BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1360

In the Matter of PacifiCorp Draft 2008 Request for Proposals	STAFF'S OPENING COMMENTS

Pursuant to Judge Kirkpatrick's memorandum of March 6, 2008, staff submits opening comments on PacifiCorp's Draft 2008 Request for Proposals (RFP) for base load, intermediate load and summer peak resources that can come on-line during the period 2012 to 2016 (Draft 2008 RFP). Attachment 1 is PacifiCorp's responses to selected data requests. Attachment 2 is staff's initial analysis of the company's resource needs.

Staff's comments today are preliminary. Staff focuses on alignment of the RFP with staff's proposed order on PacifiCorp's 2007 Integrated Resource Plan (IRP) in Docket LC 42 and compliance with the Commission's competitive bidding guidelines.[1]

Importantly, the Commission has not yet issued an order on the 2007 IRP. In its order on PacifiCorp's previous RFP, the Commission clarified that in applying its first criterion for RFP approval — alignment with the utility's acknowledged IRP — the Commission's "…review begins with the utility's last acknowledged IRP to ensure that our review is based on a fully vetted and acknowledged resource plan."[2]

The company plans to file its *final* Draft RFP on March 28, 2008, following initial review from the Oregon and Utah Independent Evaluators (IEs) and initial stakeholder comments in Oregon, Utah and Washington. The Oregon IE's assessment of RFP design is due April 11, 2008.[3] Staff expects to have additional comments based on the company's final filing and the IE's assessment. The Oregon IE's Closing Report for the 2012 base load RFP (Docket UM 1208) will be filed soon. Staff also will consider in its final comments any relevant findings on this previous solicitation.

[1] *See* Order No. 06-446.
[2] *See* Order No. 07-018 (at 3) in Docket UM 1208.
[3] At its public meeting on January 8, 2008, the Commission approved Accion Group and Boston Pacific Company to jointly serve as the Oregon IE. *See* Order No. 08-019.

RFP Summary

PacifiCorp's 2008 RFP seeks to acquire up to 2,000 megawatts (MW) of unit contingent or firm resource capacity and associated energy for delivery to the east and west sides of its system. Base load, intermediate load and summer peak resources available for dispatch or scheduling by June 1st of 2012 to 2016 are eligible.[4] All resources within these bid categories are eligible, except for coal and intermittent renewable resources.[5] Unspecified purchases are not eligible.

The minimum bid requirements are at least 100 MW of "dependable capacity" and a five-year term.[6] Bidders can submit proposals for any of the following transaction types:

- Power purchase agreement (PPA) at a PacifiCorp site or bidder's site
- Tolling service agreement at a PacifiCorp site or bidder's site
- Asset purchase and sales agreement for a new facility at PacifiCorp's Currant Creek or Lake Side sites
- Asset purchase and sales agreement for a new facility at bidder's site
- Purchase of an existing facility
- Purchase of a portion of a facility jointly owned and operated by PacifiCorp
- Restructuring of an existing PPA or Exchange Agreement, resulting in incremental capacity and energy

Market bids will compete against each other, as well as PacifiCorp's self-build options. PacifiCorp proposes different treatment of its self-build options than specified in the Commission's competitive bidding guidelines. Staff addresses this issue in its discussion of satisfaction of the guidelines.

Following is a summary of the company's proposed evaluation process:

1) PacifiCorp will use the market bids and self-build options as submitted to determine the initial short-list of bids. PacifiCorp may allow for updated pricing for bidders and self-build options on the initial short-list.
2) To develop the initial short-list of bids, pricing will be weighted 70 percent and non-price factors will be weighted 30 percent. The company will use a spreadsheet model ("RFP Base Model") to evaluate pricing. The comparison metric will be projected net present value of revenue requirements (PVRR) per kilowatt per month. The RFP Base Model will be used to establish the initial short-list of the highest scoring proposals in each of the three bid categories — base load, intermediate load and summer peak. Non-price factors include (1) development/feasibility risk; (2) site

[4] Bid categories are defined as follows: 1) Base load resources - Capacity factor of 60 percent and heat rates of 6,900 to 8,870 Btu/kWh; 2) Intermediate resources - Capacity factor of 20 percent to 60 percent and heat rates of 8,870 to 11,500 Btu/kWh; and 3) Summer peak resources – Third quarter (July through September) purchases during the hours of 7 a.m. to 10 p.m, excluding NERC holidays.

[5] The company will accept bids for other types of renewable resources, such as biomass and geothermal plants.

[6] Minimum size for load curtailment is 3 MW; minimum size for Qualifying Facilities is 10 MW.

control and permitting and (3) operational viability/risk impacts. The maximum score for each of the non-price factors is 10%.

3) To determine the final short-list, PacifiCorp will use two production cost models. The company will use its Capacity Expansion Model (CEM) to optimize portfolios for lowest expected cost under various combinations of potential low, medium and high emissions costs and market prices for natural gas and electricity. The portfolios generated by this model will then be subjected to two types of analyses. The Planning and Risk Model will be used in "stochastic" mode to assess outcomes under a range of loads, wholesale natural gas and electricity prices, hydro variations and thermal unit performance. Using the portfolios developed previously for the CEM optimization under each scenario, the CEM will be used again to determine expected costs of these same portfolios under the other scenarios tested. For example, the portfolio optimized for a low CO_2 adder, low gas prices and low electricity prices will be tested under scenarios with higher potential costs in these categories. Bids and self-build options that are "robust" over a range of futures will advance to the final short-list. The company will consider direct and indirect debt associated with bids on the final short-list.
4) Finally, the unique advantages and disadvantages of self-build proposals will be evaluated, along with any other RFP requirements by states in which the company operates.

Bids on the final short-list will advance to contract negotiations, including price and terms contained in the pro forma contracts.

The current schedule assumes issuance of the RFP mid-2008, bids due in 75 days, and PacifiCorp's resource selection early in 2009. At that point, a Utah-mandated 180-day pre-approval process would begin.

Relationship of This RFP to Other RFPs

On April 5, 2007, PacifiCorp issued an RFP in fulfillment of Action Items 7, 8 and 9 in the 2007 IRP Action Plan. The process is not yet completed. The company states that the new (2008) RFP is for thermal resource needs beginning 2012-2016 that are incremental to resources it may acquire through the previously issued RFP.[7]

On January 31, 2008, PacifiCorp issued an RFP for up to 300 MW of renewable resources. Bids must be less than 100 MW or for a term less than five years, and resources must be available for delivery by December 31, 2009.[8] On March 4, 2008, the company submitted an application to the Commission in anticipation of filing a draft RFP for up to 500 MW of renewable resources. Only resources at least 100 MW and for a term of five years or more qualify, and they must be on-line by 2011.

[7] *See* Docket UM 1208.

[8] Such resources fall below the definition of "Major Resources" in Oregon and Utah. Thus, the solicitation is not subject to approval by the Commissions in those states.

PacifiCorp plans to issue an RFP for energy efficiency and load control/demand response programs shortly.

Criteria for RFP Approval

The Commission focuses its consideration of RFP approval on three criteria:

(1) The alignment of the utility's RFP with its acknowledged IRP;
(2) Whether the RFP satisfies the Commission's competitive bidding guidelines; and
(3) The overall fairness of the utility's proposed bidding process.[9]

Staff presents its initial comments below under each of these criteria.

Criteria 1: Alignment of RFP with PacifiCorp's Acknowledged IRP

As stated above, the Commission has not yet issued its order on PacifiCorp's 2007 IRP. Staff bases its comments at this time on staff's proposed order in Docket LC 42.

2007 IRP Preferred Portfolio and Action Plan

The company requested acknowledgment of the Action Plan for its "preferred portfolio," Risk Analysis Portfolio 14. The portfolio includes the following resource additions from 2007 to 2016:[10]

- 2,000 MW of renewable resources by 2013, including 400 MW expected to be on-line by year-end 2007
- 900 MW of base load/intermediate load resources on the east side beginning 2012, modeled as pulverized coal plants
- 1,500 MW of combined-cycle combustion turbine (CCCT) natural gas plants beginning 2011
- 450 average megawatts (MWa) of conservation
- 100 MW of additional direct load control beginning 2010
- 100 MW of combined heat and power facilities through contracts under the Public Utility Regulatory Policies Act
- Front Office Transactions (market purchases on an annual forward basis) primarily on the west side, varying from 336 MW to 660 MW per year
- Transmission additions beginning in 2010 to support integration of resources with loads

As filed, PacifiCorp's Action Plan to implement its preferred portfolio includes the following activities for decisions the company intends to make in the next two to four years:[11]

[9] *See* Guideline 7, Order No. 06-446 (at 9).
[10] *See* Table 7.32, IRP at 184; resource sizes are approximate.

1. Acquire 2,000 MW of renewable resources by 2013 system-wide
2. Acquire the base conservation of 250 MWa[12] and up to an additional 200 MWa if cost-effective initiatives can be identified; incorporate conservation potential study findings in the 2007 IRP update and 2008 IRP planning processes
3. Acquire 100 MW of new Class 1 Demand-Side Management (DSM) programs
4. Leverage Class 3 and 4 DSM resources to improve system reliability during peak load hours; incorporate DSM potential study findings in the 2007 IRP update and 2008 IRP planning processes
5. Pursue at least 75 MW of combined heat and power for the west side and 25 MW for the east side; incorporate CHP potential study findings in the 2007 IRP update and 2008 IRP planning processes
6. Incorporate potential study findings for dispatchable standby generators in the 2007 IRP update and 2008 IRP planning processes
7. Procure a base load/intermediate load resource in the east in 2012 (Modeled resource: 550 MW CCCT)
8. Procure a base load/intermediate load resource in the east in 2012 (Modeled resource: 350 MW supercritical pulverized coal plant)
9. Procure a base load/intermediate load resource in the east in 2014 (Modeled resource: 550 MW supercritical pulverized coal plant)
10. Investigate a base load/intermediate load resource in the east in 2016 (Modeled resource: 350 MW CCCT)
11. Procure a base load/intermediate load resource in the west in 2011 (Modeled resource: 600 MW CCCT)
12. Procure base load/intermediate load resources beginning summer of 2010 (Modeled resource: 350 MW to 650 MW of Front Office Transactions in 2010 to 2014 consisting of flat annual products in the west and third-quarter, heavy-load hour products in the east)
13. Pursue the addition of transmission facilities or wheeling contracts as identified in the IRP to cost-effectively meet retail load requirements, integrate wind and provide system reliability (Modeled resource: eight transmission options beginning in 2010)

PacifiCorp has stated that its coal Benchmark Resources[13] are no longer viable.[14] However, coal plants were eligible to *bid* into the 2012 RFP. Therefore, the company requested the Commission acknowledge Action Items 7, 8, 9 and 11 with the following addition: "Coal resources will be required to indicate how they will indemnify the customers and shareholders for the CO_2 risk and cost greater than what the company would otherwise be exposed to with a gas resource, and must be consistent with state

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[11] PacifiCorp states that resources are proxies representing the fuel type and operating characteristics deemed to best fit the deficit position; actual resource types to be acquired will be determined in the procurement process. The Action Plan includes additional items, as well, related to evaluation, strategy and policy.

[12] PacifiCorp and Energy Trust of Oregon combined.

[13] For Action Items 8 and 9.

[14] *See* PacifiCorp's November 28, 2007, informational filing in Docket UM 1208.

law and greenhouse gas emission control requirements."[15] Without an agreement to explicitly exclude acknowledgment of coal resources, staff ultimately recommended the Commission not acknowledge Action Items 7, 8, 9 and 11.

However, PacifiCorp agreed to modify these action items to remove specificity regarding resource size and type. Precisely, the company agreed to "Refine the size and type (base load vs. peaking) after updating DSM and renewable resource analyses, accounting for changes in resources, and refining load forecasts."[16]

PacifiCorp also agreed to other modifications, including:

- Increasing the level of "base" Class 2 DSM to 300 MWa, reflecting incremental energy efficiency in Oregon beyond that funded through the public purpose charge, pursuant by Senate Bill 838
- Modeling improvements for any 2007 IRP update and the next planning cycle

Resource Need

2007 IRP. In the 2007 IRP, the company projected a need for 2,446 MW to 2,768 MW of new resources system-wide by 2012, based on a planning margin of 12 percent to 15 percent, respectively. For 2016, the figures are 3,171 MW to 3,513 MW.[17] The projections were based on the company's forecasts of energy growth at 2.4 percent on average from 2007 to 2016, and coincident peak load growth during the period at 2.6 percent. The company also accounted for contract expirations.

Staff recommended the Commission not acknowledge the magnitude of PacifiCorp's resource needs, citing lack of confidence in the load forecast as well as modeling deficiencies. [18] For example, the company did not model energy efficiency on par with supply-side resources, and did not model renewable resources other than wind, which underestimates their capacity contribution.

Updated Load and Resource Balance. The Commission has clarified that in requesting approval for an RFP, "…a utility must account for all material changes since [IRP] acknowledgement and provide, at a minimum, updated load forecasts, revised assumptions and recent resource additions."[19]

PacifiCorp developed a new long-term load forecast in October 2007 and updated the load and resource balance for its business plan and as a starting point for its 2008 IRP. The company estimates the average annual growth in energy consumption at 1.74 percent for the 2008-2017 period; coincident capacity needs are expected to grow 2.14 percent.[20]

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[15] *See* PacifiCorp's December 18, 2007, comments to the Commission in Docket UM 1208.
[16] *Ibid.*
[17] *See* 2007 IRP at 82.
[18] *See* staff's comments in Docket LC 42.
[19] *See* Order No. 07-018 at 3 (footnote 4).
[20] *See* PacifiCorp's presentation for the February 29, 2008, IRP Public Input Meeting at 31. Staff and other parties have not yet reviewed the new load forecast. However, the revised growth estimates

PacifiCorp's most recent projection of resource needs, based on a 12 percent planning margin, shows the need for 1,936 MW of resources in 2012, increasing to 2,547 MW in 2016, after accounting for 200 MW of thermal upgrades, 19 MW of combined heat and power, Class 1 DSM (such as direct control of end-use loads) and the capacity value of renewable resources. *See* PacifiCorp's response to Staff Data Request No. 10, attached. The company will include targets for Class 1 DSM and renewable resources as inputs into the Capacity Expansion Model based on IRP forecasted price.[21] The company states that existing and planned Class 2 DSM (conservation) is included in the load forecast.

PacifiCorp's analysis, however, does not take into account the Front Office Transactions included in the company's preferred portfolio in the 2007 IRP. This omission is inconsistent with the company's 2007 IRP preferred portfolio as presented for Commission acknowledgment.

The company states:

> In the 2008 RFP, the Company is seeking baseload resources which, if proven to be economic, may replace all or a portion of the flat annual energy purchases (i.e., Front Office Transactions) in the IRP Action Plan on the west side of the system that are expected to be made on an annual forward basis….
>
> In the 2008 RFP, the Company is seeking peaking resources which, if proven to be economic, may replace all or a portion of the 3rd quarter, heavy-load hour Front Office Transactions on the east side of the system.
>
> *See* PacifiCorp's responses to Staff Data Request Nos. 7 and 8, attached.

The company has not provided any analysis to demonstrate that replacing the flat (24/7) west-side annual purchases with base load resources spanning five years or longer is a reasonable deviation from its 2007 IRP preferred portfolio. Further, IRP assumptions regarding lead time and term of Front Office Transactions are inconsistent with the four- to eight-year lead time[22] and minimum five-year term required in the Draft 2008 RFP. Staff has similar concerns related to replacing the third-quarter, heavy-load hour Front Office Transactions on the east side of the system in the 2007 IRP preferred portfolio. Front Office Transactions are made on an annual forward basis closer to need.[23] Staff takes note of the following Commission statement regarding a similar issue with the 2012 RFP:

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are more in line with actual growth reported by PacifiCorp for recent periods. The company plans to update the load forecast in May 2008 for use in the 2008 IRP process.

[21] *See* February 15, 2008, letter accompanying filing, at 2.

[22] The company plans to issue the RFP mid-2008, for deliveries beginning 2012 to 2016.

[23] *See* IRP at 115 and 184 (Table 7.32).

> [T]he time when certain types of resources may be available at a reasonable price—short-term power purchases, for example—may not coincide with long lead-time resources such as coal plants. A utility's RFP must take into account resources that will be acquired through mechanisms other than competitive bidding, as well as resources that are more appropriate to acquire through RFPs issued closer to the date such resources are needed.[24]

Regarding treatment of Class 2 DSM in PacifiCorp's updated load and resource balance, the company has clarified that the amount of DSM shown represents the amount in the company's 10-year business plan. The business plan takes into account the six-state DSM assessment completed after the 2007 IRP was filed, plus the incremental conservation in Oregon based on PacifiCorp's recently approved Schedule 297 (36 MWa by 2012). The amount in the business plan (525 MWa) is virtually the same as in the 2007 IRP Action Plan with agreed-upon modifications (500 MWa).

However, staff notes that the company refers to 200 MWa of the conservation in the IRP Action Plan as "a placeholder intended to avoid capping ongoing DSM acquisitions and demonstrate PacifiCorp's intention to continue to look for and source additional DSM resources throughout the planning period." *See* PacifiCorp's response to Staff Data Request No. 4, attached. Staff hopes that this statement does not imply that the company considers the planned conservation in the IRP Action Plan to be less firm than the planned thermal resources in the IRP Action Plan.[25]

At staff's request, the company highlighted the planned Class 2 DSM as a separate item in the updated load and resource balance, removing it from the load forecast. In the same request, staff asked the company to include the residual level of Front Office Transactions, after updating for the new load forecast and resource additions. In response, the company provided the amounts of such transactions developed by a recent Capacity Expansion Model run performed for the company's business plan. *See* PacifiCorp's response to Staff Data Request No. 20, attached.

Staff replaced the amounts of Front Office Transactions in PacifiCorp's spreadsheet (Attachment for Data Request No. 20) with the annual amounts specified in the company's 2007 IRP preferred portfolio. System-wide, these annual purchases comprise 652 MW in 2012, 660 MW in 2013, and approximately 400 MW to 450 MW per year from 2014 to 2016.[26]

As previously noted, while the Commission requires updates to the load and resource balance for load forecasts and recent resource additions, the Commission uses the most recently acknowledged IRP — not a new Capacity Expansion Model run — as the basis for RFP approval.

[24] *See* Order No. 07-018 at 10.
[25] The company considers the proxy resources for Action Items 8 and 9 no longer viable.
[26] *See* Table 7.32, IRP at 184.

However, staff points out that the company's business plan, based on the more recent model run with updated wholesale electricity prices, includes *more* Front Office Transactions than in the 2007 IRP preferred portfolio. The resulting deficit system-wide during 2012 to 2016 is far reduced, ranging from a low of 824 MW (in 2012) to a high of only 886 MW (in 2015).

Based on the company's updated load and resource balance using the same planning margin and level of Front Office Transactions in the 2007 IRP preferred portfolio, the company needs to acquire at most 1,119 MW of thermal resources in 2012, increasing to 2,067 MW in 2016. *See* Attachment 2.

That resource need is reduced to the extent PacifiCorp acquires resources through its continuing 2012 RFP. Staff cannot yet opine on whether the amount of resources to be solicited in the 2008 RFP appropriately accounts for the earlier RFP, because that process is not yet completed.

In addition, PacifiCorp's analysis of resource need may still rely on a capacity contribution from renewable resources based too heavily on wind, which may over-state other resource needs. PacifiCorp also has not yet modeled conservation on par with supply-side resources to determine whether the company should be acquiring higher levels of conservation, considering risk as well as expected cost. Further, the company's analysis accounts for only 19 MW of the planned 100 MW of combined heat and power in the 2007 IRP preferred portfolio and Action Plan.

<u>Transfers</u>. Staff is reviewing the treatment of transfers in the load and resource balance — for example, from the west to east control areas. We may address this issue in final comments.

<u>Planning Reserve Margin</u>. The letter accompanying the 2008 RFP filing indicates continuing consideration of both a 12 percent and a 15 percent planning margin. In the early stages of RFP analysis, the company plans to run its capacity expansion model using low, medium and high natural gas electricity prices under both planning margins to determine the least cost portfolio adjusted for risk. The Commission has not previously acknowledged a 15 percent planning reserve margin.[27] The preferred portfolio in the company's 2007 IRP is based on a 12 percent planning margin.

Staff does not object to analysis of portfolios under both planning margins so long as the company follows Guideline 11 in Order No. 07-002, which specifies the evaluation the Commission deems necessary for demonstrating the appropriate planning margin.

Staff is reviewing the company's reserve calculations and may address this issue in final comments.

[27] *See* Order No. 06-029 at 21-22 and Order No. 03-508 at 10.

Criteria 2: Satisfaction of the Commission's Competitive Bidding Guidelines

Staff has not completed its review of the Draft 2008 RFP for compliance with the Commission's competitive bidding guidelines. However, staff offers the following comments at this time.

Guideline 4

Guideline 4 addresses consideration of ownership options. The Commission provides for ownership transfers within the RFP as well as "Benchmark Resources," defined as "a site-specific, self-build option for which there is a commitment to proceed if it is the resource selected through the RFP." *See* Order No. 06-446 at 5.

In lieu of including Benchmark Resources in the RFP process, PacifiCorp plans to submit self-build options "subject to the same requirements as a third-party bidder." The company intends to submit "blinded" self-build proposals that "will be evaluated using the same assumptions, modeling and scoring as the other third-party blinded proposals." [28]

The Oregon IE's preliminary assessment is that the company's proposal is reasonable so long as the self-build options are on the same footing as market bids — i.e., the company's "bid" is binding, the company must meet the same credit standards, etc. However, this is not the case. The RFP states, "The Company will be required to submit any Self Build Bid(s) on the same basis as third party Bids received from Bidders and such bids will be evaluated using the same assumptions and evaluation tools as third-party Bids, *however, the Company does not intend for the Self Build Bid(s) to be treated like third-party bids for purposes of subsequent ratemaking treatment*."[29] PacifiCorp has confirmed that it does not intend to submit binding bids.

Staff finds disingenuous the company's assertion that it will submit self-build proposals under the "same assumptions" as market bids. Conventional cost-based recovery of utility resources necessarily puts market bids and self-build proposals on unequal footing in this regard. The Commission explicitly recognizes this difference in Guideline 10d, directing the IE to "evaluate the unique risks and advantages associated with the Benchmark Resource (if used), including the regulatory treatment of costs or benefits related to actual construction costs and plant operation differing from what was projected for the RFP."[30] Staff sees no benefits to PacifiCorp's proposed waiver of Guideline 4, but does see disadvantages as explained under Guideline 8, below.

[28] Letter accompanying February 15, 2008, filing at 2.
[29] *See* Draft 2008 RFP at 27 (emphasis added).
[30] *See* Order No. 06-446 at 12.

Guideline 5

Guideline 5 states in part, “The utility may request recovery of its payments to the IE in customer rates.” The Company seeks a limited waiver of Guideline 5 in this regard.

The Commission approved PacifiCorp’s application to defer costs associated with the Oregon IE.[31] The company will later request to include those costs in rates. However, Utah law requires bidders to pay a fee to cover the cost of an IE for the Utah Commission. The Draft 2008 RFP requires a $10,000 bid fee for each resource proposal as well as two alternatives for that resource.[32] Any bid fees collected in excess of IE payments will be refunded to non-winning bidders on a pro-rata basis.

In Docket UM 1208, the Commission approved a similar waiver in order to accommodate differing state policies. Staff supports PacifiCorp’s request that the Commission not apply Guideline 5 as it relates to bidders’ fees for the 2008 RFP. Guideline 7 provides that the Commission may consider the impact of multi-state regulation, including requirements imposed by other states for the RFP process.

The Oregon IE has suggested PacifiCorp consider “success” fees. Under this approach, the company would recover the IE costs from successful bidders, thus reducing costs to ratepayers and, potentially, non-winning bidders. Staff is interested in company and bidder feedback on this concept.

Guideline 6

Among the provisions in Guideline 6 is the IE’s assessment of the final draft RFP, filed by the utility at the time it files for RFP approval. In this case, PacifiCorp has submitted an *initial* draft RFP and plans to file the final draft RFP on March 28, 2008. The IE will file its assessment two weeks later. The schedule in this proceeding allows staff and parties to review the IE’s assessment before providing final comments. The IE provided preliminary comments to stakeholders and bidders at the March 13, 2008, workshop. With these accommodations, the agreed-upon schedule reflects staff’s acceptance of this departure from the guidelines.

Guideline 8

Under Guideline 8, the company provides the Oregon IE and staff with a detailed score for any self-build options, with supporting cost information, prior to the opening of bids. Guideline 9 explains that the price score is a comparison to the forward price curve and describes the basis for the non-price score. Staff believes the Commission’s intent was to avoid any potential advantage to the utility, or appearance of advantage, by ensuring no part of the utility had an opportunity to view market bids before finalizing and scoring self-build options.

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[31] *See* Order No. 08-119.
[32] The bid fee for Qualifying Facility proposals is $1,000.

PacifiCorp has agreed to modify the RFP to specify that the Oregon IE and Oregon staff will receive the self-build proposals, with supporting cost information, one day prior to the due date for market bids.

However, the company has not agreed to provide detailed scores for self-build proposals prior to the receipt of market bids, as specified in Guideline 8. A similar issue arose in Docket UM 1208.

According to PacifiCorp, stakeholders have expressed concern that the RFP Evaluation Team would not be able to fairly evaluate the price, and especially the non-price, factors for the company's self-build options if they were identified as such. Under the proposed evaluation process for the 2008 RFP, the RFP Evaluation Team is responsible for evaluating proposals for the initial short-list and is the only team with access to the model (RFP Base Model) used for that purpose. *See* PacifiCorp's Response to Staff Data Request No. 22, attached.

PacifiCorp proposes to blind the self-build proposals, submitting them for evaluation at the same time as market bids. If instead the RFP Evaluation Team scored the company's self-build proposals in advance of market bids, the self-build proposals would not be blinded.[33] The company is concerned that bidders would view this as advantaging the self-build proposals.

In contrast, for the 2012 RFP the company simply advanced the identified self-build proposals – the Benchmark Resources – to the final short-list. Under the proposed process for the 2008 RFP, self-build options could be eliminated through the initial short-list analysis.

The Oregon IE believes that blinding of market bids did not materially improve the 2012 RFP process, has not proven useful elsewhere and should be eliminated.[34] Staff notes that under the Commission's competitive bidding guidelines, Benchmark Resources are not blinded.[35]

The Oregon IE has proposed that the company assign another staff member, trained by but separate from the RFP Evaluation Team, to perform the scoring of self-build options prior to receipt of market bids. The company could then submit its proposals to the IE for blinding prior to submittal.[36] Staff agrees with the Oregon IE that this should mitigate

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[33] Because bidders may propose projects on PacifiCorp sites, proposals for those sites are not necessarily limited to the company's self-build options. Therefore blinding of self-build options may be possible. On the other hand, combined information on building site and transaction type may make blinding moot.

[34] *See* Accion Group's "Preliminary Review of PacifiCorp's 2008 RFP," presentation to stakeholders and bidders, March 13, 2008, at 10.

[35] Under Guideline 3, any affiliate bids must be blinded.

[36] The blinded self-build proposals could go directly from the IE to the IRP Team at the same time and in the same manner as market bids, through PacifiCorp's designated company intermediary. The IRP Team is responsible for the remainder of the modeling.

bidders' concerns. The company, however, is concerned that this could result in inconsistent treatment of self-build options and market bids.

Based on discussion at the March 13, 2008, stakeholders/bidders workshop, it is staff's understanding that PacifiCorp's interest in its proposed treatment of self-build options includes two additional factors:

1) It gives the company flexibility to submit multiple proposals for a single project, similar to bidders. Staff believes the company could submit multiple proposals as alternatives to its Benchmark Resource, as the company did in the 2012 RFP. In that solicitation, the company submitted an Integrated Gasification Combined Cycle alternative for the 2014 Benchmark Resource, a super-critical pulverized coal plant at the Jim Bridger site in Wyoming.

2) Because self-build options would not automatically proceed to the final short-list, the company would not be "stuck" with having to build its proposed facility in the event the RFP did not elicit viable market bids. Assuming the price of the Benchmark Resource isn't wholly out of line with market bids, and given the company's development experience and control over various building sites, it is hard to imagine self-build options not progressing to the final short-list. Further, nothing in the Commission's competitive bidding guidelines *requires* the company to build the proposed self-build option if the project turns out not to be viable or in the best interest of ratepayers. The Commission's definition of a Benchmark Resource refers to it being "selected" (by the company) in the process. For example, the Commission indicated its interest in PacifiCorp continuing with the 2012 RFP even after the company considered its Benchmark Resources no longer viable.[37]

Staff is not persuaded that PacifiCorp's requested waiver of Guideline 8 is acceptable. Such a waiver would not achieve the Commission's objective of providing to the Oregon IE and staff the detailed score for self-build options in advance of market bids.

Further, if the Commission approves PacifiCorp's proposed treatment of self-build options, the RFP would provide no information on them for bidders, intervenors and the public. PacifiCorp states that the IRP provides a road map from a planning basis for the resources the company is seeking through the RFP, as well as assumptions and costs associated with resources in the IRP. Staff does not know what self-build options the company will include in the RFP. However, we know they will not be the 2012 and 2014 supercritical pulverized coal plants proposed for the Intermountain Power Project (Utah) and Jim Bridger (Wyoming) sites.[38] The self-build options the company will include in the 2008 RFP will not all be the same as those included in the 2007 IRP.

[37] Commission Public Meeting, November 2, 2007. Staff report at http://www.puc.state.or.us/PUC/meetings/pmemos/2007/110207/reg1.pdf.

[38] These are two of the proxy resources modeled for the 2007 IRP and included in the preferred portfolio.

Guideline 9

Under Guideline 9a, selection of an initial short-list should "provide resource diversity (e.g., with respect to fuel type and resource duration)."[39] The Commission found the 2012 RFP deficient in part because the company was not seeking summer peaking resources. In this regard, the 2008 RFP is an improvement.

However, staff finds inadequate PacifiCorp's plan to provide for resource diversity with respect to resource duration. The company states that it may replace all or part of the Front Office Transactions in the 2007 IRP preferred portfolio with resources solicited through this RFP – in other words, resources with a minimum term of five years.

The 2007 IRP Action Plan includes only about half the Front Office Transactions in the 2004 IRP Action Plan. Staff already raised concerns in Docket LC 42 about these reductions. Any further cuts would raise serious issues related to PacifiCorp's ability to adapt to changes in resource needs, markets and regulations.

The company states that it will model portfolios with and without these transactions.[40] Staff finds such a process inconsistent with the IRP preferred portfolio as requested for Commission acknowledgment.

Criteria 3: Overall Fairness of the Utility's Proposed Bidding Process

Staff agrees with the Oregon IE that the following changes in the Draft 2008 RFP, compared to the 2012 RFP (Docket UM 1208), are improvements:

- Bidders will provide credit assurances at the time they reach the final short-list, not during the initial Request for Qualifications process. This will eliminate a barrier to participation and reduce review time.
- Flexibility on in-service dates (2012 to 2016, instead of 2012 to 2014) provides flexibility for equipment delivery and plant construction.
- Addition of intermediate and summer peaking bid categories increases resource diversity with respect to resource type.
- Including east side and west side resources allows for greater resource diversity with respect to location.

The Oregon IE and staff have not completed review of credit requirements and procedures. Staff expects the Oregon IE to weigh in further on this matter. Staff agrees with the Oregon IE's preliminary comment that credit requirements for intermediate and summer peaking resources should be specified in the RFP. Only the requirements for base load resources are currently specified. The Oregon IE also recommended the

[39] *See* Order No. 06-446 at 10.
[40] *See* PacifiCorp's response to Parking Lot Questions, 2008 RFP Pre-Draft Workshop, February 1, 2008, available at http://www.pacificorp.com/File/File79520.pdf.

company specify the methodology it will use to calculate the cost of direct or inferred debt in the final evaluation of bids.

Considering the current cost environment, the Oregon IE is interested in soliciting alternative proposals from bidders for escalators that may be applied to their binding bids, such as a not-to-exceed price or price bands (e.g., +/- 5%). The Oregon IE also has outlined areas for further discussions and clarification, including quantification of risks related to transmission costs, capital costs, and power sales for proposals relying on extensive sales of surplus energy in the wholesale market. Another area for which the IE has requested clarification is defining “top performers” that proceed to the final short-list. For example, are proposals amounting to *two times* the resource need identified for the solicitation to be placed on the final short-list?[41]

At this time, staff finds reasonable PacifiCorp’s assumption that it would bear the risk related to greenhouse gas emissions from purchases, rather than the seller. Staff previously raised questions about the ability of sellers to securitize the risk themselves.[42] However, the Oregon IE recommends the company state in the RFP that it will consider creative proposals by sellers to absorb the risk of regulatory costs associated with greenhouse gas emissions.

Regarding the minimum size for load curtailment (25 MW), staff recommends the company clarify in the RFP documents that it will allow a supplier to aggregate reductions by multiple PacifiCorp customers, and the conditions under which this would be allowed.

Staff will have further comments after reviewing the Oregon IE’s forthcoming assessment of RFP design.

Summary of Staff’s Initial Comments

1. The company needs at most 1,119 MW of thermal resources in 2012, and 2,067 MW in 2016, after accounting for Front Office Transactions in the 2007 IRP. However, staff cannot yet opine on whether these amounts are appropriate for solicitation through the 2008 RFP given the ongoing 2012 RFP and deficiencies in the company’s analysis of resource need. These include the capacity contribution of renewable resources, not all of which will be wind, the appropriate levels of conservation considering its risk reduction benefits as well as expected cost, and the combined heat and power resources in the 2007 IRP Action Plan that the company did not fully account for in the Draft 2008 RFP.

2. The RFP is not in compliance with Guideline 9a with respect to diversity in resource duration. The company has not made the case for its departure from its IRP Action Plan regarding Front Office Transactions. The company states that it may replace all

[41] *See* “Preliminary Thoughts on Evaluation Methods in PacifiCorp’s 2008 RFP,” Boston Pacific Company, presentation to stakeholders and bidders, March 13, 2008.
[42] *See* Staff Report, December 19, 2007, public meeting (Docket LC 42).

or a portion of these transactions with resources from this RFP that have a minimum five-year term.

3. The company has not made the case for a waiver of Guidelines 4 and 8, regarding treatment of self-build options in the RFP process.

4. If the Commission is inclined to approve the RFP, staff recommends at this time the following minimum conditions:
    a. RFP approval does not imply endorsement of any of the company's self-build options.
    b. The Commission is neither approving the pro forma agreements included in the 2008 RFP in their entirety, nor endorsing any specific term therein.[43]
    c. RFP approval does not imply acknowledgment of the magnitude of the proposed level of resource acquisitions.
    d. The Commission does not acknowledge the departure from the company's 2007 IRP Action Plan related to the specified levels of Front Office Transactions.
    e. The company's planning margin analysis must be conducted in a manner consistent with Guideline 11 in Order No. 07-002.
    f. Prior to the receipt of market bids, the company must submit to the Oregon IE and staff the detailed score for self-build options, with supporting cost information, pursuant to Guideline 8.

5. Among the issues staff recommends the Oregon IE explore regarding RFP design are the following items:[44]
    a. The company's proposed modeling, including but not limited to ensuring a fair comparison of resource types (e.g., technologies, fuels, bid categories and transaction types), build vs. buy options, and east-side or west-side location;
    b. The pro forma contracts to ensure no build vs. buy bias, or bias toward or against a particular transaction or technology type;
    c. Resource diversity on the short-lists with respect to fuel type, resource duration, resource location (east or west control area) and bid category (base load, intermediate load and summer peaking);
    d. Valuation of short-term or seasonal resource options, considering load and resource balances and load duration curves;
    e. Credit requirements;
    f. Modeling of the levels of renewable resources, DSM resources, combined heat and power resources, and Front Office Transactions in the company's 2007 IRP Action Plan; and
    g. Overall fairness of the proposed process.

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[43] This provision is similar to one adopted by the Commission in Order No. 04-091 (Docket No. UM 1118) for PacifiCorp's renewable resources RFP.

[44] This is not an exhaustive list. Staff is still reviewing the draft RFP and conducting discovery. Staff also has not yet had the benefit of the Oregon IE's full assessment of RFP design or comments from parties.

Dated at Salem, Oregon, this 21st day of March 2008

Lisa Schwartz
Senior Analyst
Electric and Natural Gas Division

OPUC Data Request 4

Please provide an Excel spreadsheet, with formulae intact, that reconciles the up to 2,000 MW of energy and capacity resources to be solicited in the 2008 RFP, compared to Table 1 in the draft RFP. Specifically, please itemize reductions from the resource needs shown in Table 1 to account for each of the following items:

a. Class 1 Demand-Side Management (DSM) in the IRP Action Plan
b. 200 MWa or more of "*additional*" Class 2 DSM in the IRP Action Plan, if risk-adjusted, cost-effective initiatives can be identified (Note: The "additional" DSM is not the base DSM included in the load forecast.)
c. Class 3 DSM in the IRP Action Plan
d. Renewable resources (modeled as wind) in the IRP Action Plan
e. Combined heat and power facilities in the IRP Action Plan

Response to OPUC Data Request 4

The up to 2,000 MW of energy and capacity resources reference in the 2008 RFP was not developed using a specific formula. The requested reconciliation is provided in Attachment OPUC 4, which shows that the amount of thermal resources added in the 2007 IRP exceeds 2,000 MW. In addition, as explained in the Company's responses to OPUC Data Request 7 and 8, the 2008 RFP may result in the acquisition of resources that may replace all or a portion of Front Office Transactions.

The 200 MWa or more of "additional" Class 2 DSM in the 2007 IRP Action Plan was a placeholder intended to avoid capping ongoing DSM acquisitions and demonstrate PacifiCorp's intention to continue to look for and source additional DSM resources throughout the planning period. Since these placeholder resources were not specifically identified there were no assumptions as to their timing or shape within the 2007 IRP plan.

As noted in the 2007 IRP and Action Plan, Class 3 and Class 4 resources are not currently evaluated as base resources for the purposes of planning and instead are relied upon for system reliability.

2007 IRP L&R Balance

Planning Reserve Margin = 12%

Calendar Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
East										
Thermal	6,134	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941	5,941
Hydro	135	135	135	135	135	135	135	135	135	135
DSM	153	163	163	163	163	163	163	163	163	163
Renewable	65	109	109	109	109	109	109	109	105	105
Purchase	904	679	778	548	543	343	343	343	343	322
QF	106	106	106	106	106	106	106	106	106	106
Interruptible	233	233	308	308	308	308	308	308	308	308
Transfers	0	0	0	0	0	0	0	0	0	0
East Existing Resources	7,730	7,366	7,540	7,310	7,305	7,105	7,105	7,105	7,101	7,080
Wind	0	24	24	40	48	48	109	109	109	109
Class 1 DSM	0	0	0	0	0	15	63	63	63	63
Class 2 DSM	0	0	0	0	0	0	0	0	0	0
Class 3 DSM	0	0	0	0	0	0	0	0	0	0
CHP	0	0	0	0	0	25	25	25	25	25
Front Office Transactions	0	0	0	0	0	0	0	0	0	0
Thermal	0	0	0	0	0	0	0	0	0	0
East Planned Resources	0	24	24	40	48	88	197	197	197	197
East Total Resources	7,730	7,390	7,564	7,350	7,353	7,193	7,302	7,302	7,298	7,277
Load	6,321	6,515	6,657	7,137	7,289	7,595	7,738	7,895	8,026	8,366
Sale	849	811	702	666	631	595	595	595	595	595
East Obligation	7,170	7,326	7,359	7,803	7,920	8,190	8,333	8,490	8,621	8,961
Planning reserves	706	750	733	814	829	883	895	914	929	973
Non-owned reserves	71	71	71	71	71	71	71	71	71	71
East Reserves	776	821	804	885	899	954	965	984	1,000	1,043
East Obligation + Reserves	7,946	8,147	8,163	8,688	8,819	9,144	9,298	9,474	9,621	10,004
East Position	(217)	(757)	(599)	(1,338)	(1,466)	(1,951)	(1,996)	(2,172)	(2,323)	(2,727)
East Reserve Margin	9%	2%	4%	-5%	-7%	-12%	-12%	-14%	-15%	-18%
West										
Thermal	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046
Hydro	1,421	1,421	1,414	1,328	1,357	1,225	1,249	1,243	1,244	1,242
DSM	0	0	0	0	0	0	0	0	0	0
Renewable	108	108	108	108	108	84	84	84	84	84
Purchase	786	800	800	799	749	112	141	107	107	107
QF	40	40	40	40	40	40	38	38	38	38
Transfers	0	0	0	0	0	0	0	0	0	0
West Existing Resources	4,401	4,415	4,408	4,321	4,300	3,506	3,558	3,519	3,519	3,518
Wind	14	14	51	79	79	98	98	98	98	98
Class 1 DSM	0	0	0	0	0	32	32	32	32	32
Class 2 DSM	0	0	0	0	0	0	0	0	0	0
Class 3 DSM	0	0	0	0	0	0	0	0	0	0
CHP	0	0	0	0	0	75	75	75	75	75
Front Office Transactions	0	0	0	0	0	0	0	0	0	0
Thermal	0	0	0	0	0	0	0	0	0	0
West Planned Resources	14	14	51	79	79	205	205	205	205	205
West Total Resources	4,415	4,429	4,459	4,400	4,379	3,711	3,763	3,724	3,724	3,723
Load	2,922	2,924	3,095	3,124	3,199	3,240	3,251	3,262	3,271	3,252
Sale	299	299	299	290	290	258	258	258	158	108
West Obligation	3,221	3,223	3,394	3,414	3,489	3,498	3,509	3,520	3,429	3,360
Planning Reserves	292	291	311	314	329	403	400	406	395	386
Non-owned reserves	7	7	7	7	7	7	7	7	7	7
West Reserves	299	297	318	320	335	409	407	412	401	393
West Obligation + Reserves	3,520	3,520	3,712	3,734	3,824	3,907	3,916	3,932	3,830	3,753
West Position	895	909	747	666	555	(196)	(153)	(208)	(106)	(30)
West Reserve Margin	40%	40%	34%	32%	28%	6%	8%	6%	9%	11%
System										
Total Resources	12,145	11,818	12,023	11,750	11,732	10,904	11,065	11,026	11,022	11,000
Obligation	10,391	10,549	10,753	11,217	11,409	11,688	11,842	12,010	12,050	12,321
Reserves	1,075	1,118	1,122	1,205	1,234	1,363	1,372	1,396	1,401	1,436
Obligation + Reserves	11,466	11,667	11,874	12,421	12,643	13,051	13,214	13,406	13,451	13,757
System Position	679	151	148	(672)	(911)	(2,147)	(2,150)	(2,380)	(2,429)	(2,757)
Reserve Margin	19%	13%	13%	6%	4%	-6%	-6%	-8%	-8%	-10%
Asset RM	19%	13%	13%	6%	4%	-6%	-6%	-8%	-8%	-10%
FOT RM Contribution	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

OPUC Data Request 7

Please explain how the amount and type of resources to be solicited in the 2008 RFP accounts for, or might alter, the flat annual energy purchases (i.e., Front Office Transactions) in the IRP Action Plan on the west side of the system that are expected to be made on an annual forward basis. *See* IRP at 115 and 184 (Table 7.32). Include in your explanation: a) any itemized reductions from the resource needs shown in Table 1 to account for these flat annual energy purchases on the west side of the system and b) a reconciliation of IRP assumptions regarding Front Office Transaction lead time and term with the lead time and minimum five-year term required by the draft 2008 RFP.

Response to OPUC Data Request 7

The IRP is intended to be a roadmap to guide resource acquisition. The 2008 RFP is the tool used to acquire resources based on this guidance. In the 2008 RFP, the Company is seeking baseload resources which, if proven to be economic, may replace all or a portion of the flat annual energy purchases (i.e., Front Office Transactions) in the IRP Action Plan on the west side of the system that are expected to be made on an annual forward basis. If not, then the flat annual energy purchases (i.e., Front Office Transactions) in the IRP Action Plan on the west side of the system that are expected to be made on an annual forward basis will continue to be pursued separate from the 2008 RFP. The assumptions contained in the IRP regarding the Front Office Transaction lead time and term are placeholders that may be improved upon through the resource procurement process.

UM-1360/PacifiCorp
March 10, 2008
OPUC Data Request 8

OPUC Data Request 8

Please explain how the amount and type of resources to be solicited in the 2008 RFP accounts for, or might alter, the 3rd quarter, heavy-load hour Front Office Transactions on the east side of the system in the IRP Action Plan that are expected to be made on an annual forward basis. *See* IRP at 115 and 184 (Table 7.32). Specifically, please reconcile IRP assumptions regarding Front Office Transaction lead time and term with the lead time and minimum five-year term required by the draft 2008 RFP.

Response to OPUC Data Request 8

The IRP is intended to be a roadmap to guide resource acquisition. The 2008 RFP is the tool used to acquire resources based on this guidance. In the 2008 RFP, the Company is seeking peaking resources which, if proven to be economic, may replace all or a portion of the 3rd quarter, heavy-load hour Front Office Transactions on the east side of the system. If not, then the 3rd quarter, heavy-load hour Front Office Transactions on the east side of the system identified in the IRP will continue to be pursued separate from the 2008 RFP. The assumptions contained in the IRP regarding the Front Office Transaction lead time and term are placeholders that may be improved upon through the resource procurement process.

OPUC Data Request 10

Please explain how Table 1 in the draft RFP accounts for any updated load forecast, resource acquisitions, contract expirations or resource retirements/de-ratings since the load-resource balance was locked down for the 2007 IRP. If the table does not account for any or all of these resource changes, please explain how the Company plans to meet the Commission's expectation that "…a utility must account for all material changes since acknowledgement and provide, at a minimum, updated load forecasts, revised assumptions and recent resource additions." *See* Order No 07-018 at 3 (footnote 4).

Response to OPUC Data Request 10

The Company has updated the load forecast, resource acquisitions, contract expirations and other factors since the load-resource balance was locked down for the 2007 IRP. This update was presented in the IRP public input meeting held on February 29, 2008. A reconciliation comparable to that provided in Attachment OPUC 4 based on this updated information is provided in Attachment OPUC 10 which shows the need for over 2,500 MW by 2016, after accounting for the addition of 200 MW of thermal upgrades, DSM, renewables, and combined heat and power (19 MW). As explained in the Company's responses to OPUC Data Request 7 and 8, the resources being solicited in the 2008 RFP may replace some of the Front Office Transactions if these resources are proven to be cost effective. The up to 2,000 MW being solicited in the 2008 RFP is consistent with the update plan.

2008 Business Plan Base Portfolio L&R Balance

Planning Reserve Margin = 12%

Calendar Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
East										
Thermal	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932
Hydro	135	135	135	135	135	135	135	135	135	135
DSM	163	163	163	163	163	163	163	163	163	0
Renewable	139	139	139	139	139	139	139	135	135	135
Purchase	704	828	648	668	493	493	493	493	472	472
QF	106	106	106	106	106	106	106	106	106	105
Interruptible	212	328	328	328	328	328	328	328	328	328
Transfers	994	858	1,144	1,247	468	74	110	103	486	595
East Existing Resources	8,385	8,489	8,595	8,718	7,764	7,370	7,406	7,395	7,757	7,702
CHP	0	0	19	19	19	19	19	19	19	19
DSM	0	0	0	0	15	63	63	63	63	63
FOT	0	0	0	0	0	0	0	0	0	0
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	21	57	95	132	132	132	132	132	132
Geothermal	0	0	35	35	35	35	35	35	35	35
Wind	0	33	40	46	67	67	95	95	95	95
East Planned Resources	0	54	152	195	268	316	344	344	344	344
East Total Resources	8,385	8,543	8,747	8,913	8,033	7,687	7,751	7,740	8,102	8,046
Load	6,547	6,725	6,975	7,130	7,404	7,612	7,782	7,827	8,147	8,208
Sale	836	752	766	756	745	745	745	745	745	659
East Obligation	7,383	7,477	7,741	7,886	8,149	8,357	8,527	8,572	8,892	8,867
Planning reserves (12%)	756	739	792	807	858	877	898	903	944	960
Non-owned reserves	71	71	71	71	71	71	71	71	71	72
East Reserves	827	810	863	878	929	948	968	974	1,014	1,032
East Obligation + Reserves	8,210	8,287	8,604	8,764	9,078	9,305	9,495	9,546	9,907	9,899
East Position	175	257	143	150	(1,045)	(1,618)	(1,745)	(1,806)	(1,805)	(1,853)
East Reserve Margin	14.4%	15.4%	13.8%	13.9%	(0.8%)	(7.4%)	(8.5%)	(9.1%)	(8.3%)	(8.9%)
West										
Thermal	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046
Hydro	1,421	1,414	1,328	1,332	1,175	1,174	1,168	1,169	1,168	1,177
DSM	0	0	0	0	0	0	0	0	0	0
Renewable	118	118	118	118	94	94	94	94	94	94
Purchase	800	800	800	750	112	141	107	107	107	107
QF	40	40	40	40	40	38	38	38	38	38
Transfers	(1,003)	(868)	(1,155)	(1,258)	(478)	(88)	(124)	(117)	(497)	(609)
West Existing Resources	3,422	3,533	3,159	3,010	2,972	3,405	3,330	3,338	2,956	2,832
CHP	0	0	0	0	0	0	0	0	0	0
DSM	0	0	0	0	32	32	32	32	32	32
FOT	0	0	0	0	0	0	0	0	0	0
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	0	17	35	52	70	70	70	70	70
Hydro Upgrades	0	0	0	0	0	0	25	50	75	75
Wind	9	9	9	74	74	93	93	93	93	93
West Planned Resources	9	9	26	109	158	194	219	244	269	269
West Total Resources	3,431	3,542	3,186	3,119	3,130	3,600	3,550	3,582	3,226	3,101
Load	3,228	3,343	3,302	3,316	3,341	3,409	3,457	3,531	3,444	3,550
Sale	299	299	290	290	258	258	258	158	108	108
West Obligation	3,527	3,642	3,592	3,606	3,599	3,667	3,715	3,689	3,552	3,658
Planning reserves (12%)	327	341	335	343	415	419	429	426	409	422
Non-owned reserves	7	7	7	7	7	7	7	7	7	8
West Reserves	334	348	342	349	421	426	436	432	416	430
West Obligation + Reserves	3,861	3,990	3,933	3,955	4,020	4,093	4,150	4,121	3,968	4,087
West Position	(430)	(448)	(748)	(836)	(891)	(493)	(601)	(539)	(742)	(986)
West Reserve Margin	(0.2%)	(0.3%)	(8.8%)	(11.2%)	(12.7%)	(1.4%)	(4.2%)	(2.6%)	(8.9%)	(15.0%)
System										
Total Resources	11,816	12,085	11,932	12,033	11,162	11,287	11,300	11,322	11,327	11,147
Obligation	10,910	11,119	11,333	11,492	11,748	12,024	12,242	12,261	12,444	12,525
Reserves	1,161	1,157	1,204	1,227	1,350	1,374	1,404	1,406	1,430	1,462
Obligation + Reserves	12,071	12,276	12,537	12,719	13,098	13,398	13,646	13,667	13,874	13,987
System Position	(255)	(191)	(605)	(686)	(1,936)	(2,111)	(2,345)	(2,345)	(2,547)	(2,839)
Reserve Margin	9.7%	10.3%	6.7%	6.0%	(4.5%)	(5.6%)	(7.2%)	(7.1%)	(8.5%)	(10.7%)
With Swift upgrades	255	255	255	255	255	255	280	305	330	342
Without Swift Upgrades	255	255	255	255	255	255	255	255	255	267
West Thermal	2,046	2,029	2,029	2,029	2,029	2,046	2,046	2,046	2,046	2,024

UM-1360/PacifiCorp
March 18, 2008
OPUC Data Request 20

OPUC Data Request 20

Refer to the 2008 Business Plan Base Portfolio L&R Balance spreadsheet as provided in response to OPUC Data Request 10. Augment the spreadsheet (with formulas retained) according to the following *distinguishable* steps:

a. If this hasn't been done already, modify any and all indicated resource capacities to reflect what would be available at the time of the system/control area peaks.
b. Split the DSM rows into Class 1 DSM and Class 2 DSM rows, and show what resource/system capacity level the Company expects to achieve for each class on a year-by-year basis.
c. Show on a year-by-year basis the resources the Company hopes/expects to add pursuant to the 2008 RFP.
d. Show the projected year-by-year residual front office transactions (FOTs), and explain any departures from the FOT levels associated with the PacifiCorp preferred portfolio depicted in Table 7.32 of the 2007 IRP (p. 184).

Response to OPUC Data Request 20

a. The resource capacities shown in the spreadsheet provided in response to OPUC Data Request 10 already reflect what would be available at the time of system peak.
b. The requested information is provided in Attachment OPUC 20. Class 2 DSM was included in system load in Attachment OPUC 10. Showing Class 2 DSM separate from system load results in a reduction to the system load; however the overall deficit is unchanged from that shown in Attachment OPUC 10.
c. The 2008 RFP is intended to acquire up to 2,000 MW of new resources with start dates from 2012 to 2016. The distribution of the resources by year will not be known until the bids are received and evaluated.
d. The requested information is provided in Attachment OPUC 20. The front office transactions included in the business plan portfolio reflect updated assumptions as compared to the 2007 IRP. Based on these updated assumptions, the System Optimizer added different amounts of FOTs in the business plan than were included in the 2007 IRP preferred portfolio.

2008 Business Plan Base Portfolio L&R Balance

Planning Reserve Margin = 12%

Calendar Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
East										
Thermal	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932
Hydro	135	135	135	135	135	135	135	135	135	135
DSM	163	163	163	163	163	163	163	163	163	163
Renewable	139	139	139	139	139	139	139	135	135	135
Purchase	704	828	648	668	493	493	493	493	472	472
QF	106	106	106	106	106	106	106	106	106	105
Interruptible	212	328	328	328	328	328	328	328	328	328
Transfers	994	858	1,144	1,247	468	74	110	103	486	595
East Existing Resources	8,385	8,489	8,595	8,718	7,764	7,370	7,406	7,395	7,757	7,865
CHP	0	0	19	19	19	19	19	19	19	19
Class 1 DSM	37	47	51	57	79	79	79	79	79	79
Class 2 DSM	35	68	113	169	167	261	312	362	324	462
FOT	0	0	0	0	115	633	746	800	800	783
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	21	57	95	132	132	132	132	132	132
Geothermal	0	0	35	35	35	35	35	35	35	35
Wind	0	33	40	46	67	67	95	95	95	95
East Planned Resources	72	169	316	421	614	1,227	1,418	1,522	1,484	1,605
East Total Resources	8,457	8,658	8,911	9,140	8,379	8,597	8,824	8,917	9,241	9,470
Load	6,582	6,793	7,088	7,299	7,571	7,873	8,094	8,189	8,471	8,670
Sale	836	752	766	756	745	745	745	745	745	659
East Obligation	7,418	7,545	7,854	8,055	8,316	8,618	8,839	8,934	9,216	9,329
Planning reserves (12%)	752	733	786	800	836	799	806	805	846	845
Non-owned reserves	71	71	71	71	71	71	71	71	71	72
East Reserves	823	804	857	871	907	870	877	876	917	917
East Obligation + Reserves	8,240	8,349	8,711	8,926	9,223	9,488	9,715	9,810	10,132	10,246
East Position	216	309	200	213	(845)	(891)	(891)	(892)	(891)	(776)
East Reserve Margin	14.9%	16.1%	14.5%	14.6%	1.8%	1.7%	1.9%	2.0%	2.3%	3.7%
West										
Thermal	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,024
Hydro	1,421	1,414	1,328	1,332	1,175	1,174	1,168	1,169	1,168	1,177
DSM	0	0	0	0	0	0	0	0	0	0
Renewable	118	118	118	118	94	94	94	94	94	94
Purchase	800	800	800	750	112	141	107	107	107	107
QF	40	40	40	40	40	38	38	38	38	38
Transfers	(1,003)	(868)	(1,155)	(1,258)	(478)	(88)	(124)	(117)	(497)	(609)
West Existing Resources	3,422	3,550	3,177	3,028	2,989	3,405	3,330	3,338	2,956	2,832
CHP	0	0	0	0	0	0	0	0	0	0
Class 1 DSM	0	0	6	10	30	30	30	30	30	30
Class 2 DSM	23	47	62	92	107	152	147	206	197	259
FOT	400	400	657	736	800	459	544	489	672	948
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	0	17	35	52	70	70	70	70	70
Hydro Upgrades	0	0	0	0	0	0	25	50	75	75
Wind	9	9	9	74	74	93	93	93	93	93
West Planned Resources	432	456	751	947	1,063	804	909	937	1,136	1,475
West Total Resources	3,854	4,006	3,928	3,975	4,052	4,209	4,239	4,275	4,093	4,306
Load	3,251	3,390	3,364	3,408	3,448	3,561	3,604	3,737	3,641	3,809
Sale	299	299	290	290	258	258	258	158	108	108
West Obligation	3,550	3,689	3,654	3,698	3,706	3,820	3,862	3,894	3,749	3,917
Planning reserves (12%)	279	293	255	253	319	364	364	367	329	309
Non-owned reserves	7	7	7	7	7	7	7	7	7	8
West Reserves	286	300	262	260	325	371	371	374	336	316
West Obligation + Reserves	3,836	3,989	3,916	3,958	4,031	4,191	4,232	4,268	4,084	4,233
West Position	18	17	12	17	20	19	6	7	9	73
West Reserve Margin	12.5%	12.5%	12.3%	12.5%	12.6%	12.5%	12.2%	12.2%	12.2%	13.9%
System										
Total Resources	12,311	12,665	12,839	13,115	12,430	12,806	13,063	13,192	13,334	13,777
Obligation	10,968	11,234	11,508	11,753	12,022	12,438	12,701	12,828	12,964	13,246
Reserves	1,108	1,103	1,119	1,131	1,232	1,241	1,247	1,250	1,252	1,233
Obligation + Reserves	12,077	12,338	12,627	12,884	13,254	13,679	13,948	14,078	14,217	14,479
System Position	234	327	212	231	(824)	(873)	(885)	(886)	(883)	(702)
Reserve Margin	14.1%	14.9%	13.8%	14.0%	5.1%	5.0%	5.0%	5.1%	5.2%	6.7%

UM-1360/PacifiCorp
March 20, 2008
OPUC Data Request 22

OPUC Data Request 22

Please explain the advantages PacifiCorp sees with its proposal to include "self-build options" rather than benchmark resources as envisioned in the Commission's competitive bidding guidelines. Also describe PacifiCorp's view of the impacts on bidders and the public not having access to any information in the RFP on the Company's self-build options.

Response to OPUC Data Request 22

The 2008 All Source Request for Proposal (the "2008 RFP") provides for the company to submit self build options consistent with bidders. The advantages that PacifiCorp sees with its proposal to include self build options rather than benchmark resources are as follows:

First, the Commission's competitive bidding guidelines ("the Guidelines") require selection of an initial short-list to be based on price and non-price factors. (*See* Guideline 9). In addition, Guideline 8 requires the utility to submit a detailed score for any Benchmark Resource prior to the opening of bidding. Guideline 8 also requires the same bid scoring and evaluation criteria used to score market bids to be used to score the Benchmark Resources.

For purposes of the company's concurrent requests for proposals processes (includes the 2008 RFP, the 2012 RFP, and the expected 2008R-1 Renewable RFP), the company has separated its personnel into three distinct teams in order to provide transparency and ensure fairness within each RFP and across all three RFPs. A similar Code of Conduct enforcing this separation exists (or will exist) in each of the three RFP processes. Under the three RFP structures, PacifiCorp's generation personnel are responsible for the self build options (or any Benchmark Resources) ("Generation Team"). PacifiCorp's integrated resource planning group is responsible for the modeling of all proposals (though use of the CEM and PaR models) ("IRP Team"). PacifiCorp's "RFP Evaluation Team" is comprised of personnel that are *neither* part of the generation team nor the IRP team. The RFP Evaluation Team is responsible for evaluating the proposals for selection to the initial shortlist.

Under the 2008 RFP, the RFP Evaluation Team is the only team that has access to, and uses, the evaluation models used to select the initial shortlist based on price and non-price factors. Stakeholders have expressed concern that the RFP Evaluation Team would not be in a position to fairly evaluate the price, and especially the non-price, factors for the company's Benchmark Resources. As a result, under the Benchmark Resource option used in the 2012 RFP, the RFP Evaluation Team was not able to conduct the initial shortlist evaluation on the Benchmark Resources and the Benchmark Resources were automatically moved to the final shortlist. Based on feedback and discussions with the independent evaluators and the commission staffs of Utah and Oregon, the company determined that evaluation of the Benchmark Resources in the manner provided by Guidelines 8 and 9 would be problematic. One option was to have a different group than the RFP Evaluation Team perform the evaluation on the price and non-price factors for the Benchmark Resources; however, concern was expressed that having an entirely different team perform the evaluation on the company's Benchmark Resources could result in inconsistent treatment among the market bids and the Benchmark Resources.

In order to address this concern, in the 2008 RFP the company has proposed a process whereby the three team structure developed for use with the multiple RFPs can be used.

As currently proposed in the 2008 RFP, any self build options will be submitted by the Generation Team one day prior to the submission of market bids. The Generation Team would submit any company self build options as blinded proposals and the RFP Evaluation Team would evaluate these proposals consistent with the market bids in order to select the initial shortlist. In order to effectuate this deviation from Guideline 8, the company requested a limited waiver of the requirement that would require the utility to submit the detailed scoring for a Benchmark Resource prior to the opening of bidding to the Commission and Independent Evaluators. This waiver would allow the Independent Evaluator and the RFP Evaluation Team to evaluate the market bids and the self build options on equal footing and at the same time, ultimately (although at a later date when the other bid information is provided) provide the required information to the Commission under the Guidelines.

Second, but related, is the stakeholder and market bidder perception that the company will always build their own Benchmark Resource. In an effort to address this concern, and the consistency concern discussed above, the company has proposed the 2008 RFP process in order to eliminate the perception that the company's self build options are advantaged. Under the 2008 RFP process, the company's self build options could be eliminated at the initial shortlist stage if the proposals are less attractive than other market bids. This was proposed in an attempt to increase competition and address the market perception issues.

Finally, the information on the Company's self-build options may not be in the 2008 RFP; however, the IRP does provide the road map from a planning basis as to what the company is seeking. The company issued the 2007 IRP which identifies a need and a selection of resources and resource types, i.e. the Action Plan. The assumptions and costs associated with those resources are in the 2007 IRP. The 2008 RFP is seeking base load, intermediate and third quarter purchases. The 2008 RFP will test the market to determine if the market is willing to provide a cost effective, preferred portfolio that is in the best interest of customers and shareholders.

As a result, PacifiCorp believes the approach proposed in the 2008 RFP is superior to the process used in the 2012 RFP and in any event, PacifiCorp does not believe the 2008 RFP process is inferior to the 2012 RFP or the Commission's Guidelines.

2008 Business Plan Base Portfolio L&R Balance - Substituting Front Office Transactions From 2007 IRP

Planning Reserve Margin = 12%

Calendar Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
East										
Thermal	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932	5,932
Hydro	135	135	135	135	135	135	135	135	135	135
DSM	163	163	163	163	163	163	163	163	163	163
Renewable	139	139	139	139	139	139	139	135	135	135
Purchase	704	828	648	668	493	493	493	493	472	472
QF	106	106	106	106	106	106	106	106	106	105
Interruptible	212	328	328	328	328	328	328	328	328	328
Transfers	994	858	1,144	1,247	468	74	110	103	486	595
East Existing Resources	8,385	8,489	8,595	8,718	7,764	7,370	7,406	7,395	7,757	7,865
CHP	0	0	19	19	19	19	19	19	19	19
Class 1 DSM	37	47	51	57	79	79	79	79	79	79
Class 2 DSM	35	68	113	169	167	261	312	362	324	462
Front office transactions	0	0	393	272	97	3	149	192	165	N.A.
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	21	57	95	132	132	132	132	132	132
Geothermal	0	0	35	35	35	35	35	35	35	35
Wind	0	33	40	46	67	67	95	95	95	95
East Planned Resources	72	169	709	693	596	597	821	914	849	822
East Total Resources	8,457	8,658	9,304	9,412	8,361	7,967	8,227	8,309	8,606	8,687
Load	6,582	6,793	7,088	7,299	7,571	7,873	8,094	8,189	8,471	8,670
Sale	836	752	766	756	745	745	745	745	745	659
East Obligation	7,418	7,545	7,854	8,055	8,316	8,618	8,839	8,934	9,216	9,329
Planning reserves (12%)	752	733	739	768	839	875	878	878	922	N.A.
Non-owned reserves	71	71	71	71	71	71	71	71	71	72
East Reserves	823	804	810	838	909	945	948	949	993	N.A.
East Obligation + Reserves	8,240	8,349	8,664	8,894	9,225	9,564	9,787	9,882	10,209	N.A.
East Position	216	309	640	518	(865)	(1,597)	(1,560)	(1,573)	(1,602)	N.A.
East Reserve Margin	14.9%	16.1%	20.1%	18.4%	1.6%	(6.5%)	(5.6%)	(5.6%)	(5.4%)	N.A.
West										
Thermal	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,046	2,024
Hydro	1,421	1,414	1,328	1,332	1,175	1,174	1,168	1,169	1,168	1,177
DSM	0	0	0	0	0	0	0	0	0	0
Renewable	118	118	118	118	94	94	94	94	94	94
Purchase	800	800	800	750	112	141	107	107	107	107
QF	40	40	40	40	40	38	38	38	38	38
Transfers	(1,003)	(868)	(1,155)	(1,258)	(478)	(88)	(124)	(117)	(497)	(609)
West Existing Resources	3,422	3,550	3,177	3,028	2,989	3,405	3,330	3,338	2,956	2,832
CHP	0	0	0	0	0	0	0	0	0	0
Class 1 DSM	0	0	6	10	30	30	30	30	30	30
Class 2 DSM	23	47	62	92	107	152	147	206	197	259
Front office transactions	0	0	219	64	555	657	247	246	249	N.A.
Thermal	0	0	0	0	0	0	0	0	0	0
Thermal Upgrades	0	0	17	35	52	70	70	70	70	70
Hydro Upgrades	0	0	0	0	0	0	25	50	75	75
Wind	9	9	9	74	74	93	93	93	93	93
West Planned Resources	32	56	313	275	818	1,002	612	694	713	527
West Total Resources	3,454	3,606	3,490	3,303	3,807	4,407	3,942	4,032	3,670	3,358
Load	3,251	3,390	3,364	3,408	3,448	3,561	3,604	3,737	3,641	3,809
Sale	299	299	290	290	258	258	258	158	108	108
West Obligation	3,550	3,689	3,654	3,698	3,706	3,820	3,862	3,894	3,749	3,917
Planning reserves (12%)	327	341	308	334	348	341	400	397	380	N.A.
Non-owned reserves	7	7	7	7	7	7	7	7	7	8
West Reserves	334	348	315	340	355	347	406	403	386	N.A.
West Obligation + Reserves	3,884	4,037	3,968	4,038	4,061	4,167	4,268	4,298	4,135	N.A.
West Position	(430)	(431)	(478)	(735)	(254)	240	(326)	(265)	(465)	N.A.
West Reserve Margin	(0.1%)	0.3%	(1.1%)	(7.9%)	5.1%	18.3%	3.6%	5.2%	(0.4%)	N.A.
System										
Total Resources	11,911	12,265	12,794	12,715	12,167	12,374	12,169	12,341	12,276	12,046
Obligation	10,968	11,234	11,508	11,753	12,022	12,438	12,701	12,828	12,964	13,246
Reserves	1,156	1,151	1,124	1,179	1,264	1,293	1,354	1,352	1,379	N.A.
Obligation + Reserves	12,125	12,386	12,632	12,932	13,286	13,731	14,055	14,180	14,344	N.A.
System Position	(214)	(121)	162	(217)	(1,119)	(1,357)	(1,886)	(1,839)	(2,067)	N.A.
Reserve Margin	10.0%	10.9%	13.4%	10.2%	2.7%	1.1%	(2.9%)	(2.3%)	(3.9%)	N.A.

CERTIFICATE OF SERVICE

UM 1360

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 21st day of March, 2008.

Lois Meerdink

Lois Meerdink
Public Utility Commission
Regulatory Operations
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UM 1360
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