resources are secured utilizing tariff Schedule 37 (Washington) if their nameplate capacity is 2 megawatts or below or at market prices

pursuant to WAC 480-107 if the QF resource is greater than 2 megawatts. The Company's standard tariff can be found at the following link:

<http://www.pacificpower.net/about/rr/wri.html>

40. The preferred portfolio also identifies Class 2 DSM programs, which are energy efficiency programs, such as refrigerator recycling, low-income weatherization services, residential equipment and appliance efficiency upgrades, residential dwelling energy efficiency improvements, and commercial/industrial process, equipment and lighting efficiencies. These programs are secured utilizing Washington tariff Schedules 107, 114, 115, 118, and 125, in accordance with Washington's I-937 conservation requirements, and as informed by the Washington DSM Advisory Group. The existing tariffs can be found at the following link:

<http://www.pacificpower.net/about/rr/wri.html>

The Company also acquires resources through a residential home energy report program (non-tariffed program) and market transformation efforts associated with its sponsorship of the Northwest Energy Efficiency Alliance (NEEA). NEEA leverages its strong regional partnerships to effect market transformation by accelerating the adoption of energy-efficient products, services and practices. Since these programs are sponsored by NEEA, they are not procured directly through the Company. Accordingly, the Company does not issue RFPs associated with these resources.

41. WAC 480-107-015(3)(b), as discussed above, requires a utility to submit a proposed RFP to the Commission for approval no later than one hundred and third-five days after the utility's integrated resource plan is due to be filed with the Commission. The Company seeks a waiver of this rule for the Jim Bridger Turbine Upgrades, CHP Biomass, and

Class 2 DSM resources described above. In the case of the Jim Bridger Turbine Upgrades, the work has already been procured over the course of normal operations and maintenance cycles. In addition, the issuance of an RFP for upgrades that are already complete would not be sensible. With respect to CHP Biomass and Class 2 DSM, the Company has Commission-approved tariffs or other processes in place to procure these resources. Conducting an RFP process for these resources would therefore unnecessarily create additional administrative burden and potential confusion to entities wishing to provide these resources.

Solar

42. The preferred portfolio also identifies solar resources as needed in the west BAA within the next three years. The Solar Capacity Standard and Solar Incentive Program Pilot are Oregon solar initiative programs created by the Oregon legislature in 2009 (House Bill 3039, modified in 2010 House Bill 3690). The costs of state specific solar initiatives, such as these Oregon programs, are assigned to the state where the programs operate. As a result, costs of the Oregon programs would not be included in Washington rates. For more information on Oregon's solar programs, please refer to following link:

<http://www.pacificpower.net/env/nmcg/osip.html>

43. With respect to the Solar Capacity Standard and Solar Incentive Program Pilot, the Company seeks waiver of entire chapter WAC 480-107. As described above, the cost of this resource will be fully assigned to Oregon and should therefore not be subject to Washington's competitive bidding requirements.

Request for Waiver

44. WAC 480-107-002(3) allows the Commission to grant waivers of the requirements of WAC Chapter 480-107 “if consistent with the public interest, the purposes underlying regulation, and applicable statutes.”
45. The Company’s request is in the public interest. The procurement processes described above are structured to effectively and efficiently acquire each particular resource at the lowest reasonable cost, adjusted for risk. The content, timing, or administration of these processes is not fully compatible with all of the requirements of the RFP process as contemplated by the Commission’s rules. As such, the identified processes are in the public interest because they are specifically tailored to each resource and to minimize procurement risks to the Company and its customers, while still maintaining Commission oversight through existing tariffs and the submittal of the Market RFP for Commission review.
46. The Company’s request is also consistent with the purposes underlying the regulations and applicable statutes. The purpose and scope section of WAC Chapter 480-107 states that the “rules in this chapter do not establish the sole procedures utilities must use to acquire new resources.”⁸ This language acknowledges that a full bid solicitation process may not always be the preferable mechanism for utilities to procure resources and satisfy their public service obligations. Furthermore, with only one exception, the Company is seeking only a limited waiver of the Commission’s rules. Where a waiver is sought, the Company has explained and demonstrated how such waiver allows the Company to efficiently and effectively procure the identified resources in accordance with the rules that remain applicable.

⁸ WAC 480-107-001(1).

47. The Company's request is also consistent with other applicable statutes, including the Public Utility Regulatory Policies Act (PURPA). As fully explained above, the Company does and will continue to purchase energy and capacity from QFs in accordance with PURPA. Further, the Company does and will continue to estimate and calculate avoided costs and rates for QFs in accordance with the rules set forth in WAC Chapter 480-107.

Conclusion

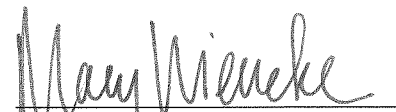
48. Due to the foregoing, the Commission should grant the Company's petition for waiver for each of the 2013 IRP preferred portfolio resources listed below, specifically:

- Waiver of WAC 480-107-015(3)(d) with respect to Front Office Transactions;
- Waiver of WAC 480-107-015(3)(b) with respect to Jim Bridger Turbine Upgrades;
- Waiver of WAC 480-107-015(3)(b) with respect to CHP Biomass;
- Waiver of WAC 480-107-015(3)(b) with respect to DSM Class 2;
- Waiver of entire WAC Chapter 480-107 with respect to Solar.

49. Upon approval of this Petition, the Company will submit a Market RFP, substantially in form and content to what is provided as Attachment 2, to the Commission for its review and approval, consistent with WAC 480-107-015(3)(b).

DATED: this 5th day of September 2013.

Respectfully submitted,



Mary M. Wiencke
Senior Counsel, Pacific
Power & Light Company

Counsel for PacifiCorp

ATTACHMENT 1

Preferred Portfolio, Detail Level, West Side Resources

Resource		Capacity (MW)				
		2013	2014	2015	2016	2017
West	Expansion Resources					
	Coal Plant Turbine Upgrades	12	-	-	-	-
	CHP - Biomass	0.6	0.6	0.6	0.6	0.6
	DSM, Class 1, WA-Curtail	-	-	-	-	-
	DSM, Class 1, WA-DLC-IRR	-	-	-	-	-
	DSM, Class 1, OR-Curtail	-	-	-	-	-
	DSM, Class 1, OR-DLC-IRR	-	-	-	-	-
	DSM, Class 1, CA-DLC-IRR	-	-	-	-	-
	DSM, Class 1, CA-Curtail	-	-	-	-	-
	DSM, Class 1 Total	-	-	-	-	-
	DSM, Class 2, CA	1	1	1	1	1
	DSM, Class 2, OR	37	41	33	32	29
	DSM, Class 2, WA	8	7	8	8	8
	DSM, Class 2 Total	45	49	42	41	38
	OR Solar (Util Cap Standard & Cust Incentive Prgm)	4.45	3	3	-	-
	FOT COB Q3	131	130	247	262	297
	FOT NOB Q3	100	100	100	100	100
	FOT MidColumbia Q3	400	400	400	400	400
	FOT MidColumbia Q3 - 2	19	79	98	221	305
	Annual Additions, Long Term Resources	62	53	45	42	39
	Annual Additions, Short Term Resources	650	709	845	983	1,102
	Total Annual Additions	712	762	890	1,025	1,141

ATTACHMENT 2

PacifiCorp

Request for Proposals

Market Resources

(2013 Market RFP)

**ISSUED: Commission's Approval Waiver
("Issue Date") + 5 Business Days**

DUE DATE: Issue Date + 10 Business Days

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/es/irp.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 2014 through 2017 (the Term).

This RFP solicitation seeks power purchase agreements of varying contract lengths for four years within the Term.¹ 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 Schedule 37 (attached).

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 April 30, 2013.² 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>.

¹ The maximum effective transaction period is 36 consecutive months.

² WUTC Docket No. UE-120416.

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 the Term. Table 2 shows the Company’s 2013 IRP Preferred Portfolio for the Term (from 2013 IRP, Table 8.7). 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 in all years in the Term. The average deficit for the west position in the Term is 1,097 MW. Underlying the capacity position is west side contribution to system coincident peak load growth of 1.21 percent for period 2013 to 2022.

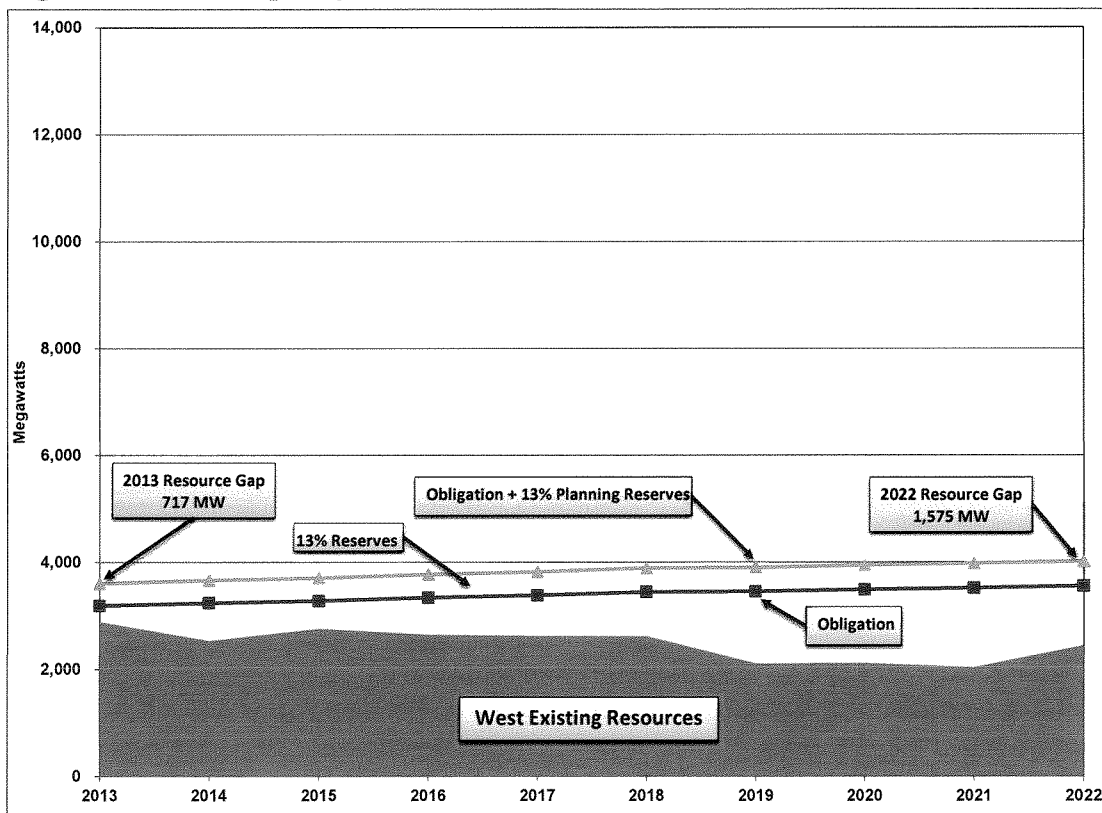
Table 1 – PacifiCorp IRP West Capacity Position Forecast (Megawatts)

2013 IRP Load and Existing Resource Balance				
Calendar Year	2014	2015	2016	2017
West				
West Existing Resources	2,536	2,760	2,649	2,624
West obligation	3,241	3,279	3,337	3,379
Planning Reserves (13%)	421	426	434	439
West Obligation + Reserves	3,662	3,705	3,771	3,818
West Position	(1,126)	(945)	(1,122)	(1,194)
West Reserve Margin	(21.8%)	(15.8%)	(20.6%)	(22.3%)

Table 2 – PacifiCorp IRP Preferred Portfolio, for 2014 – 2017

		2014	2015	2016	2017
West	Resource				
	Expansion Resources				
	Coal Plant Turbine Upgrades	-	-	-	-
	CHP - Biomass	0.6	0.6	0.6	0.6
	DSM, Class 1, WA-Curtail	-	-	-	-
	DSM, Class 1, WA-DLC-IRR	-	-	-	-
	DSM, Class 1, OR-Curtail	-	-	-	-
	DSM, Class 1, OR-DLC-IRR	-	-	-	-
	DSM, Class 1, CA-DLC-IRR	-	-	-	-
	DSM, Class 1, CA-Curtail	-	-	-	-
	DSM, Class 1 Total	-	-	-	-
	DSM, Class 2, CA	1	1	1	1
	DSM, Class 2, OR	41	33	32	29
	DSM, Class 2, WA	7	8	8	8
	DSM, Class 2 Total	49	42	41	38
	OR Solar (Util Cap Standard & Cust Incentive Prgm)	3	3	-	-
	FOT COB Q3	130	247	262	297
	FOT NOB Q3	100	100	100	100
	FOT MidColumbia Q3	400	400	400	400
	FOT MidColumbia Q3 - 2	79	98	221	305
	Annual Additions, Long Term Resources	53	45	42	39
	Annual Additions, Short Term Resources	709	845	983	1,102
	Total Annual Additions	762	890	1,025	1,141

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 2013.

SECTION 3. MARKET PURCHASE ADDITIONS IN THE 2013 IRP

PacifiCorp’s 2013 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 the Term are as follows: 800 MW – 2014, 954 MW – 2015, 1,110 MW – 2016, and 1,246 MW – 2017 .³ These market purchase quantities should be considered only as indicative of what the Company plans to acquire. Resources evaluated

³ PacifiCorp 2013 IRP, Chapter 8 – Modeling Results, Table 8.8, page 228.

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 – RFP Schedule

Event	Date
PacifiCorp releases final RFP solicitation	Commission's approval of Waiver ("Issue Date")
Commission Approval of RFP	Approval of Waiver + 5 Business Days
PacifiCorp Issuance of RFP	Approval of RFP + 5 Business Days
Bidders Conference	Issuance of RFP + 5 Business Days
Offers due to PacifiCorp	Issue of RFP + 10 Business Days (Due Date)
Final short list selected, Bidders notified	Receipt of Offers
Avoided Cost Filing	Month __, 2013

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. The Company will maintain and post all materials on PacifiCorp's website at www.pacificorp.com. Any questions on the RFP or related documents should be sent to the Company via email at RFPmarket@pacificorp.com

BIDDER CONFERENCE

TBA – PHONE CALL TO BE SCHEDULED

SCHEDULED 5 BUSINESS DAYS FOLLOWING THE ISSUANCE OF THE RFP.

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.⁴ 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.

A. 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.

2. 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.pacificcorp.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

⁴ 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."

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 Due Date at 9:00 am and Bidders must hold their prices valid until 11am PPT. PacifiCorp will contact Bidders on Due Date prior to 11:00 PPT if the Bidder is successful in the RFP. Bidders are to email the Following TERM SHEET and any proposed changes to Appendix 2 to RFPmarket@pacificorp.com

TERM SHEET

Seller: Counterparty
Buyer: PacifiCorp
Term: 2014 through 2017
Quantity: Minimum bid of 25 MW in 25 MW increments
Delivery Term: Product One: July – September (all months inclusive, Q3) of each calendar year and or
Product Two: January – December of each calendar year.
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.
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 Area 69 kV
 - Plot Butte 69/230 kV
 - Ponderosa 230 kV
 - Redmond 69/115 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 assurances to the Bidder. However, PacifiCorp may require the Bidder to provide a commitment letter(s) from a proposed guarantor(s) and/or from a financial institution(s) that would be issuing a letter of credit as performance assurances on behalf of the Bidder. The amount of performance assurances to be provided will be determined based upon factors which include the following:

- a) The Credit Rating of the Bidder and the entity(ies) providing credit assurances on behalf of the Bidder, if applicable.
- b) The terms of the contract.
- c) The volume to be delivered.

In order for PacifiCorp to perform a credit evaluation on the Bidder or the entity providing credit assurances on its behalf, audited financial statements (including balance sheet, income statement, and cash flow statement) for the three (3) most recent fiscal years must be provided to the Company.

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 assurances acceptable to the Company.

Please note that a financial institution providing a letter of credit as performance 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 DISCLAIMERS

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.

ATTACHMENT 3

**Schedule 37
COGENERATION AND SMALL POWER PRODUCTION**

AVAILABILITY:

This schedule applies to any person or entity, hereinafter referred to as the Seller, who owns Qualifying Facilities the output of which is offered to the Company pursuant to WAC 480-107-095(1) and WAC 480-107-095(2) and is 2 MW or less.

PAYMENTS MADE TO SELLER:

The Seller shall be paid by the Company a capacity and energy payment as provided under the terms of a Power Purchase Agreement.

DEFINITIONS:

Qualifying Facilities: as used in this schedule shall have the same meaning as in Chapter 480-107-007 of the Washington Administrative Code.

TERMS AND CONDITIONS:

1. The Seller will be required to enter into a written Power Purchase Agreement and an Interconnection Agreement in a form satisfactory to the Company prior to interconnection of the Company and the Seller's facilities and the selling power to the Company.
2. All costs of interconnection of the Seller's facilities with the Company's system will be borne by the Seller. Such costs will include the initial cost of interconnection, O&M cost, and any other costs incurred by the Company from time to time with respect to the Seller's facilities and the interconnection with the Company's system.
3. The Seller shall indemnify and hold harmless the Company from any and all liability arising from the operation and interconnection of the Seller's facilities. The Company will require evidence of the insurance to this effect.
4. The Seller shall provide a lockable disconnect switch to isolate the Seller's generation from the Company's system. Such switch shall be accessible to the Company and the Company shall have the right to lock such disconnect switch open whenever necessary to maintain safe electrical operation conditions, or whenever the Seller's facilities adversely affect the Company's system.
5. Except for the metering, the Seller shall own and maintain all facilities on the Seller's side of the single point of delivery as specified in the Power Purchase Agreement. The Seller's facility, including interconnecting equipment, shall be inspected and approved by the state electrical inspector and any other public authority having jurisdiction before any connection is made to the Company's system.

(continued)

Issued: May 13, 2011
Advice No. 11-01

Effective: June 13, 2011

Issued By Pacific Power & Light Company

By: Andrea Kelly Andrea L. Kelly

Title: Vice President, Regulation

PACIFIC POWER & LIGHT COMPANY

WN U-75

Second Revision of Sheet No. 37.2
Canceling First Revision of Sheet No. 37.2

Schedule 37
COGENERATION AND SMALL POWER PRODUCTION

TERMS AND CONDITIONS: (continued)

6. The Company will purchase the entire output from the Seller's facility, or if the Seller wishes to reduce his net delivery and billing from the Company, the Company will purchase the net output from the Seller's facility. The metering configuration to measure such purchases will be specified in the Power Purchase Agreement and/or Interconnection Agreement.
7. The Avoided Cost rates are fixed for five years. However, these rates are recalculated every year and applicable to any seller that enters into power purchase agreement with PacifiCorp in that year.

GENERAL RULES AND PROVISIONS:

Service under this schedule is subject to the General Rules and Provisions contained in this tariff.

AVOIDED COST RATES:

Deliveries During Calendar Year	Capacity Payment \$/kW - Month	Energy Payment \$/MWH
2013	\$2.79	29.52
2014	\$2.84	34.07
2015	\$2.90	36.41
2016	\$2.95	38.42
2017	\$2.99	40.27
2018	\$3.04	42.45
2019	\$3.09	46.52
2020	\$3.14	50.11
2021	\$3.20	53.85
2022	\$12.45	43.34

Issued: December 27, 2012
Advice No. 12-10

Effective: February 28, 2013

Issued by Pacific Power & Light Company

By: William R. Griffith William R. Griffith

Title: Vice President, Regulation