HARDY MYERS
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DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

November 12, 2008

Mike Grant
Administrative Law Judge
Public Utility Commission of Oregon
550 Capitol St NE – Suite 215
PO Box 2148
Salem OR 97308-2148

Re: UM 1360 – Submission from the Oregon Independent Evaluators
Accion Group and Boston Pacific Company, Inc.

Dear Judge Grant:

Enclosed with this letter are two documents that staff is submitting in PUC Docket UM 1360 on behalf of the two Oregon Independent Evaluators (the Accion Group and Boston Pacific). Accion Group's document entitled, "Oregon Independent Evaluator's Second Supplemental Assessment of PacifiCorp's 2008 All Source RFP Design" and Boston Pacific's document entitled, "Comments on Oregon's Final 2008 All-Source RFP," are public documents that contain no confidential or highly-confidential information. Please note that I am serving both of these documents on the UM 1360 parties via electronic mail only.

Sincerely,

Michael T. Weirich
Assistant Attorney General
Regulated Utility & Business Section

MTW:nal/#1103017
Enclosures
C: All parties by email only w/o enc.

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THE OREGON INDEPENDENT EVALUATOR'S SECOND SUPPLEMENTAL ASSESSMENT OF PACIFICORP'S 2008 ALL SOURCE RFP DESIGN

November 11, 2008

Submitted by:

Accion Group

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INTRODUCTION

On April 11, 2008, Accion Group Inc. (Accion), in its role as the Oregon Independent Evaluator (IE) for the PacifiCorp (PacifiCorp or the Company) 2008 All Source RFP, submitted our initial report regarding the draft RFP documents. Our report addressed the adequacy, accuracy and completeness of solicitation materials submitted by PacifiCorp in Docket Number UM 1360.

On April 25, 2008, PacifiCorp submitted reply comments and revised RFP materials. Several interveners in the Docket also submitted comments regarding the PacifiCorp RFP proposed RFP structure and documentation.

In its May 6, 2008, Supplemental Report Accion addressed several of those comments and several of the changes included in PacifiCorp's revised RFP filing.

Copies of our initial and supplemental reports have been filed in this docket.

On June 5, 2008, The Public Utility Commission of Oregon (Commission) entered its Order Number 81-310 approving, with conditions, PacifiCorp's Request for Approval of Draft 2008 Request for Proposals. On Oct. 2, 2008, PacifiCorp filed final RFP documents for approval by the Commission.

In this, its Second Supplemental Report, Accion Group reviews PacifiCorp's compliance with several of the conditions for approval 1, 5, 8, 9, 10 and 11 established by the Commission. Our review considered the form of the RFP and its related documents and the processes PacifiCorp proposes to employ to conduct the RFP. Boston Pacific, under separate cover, will address the Company's compliance with the remaining conditions noted by the Commission relating to the evaluation processes to be employed.

Our review of these conditions considered how PacifiCorp proposes meeting the Commission's requirements. In summary, we found the RFP documents to be complete and thorough. RFP protocols and requirements are clearly presented. We found PacifiCorp's revised documents to be in compliance with the conditions imposed by the Commission.

DISCUSSION

Condition 1.

1. PacifiCorp must include the following statement in the final RFP that the Company releases to the market:

> **In the event the Company receives necessary approvals from regulators and acquires the resource, the total resource need will be adjusted to account for the generating facility that is the subject of Oregon Docket UM 1374*.***

Further, PacifiCorp must include in the final short-list modeling the resources under consideration in Docket Numbers UM 1374 and UM 1208, unless the subject resources are no longer viable at that time. Presently, the Commission does not acknowledge a resource need through the 2008 RFP of 2,000 MW if PacifiCorp acquires the existing generating plant as planned or resources through the 2012 RFP.

On page 9 of its filed RFP the required language is cited verbatim. Further, the Company noted during the October 22, 2008, Pre-Bid Conference that it will adjust its resource need to reflect any viable resources under consideration in Dockets UM 1374 and UM 1208. We believe this is appropriate.

Condition 5.

5. PacifiCorp must clarify in the final RFP what coal bids are acceptable and any requirements for indemnification related to the risk of greenhouse gas emissions and associated security.

At various places in the revised RFP the following language can be found:

> The fuel source type must be specified in the proposal and cannot be sourced or tagged from a coal resource unless the proposal is consistent with Cal. Pub. Util. Code § 8340(2006); 2008 L. Utah, ch. 374; codified at Utah Code Ann. §§ 10-19-101, *et seq.* and 54-17-502, *et seq.* and amending Utah Code Ann. §§ 54-2-1, 54-12-1, 54-12-2, 54-12-3, 54-17-201, 54-17-302 and 54-17-303; Wash. Rev. Code Ann. §§ 80.80.005, 80.80.010,80.80.030 and 80.80.080 (2007); and any additional state or federal requirements regarding new and existing resources that may be identified by the Company during the solicitation process. Thus, for example, because California and Washington laws cited above do not allow the Company the opportunity to recover costs associated with long term coal resources, bids from new or existing coal resources shall be limited to a Maximum Term of less than five (5) years.

We believe this language adequately describes the types of coal bids that may be considered as compliant.

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With regard to requirements for indemnification of emissions risk, the Company has stated in its discussion of Operational Viability/Risk Impacts (Page 59):

> PacifiCorp is interested in proposals that can demonstrate, through a credible plan, the ability to manage and reduce environmental costs and impacts. Options to meet the requirements of developing regulations for control of currently regulated air emissions and mercury, along with emerging issues such as greenhouse gas emissions and ways to mitigate future CO2 impositions, should be included in the Bidder's strategy for meeting the necessary requirements.

We believe this adequately addresses the Commission's concerns as defined in Condition 5.

Condition 8.

8. PacifiCorp must modify the RFP to clarify that eligible renewable resource bids with heat rates less than 6,900 MMBtu will be accepted, classified and evaluated based on the resource's unique operating characteristics.

In its initial Draft RFP, PacifiCorp proposed to classify bids as baseload or intermediate based on unit heat rates and as summer peaking based on the availability of the unit during the defined period. In that draft the Company defined those classifications as follows:

Bid Category	Heat Rates
1) Base Load	6,900-8,870
2) Intermediate Load	9,400-11,500
3) Summer Peak - Q3 purchases	July-September HE0700 through HE 2300

As noted in the IE Report submitted on April 11, 2008, the classifications introduced some ambiguity relative to whether bids with heat rates beyond the ranges noted would be considered.

In the Company's latest draft, issued on October 2, 2008, the Company has eliminated that ambiguity by basing classification of bids on the bids evaluated capacity factor.

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Bid Category	Capacity Factor
1) Base Load	≥ 60%
2) Intermediate Load	20-60%
3) Summer Peak - Q3 purchases	July-September HE0700 through HE 2300

The IE believes that the amendment adequately responds to the Commissions, Condition 8.

Condition 9.

9. Regarding credit requirements, PacifiCorp must:

> **a. Include a table in the RFP with heat rates and capacity factors for intermediate and summer peaking resources.**
> **b. Use the capacity factors in this table for calculating the required security for intermediate and summer peaking resources and include an example of how the security amount for these resources will be determined.**
> **c. Specify in the RFP how credit requirements may be adjusted for non-asset backed bids less than five years as well as other bids with a term less than 10 years.**
> **d. Provide items (a) through (c) above for IE and stakeholder review prior to issuing the RFP.**

As noted in our review of the Company's compliance with Condition 8, PacifiCorp has redefined the criteria it will use to classify bids as baseload, Intermediate and Summer Peaking. The Company will now use capacity factor as the basis for such classification and has disclosed in the RFP the ranges it will use in that process.

Further, the Company has included clear explanations and examples of how it will utilize capacity factors in determining the security requirements of all bids. In lieu of proving separate credit matrices for Intermediate and Summer Peaking resources the Company included in this revised RFP the following clarifications:

In Appendix B to the RFP the Company has included the following "Notes":

- For projects less than five (5) years, the amount of credit assurances required may be adjusted
- Credit Requirements for the Bid Categories other than the Base Load Bid Category will be determined based on a percentage of the amount contained in the Credit Matrix
- For the Intermediate Load Bid Category, the percentage of the amount contained in the Credit Matrix is based on the following formula:

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> Percentage = capacity factor adjustment * price type adjustment; where the capacity factor adjustment is the Bidder's capacity factor divided by 60%, and the price type adjustment is the average of the monthly super-peak price divided by the monthly on-peak price, or 1.03 for PACW and 1.08 for PACEU.

- For the Summer Peak Bid Category, the percentage of the amount contained in the Credit Matrix for Resource Alternatives backed by an asset is 66%; the percentage of the amount contained in the Credit Matrix for Resource Alternatives not backed by an asset is 31%.

We believe these notes adequately respond to Commission Conditions 9a and 9b.

With regard to Condition 9c, the Company has indicated to the IE that it will make adjustments to bids of less than 10 year terms and to non-asset backed bids of less than five-year terms, based on the individual circumstances presented in such bids. This commitment is indicated in the revised Appendix B to its RFP.

While not directly responsive to the Commission's Order, we believe that the Company's intent to adjust individual bid security requirements is clear. Further, no bidder comments regarding this omission were noted since the revised RFP documents were made available for review by interested parties. We do not believe that this omission will unduly affect participation by Sellers in this RFP. The Company has indicated to the IE that it will consult with the IE on each affected bid and will use reasonable standards to assess whether reductions in required security is appropriate in individual cases.

The specifics of how this commitment will be met in the evaluation process have yet to be established. We expect this detail will be established before bids are received, and will confirm this with the Commission.

With regard to Condition 9d, the Company provided to the IE its proposed revisions prior to filing with both the Oregon and Utah Commissions.

Condition 10.

10. PacifiCorp must state in the RFP whether it will accept any change of law risk and, if so,

specify that provision in the power purchase agreement template or state whether there will be an opportunity to negotiate allocation of that risk after identification of the final

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short-list.

PacifiCorp has added to Section C NON-PRICE INFORMATION, sub-section 7, which reads as follows:

> 7. Change of Law
> In the event there is a change of law which increases the costs associated with this RFP, the Company will negotiate the allocation of such risks after identification of the bidders on the final shortlist.

PacifiCorp's revision in response to Condition 10 is neither responsive nor appropriate. Absent a clear statement of how change of law related costs may be allocated, bidders will not be able to fully assess their risk exposure. This would force bidders to incorporate in their bids risk premiums that may be excessive. It appears PacifiCorp intends to entertain a re-pricing of short-listed bids to address change of law costs. It is unclear whether PacifiCorp would entertain a re-pricing from the beginning of a PPA, or only after the cost of a change of law is known.

Without a clearly defined process and bid requirement, the evaluation of bids cannot assess the potential comparative impact such changes would have on each of the bids submitted or the comparative ranking of bids against the Company's self build proposals. For example, if two bids are submitted with similar pricing the lower cost bid will be ranked as the superior choice. However, if that bidder seeks a change of law risk allocation and the inferior bidder makes no similar demand, the ranking of the bids would not reflect the true cost of each. Further, comparing bids to the self build proposals may be distorted unless the evaluation can assess the each bid's risk exposure given that the self build proposals will have the ability to seek recovery of future cost increases resulting from changes of law, through the regulatory process.

We understand that the initial shortlist will be established, without regard for any change of law risk premium. During the evaluation to determine the final short list PacifiCorp will include an assessment of any change of law provision proposed by a bidder. We discussed with PacifiCorp and the Staff our concern that the RFP, as drafted, could confuse bidders regarding their obligation to provide change of law proposals as part of a bid. In particular, we shared our concern that bidders may not appreciate that they must quantify the cost of any change of law provision proposed by the bidder. Also, we expressed concern that bidders might not understand that any provision for charging for a future change of law cost would have to be established during final negotiations of the PPA. We also expressed our concern that it was possible for a bidder to misunderstand that after a PPA is executed PacifiCorp will

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not entertain future changes in a PPA concerning an unanticipated change in the law.

To ensure full disclose to bidders, a question and answer exchange will be posted on the RFP web site. Bidders will be encouraged to review the exchange and provide additional questions. We will monitor all responses and contribute additional observations if we continue to believe ambiguity may exist.

If these steps are taken, we believe that PacifiCorp will have adequately complied with Condition 10.

Condition 11.

11. PacifiCorp must explore with Staff and the Oregon IE use of a capped success fee that assists in the recovery of IE costs. PacifiCorp must determine whether such an approach is allowed under competitive solicitation requirements in other states. If allowed, the Company must develop a success fee approach with the IE and solicit feedback on the approach from potential bidders prior to implementation.

The IE and PacifiCorp conducted preliminary discussions regarding the feasibility of implementing a success fee in this RFP. At the time those discussions were held, the Company had not completed either its review of its authority to impose such a fee or its evaluation of the merits of establishing such a fee. The Company indicated its willingness to include a success fee structure in future RFPs. To that end the Company and the IE are cooperatively reviewing the bid fee requirements in other recent RFPs. We have recently had further discussions with the Company regarding this issue and will begin the process of fashioning an appropriate structure for implementing a success fee if possible. We have requested that once a process for establishing a capped success fee is developed, PacifiCorp solicit feedback on its proposed approach from interested thirds parties. The IE will review all proposals provided by PacifiCorp and input received from third parties regarding those proposals and report our findings to the Commission.

Remaining Conditions

As noted previously, Conditions 2, 3, 4, 6, 7, 12, 13, 19 and 20 will be addressed under separate cover by Boston Pacific which also serves as the IE in this RFP. Conditions 14 through 18 did not require any action on behalf of PacifiCorp at this time.

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IE Findings

Based on our review of the RFP and its related documents we believe PacifiCorp has satisfied Conditions 1, 5, 8, 9, and 11 set forth in the Commission's Order Number 08-310.

With regard to condition 10, the IE recommends that PacifiCorp post on the IE website the question and answer exchange as described in the discussion of Condition 10 on page 6 of this report.

Regarding Condition 11, we recommend that PacifiCorp commit to a specific date by which they will provide the IE and the Staff with a proposal for using a success fee in future RFP's. Once we have a proposal, we will provide the Commission with our assessment of how effective PacifiCorp's approach will be to encourage participation in future RFP's. With this in mind, we remain available to work with PacifiCorp and the Staff to address this condition.

The IE also reviewed the other revisions made to the Oregon RFP and found them to be reasonable. This review included the RFP, the PPAs and tolling agreements, the asset purchase and sale agreement, and the other appendices and attachments to the RFP.

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MEMORANDUM

October 31, 2008

TO: Lisa Schwartz
Oregon PUC

FROM: Frank Mossburg
Stuart Rein

SUBJECT: Comments on Oregon's Final 2008 All-Source RFP

BACKGROUND

On January 16, 2008, in Order No. 08-019, the Commission opened Docket No. UM 1360 to address PacifiCorp's 2008 All-Source RFP. PacifiCorp, on February 15, 2008, filed its initial Draft 2008 RFP. PacifiCorp subsequently filed revisions on March 28, 2008 and April 25, 2008. The Commission approved PacifiCorp's RFP at its Public Meeting on May 20, 2008 with specified conditions. The Commission detailed these conditions in Order No. 08-310. The purpose of this memorandum is to (a) show how the final RFP, issued to the market on October 2, 2008, meets each condition in Order No. 08-310, (b) show how the final RFP addresses other issues the Oregon IE raised in comments to the Commission and the Company, (c) provide the IE's review of other changes in the RFP, compared to the April 25, 2008 version approved by the Commission with conditions, and (d) provide the IE's review of how the Company will address the difference between the Oregon and Utah versions of the RFP.

HOW THE FINAL RFP MEETS THE COMMISSION'S CONDITIONS

In Order No. 08-310, the Commission approved the April 25, 2008 RFP filed by PacifiCorp with conditions. Below we list the Commission's 20 conditions in bold. We then show how each is met in the Final RFP. For most of the conditions we do this by providing an italicized quote directly from the Final RFP to show adherence to the Commission's Order.

1. **PacifiCorp must include the following statement in the final RFP that the Company releases to the market:**

> **"In the event the Company receives necessary approvals from regulators and acquires the resource, the total resource need will be adjusted to account for the generating facility that is the subject of Oregon Docket UM 1374."**

Further, PacifiCorp must include in final short-list modeling the resources under consideration in Docket Nos. UM 1374 and UM 1208 unless the subject resources are no longer viable at that time. The Commission does not acknowledge a resource need through the 2008 RFP of 2,000 MW if PacifiCorp acquires the existing generating plant as planned or resources through the 2012 RFP.

(RFP p9-10) "In the event the Company receives necessary approvals from regulators and acquires the resource, the total resource need will be adjusted to account for the generating facility that is the subject of Oregon Docket UM 1374. In addition, the Company will include as planned resources in the final shortlist modeling, any resources on the final shortlist under consideration in UM 1208 and Chehalis project (520 MW), unless the subject resources are no longer viable at that time."

(RFP fn 10) "The Company's System Position is as set forth in Table 4.15 - Capacity Load and Resource Balance in the 2007 IRP. To the extent resource acquisitions are made outside of the 2008 RFP, the total resource levels will be adjusted accordingly."

We believe that this meets the Commission's condition by stating that the need will be adjusted based on whether PacifiCorp acquires Chehalis or contracts with a resource in the 2012 RFP, although we are assuming that the reference to "total resource levels" in the footnote refers to the 2,000 MW called for in the RFP. Since the footnote is tied to a statement that the Company is seeking 2,000 MW of resources we believe this is a fair assumption. We note that the footnote is more expansive than the Commission's requirement since it acknowledges *any* resource acquisition made outside the RFP, not just Dockets UM-1208 and UM-1374.

2. **PacifiCorp must submit its detailed initial short-list scoring and weighting criteria with the Commission, for review by Staff and the Oregon IE, no later than one day before bidder responses are due. Specifically, the Company must provide the methodology for translating each bid's initial price score – percent of forward price curve – into a score that can be blended with the non-price score. Further, the detailed scoring must show how the Company will award points for the non-price factors within each category.**

   (RFP p55) "The Company will provide the methodology for translating each bid's initial price score into a score that can be blended with the non-price score. The detailed scoring will indicated how points are awarded for each category of non-price factors."

   (PacifiCorp's Supplemental Reply Comments at p3) "PacifiCorp agrees to comply with Staff Conditions 2 and 3."

The RFP appears to comply with this requirement in the sense that it lays out how bids will be scored on a non-price basis. The non-price score accounts for 30% of the bidder's total score. There are three equally weighted non-price categories: (a) development feasibility/risk, (b) site control and permitting, and (c) operational viability/risk impacts. Each category has sub-categories which will be scored on a 0, 50%, 100% scoring basis. The Development feasibility/risk category score is based upon the likelihood of the bid proposal being developed in time to meet its proposed in service date. The site control and permitting category score is based upon whether the bidder has already obtained its site permits or, if the bidder has yet to do so, how the permits will be obtained. A perfect score for this category would be given to a bidder that already has secured its permits. The operational viability/risk impacts category score is based upon a bidder's environmental management and compliance plan, the environmental impacts of the proposal, and the bidder's operations and maintenance plan. It is unclear whether the Company intends to submit an even more detailed account of its non-price scoring criteria prior to receipt of bids.

3. Prior to the receipt of market bids, the Company must submit the detailed score for benchmark resources, with supporting cost information, pursuant to Guideline 8 of Order No. 06-446.

(RFP p8) "The Company will submit a detailed evaluation for each Benchmark Resource(s), with supporting cost information, to the Oregon Commission and the IEs at least one day prior to the opening of proposals submitted by the Bidders."

We believe this meets the Commission's condition. We do note that we assume that "detailed evaluation" is the same as the detailed score. We will continue to monitor and make sure that the Company does submit this information as required.

4. PacifiCorp must specify in the final RFP the maximum quantities of bids that will be included on the initial and final short-lists.

*(RFP p52-53) "The RFP Base Model will be used to establish the initial shortlist up to two times[29] the quantity in each of the three separate categories may be selected: a Base Load category, an Intermediate Load category and a Summer Peak category" (RFP fn 29) "Up to 2,000 MW*2 or 4,000 MW."*

*(RFP p53) "Bids which qualify for the initial shortlist from a screening basis will be run through a production cost model to establish a preferred portfolio and subsequently a final shortlist, which may include up to one and a half times[30] the requested quantity." (RFP fn 30) "Up to one and a half times the resource requested (2,000 MW*1.5 or 3,000 MW)."*

This meets the Commission's condition. However, if the 2,000 MW resource need is lowered per Condition 1, it is unclear if the number of MW chosen for the initial and final shortlists will also be lowered. That is, if the level of resource need was lowered from 2,000 MW to 1,500 MW, up to 3,000 MW (1,500 MW *2) would be chosen for the initial shortlist and up to 2,250 MW (1,500 MW*1.5) would be chosen for the final shortlist. We do not believe that this necessarily must follow, as the upper bounds are just there to give bidders some idea of what selection to the initial and final shortlists means.

5. PacifiCorp must clarify in the final RFP what coal bids are acceptable and any requirements for indemnification related to the risk of greenhouse gas emissions and associated security.

(RFP p7 and other places) "Bids from new or existing coal resources will only be considered by the Company if such proposals are consistent with Cal. Pub. Util. Code § 8340 (2006); 2008 L. Utah, ch. 374; codified at Utah Code Ann. §§ 10-19-101, et seq. and 54-17-502, et seq. and amending Utah Code Ann. §§ 54-2-1, 54-12-1, 54-12-2, 54-12-3, 54-17-201, 54-17-302 and 54-17-303; Wash. Rev. Code Ann. §§ 80.80.005, 80.80.010, 80.80.030 and 80.80.080 (2007); and any additional state or federal requirements regarding new and existing resources that may be identified by the Company during the solicitation process. Thus, for example, because California and Washington laws cited above do not allow the Company the opportunity to recover costs associated with long-term coal resources, bids from new or existing coal resources shall be limited to a Maximum Term of under five (5) years."

(RFP p45) "The bid evaluation process will incorporate the assumption that the Bidder does not contractually absorb the liability associated with potential future CO2 expenses. The foregoing notwithstanding, a bidder desiring to offer a bid in which it proposes to absorb some or all of any liability associated with CO2 costs, may do so, which will be evaluated in step 4 of the Evaluation Process. Bidders wishing to offer such a proposal to absorb some or all of any CO2 cost liability should submit such a proposal as an alternative bid only, consistent with the requirements listed in Section 2B of this RFP."

(RFP p63) "The Company may consider creative means, proposed by Bidders, to absorb and securitize any CO2 risk consistent with multi-state legal and regulatory requirements. A Bidder desiring to offer a bid in which it proposes to absorb some or all of any liability associated with CO2 costs, may do so, Bidders wishing to offer such a proposal to absorb some or all of any CO2 cost liability should submit such a proposal as an eligible alternative bid only consistent with the requirement listed in Section 2B of this RFP which will be evaluated in step 4 of the Evaluation Process. Any such proposal may be subject to additional credit requirements to be determined by the Company as part of a CO2 liability analysis."

While this does, as requested, clarify what coal bids are acceptable it does not spell out any requirements for indemnification. The RFP simply notes that bidders have the option to form a proposal to take on some or all of the costs associated with CO2 allowances in the form of an alternative bid. Should a bidder wish to indemnify the Company against these costs there are no requirements for this indemnity. As long as the Company does not impose requirements after the fact this is acceptable. Further we note that, while these proposals will be taken into account in the evaluation process the RFP is vague with respect to how their benefits will be evaluated.

6. PacifiCorp must adjust the submitted capital costs of benchmark resources for risk in the following manner:

a. Establish with the Oregon IE the indexes and percentage split between the indexes.
b. Add to the expected mean escalation of the indexes the 95th percentile escalation adjusted for the probability of its occurrence.
c. Include the risk adjustment for the benchmark resources in the final short-list evaluation, applying the agreed-upon escalator to 100 percent of the submitted capital costs.

(RFP p52) "The Company will adjust the submitted capital costs of Benchmark Resource(s) for risk in the following manner:

- *Establish with the Oregon and Utah IE the indices and percentage split between the indices*
- *Add to the expected mean escalation of the indices the 95th percentile escalation adjusted for the probability of its occurrence*
- *Include the risk adjustment for the Benchmark Resource(s) in the final shortlist evaluation, applying the agreed-upon escalator to 100 percent of the submitted capital costs."*

We believe this meets the Commission's condition. However, as of now, there has not been any discussion with the IE on these issues.

7. PacifiCorp must address bid indexing in the following manner:

a. All reasonable indexes specified by the bidder will be considered. Indexes must be transparent, easy to forecast and independent.

(RFP p32) "Bidders should submit requests for alternative indices to the Company via the IE website no later than 30 days prior to the bid due date. The Company and IE will review the request by the Bidder and within 10 days of receipt of the request make a determination whether or not the index will be classified as an approved index. All reasonable indices specified by the Bidder will be considered; however, an index must be transparent, easy to forecast and independent."

We believe this accommodates the Commission's condition. We do note, however, that the bidder must submit its request for an alternative index at least 30 days before the bids are due. This requirement can be seen as reasonable if the goals are to (a) prevent bidders from submitting an unviable bid in the first place and (b) notify all bidders of acceptable indices prior to bid submission (per the next condition).

b. Prior to the submission of bids, PacifiCorp must disclose to bidders which index forecasts it is using for evaluation, including the volatility forecasts for deriving the risk-adjusted value.

(RFP p52) "The Company will disclose to Bidders which index forecasts it is using for evaluation, including the volatility forecasts, if available, for deriving the risk-adjusted value."

The RFP complies with the Commission's condition, however it is unclear when the Company will disclose this information. One potential solution is for the Company to make an initial disclosure more than 30 days prior to bids being due, so that bidders will understand the basic indices used. The Company could supplement this data right before the bids are due with updated forecast information as well as any approved other indices received and approved via the above condition.

c. PacifiCorp must adjust the submitted capital costs of indexed bids for risk in the same manner specified in condition 6 for benchmark resources, but the adjustment will be applied only to the portion of capital costs that are indexed and to the reasonable indexes specified by the bidder.

(RFP p52) "The Company will adjust the submitted capital costs of indexed bids for risk in the same manner specified for Benchmark Resource(s), but the adjustment will be applied only to the portion of capital costs that are indexed and to the reasonable indexes specified by the Bidder."

We believe this meets the Commission's condition.

d. The RFP must clarify that the bidder's costs above the specified indexing will not be reimbursed.

(RFP p32) "Bidder's costs above the allowed indexing will not be reimbursed by the Company."

We believe this meets the Commission's condition.

e. PacifiCorp must consider and include in the evaluation process any reasonable risk mitigation measures that a bidder may offer.

(RFP p63) "After completing the formal evaluation process described above, but before making the final resource selections to be submitted for approval or acknowledgement, the Company will take into consideration, in consultation with the IEs, certain other factors that are not expressly or adequately factored into the formal evaluation process, but that are required by applicable law or Commission order to be considered, including any reasonable risk mitigation measures offered by a Bidder."

While this appears to meet the condition we have not had any discussion with the Company so far on how such proposals will be evaluated. Moreover, it is unclear as to what the Company would consider a "reasonable" risk mitigation measure.

8. PacifiCorp must modify the RFP to clarify that eligible renewable resource bids with heat rates less than 6,900 MMBtu will be accepted, classified and evaluated based on the resource's unique operating characteristics.

9. Regarding credit requirements, PacifiCorp must:

a. Include a table in the RFP with heat rates and capacity factors for intermediate and summer peaking resources.
b. Use the capacity factors in this table for calculating the required security for intermediate and summer peaking resources and include an example of how the security amount for these resources will be determined.
c. Specify in the RFP how credit requirements may be adjusted for non-asset backed bids less than five years as well as other bids with a term less than 10 years.
d. Provide items (a) through (c) above for IE and stakeholder review prior to issuing the RFP.

10. PacifiCorp must state in the RFP whether it will accept any change of law risk and, if so, specify that provision in the power purchase agreement template or state whether there will be an opportunity to negotiate allocation of that risk after identification of the final short-list.

11. PacifiCorp must explore with Staff and the Oregon IE use of a capped success fee that assists in the recovery of IE costs. PacifiCorp must determine whether such an approach is allowed under competitive solicitation requirements in other states. If allowed, the Company must develop a success fee approach with the IE and solicit feedback on the approach from potential bidders prior to implementation.

Accion Group will answer these questions in their Supplemental Report.

12. **The Company's planning margin analysis must be conducted in a manner consistent with Guideline 11 in Order No. 07-002.**

(RFP p9) "The 2007 IRP assumed a 12% planning margin.[7]" (RFP fn7) "The Company's analysis in this RFP will be consistent with condition 12 of Oregon Commission Order No. 08-310, which requires that the Company's planning margin analysis, is conducted in a manner consistent with Guideline 11 of Oregon Commission No. 07-002."

We believe this meets the Commission's condition.

13. **PacifiCorp must replace a portion of the planned wind resources that are inputs to the RFP Capacity Expansion Model with geothermal, hydro and biomass if the Company receives such bids in its renewable resource RFPs in time to do so and the bids score well in the initial evaluation for those RFPs.**

(RFP p9) "The planned renewable targets, conservation and demand side management set forth in the IRP are not included for purposes of calculating resource needs; however, the renewable targets, and demand side management, will be inputs into the Capacity Expansion Model (which is discussed in more detail in Section 6) based on IRP forecasted price.[9]" (RFP fn 9) "This includes replacing a portion of the planned wind resources that are inputs into the Capacity Expansion Model with geothermal, hydro and biomass if the Company receives such bids in its renewable resource RFPs in time to do so and assuming the bids score well in the initial evaluation for those RFPs."

While this meets the Commission's condition. We note that given that the renewable bids are scheduled to be received roughly two weeks after the bids for the 2008 All-Source RFP it may be difficult to evaluate them quickly enough to determine whether any non-wind resources score well enough to be included in the CEM per this guideline. We will continue to monitor this issue.

14. **The Commission does not acknowledge reductions from the Company's 2007 Integrated Resource Plan preferred portfolio related to the specified levels of combined heat and power resources. PacifiCorp's resource need for this RFP is reduced by the amount of these resources in its acknowledged 2007 IRP.**

(PacifiCorp Supplemental Reply Comments at p4) "PacifiCorp acknowledges Staff Condition 14 and will reduce need for this RFP consistent with the amount of CHP resources acknowledged in its 2007 IRP."

15. **RFP approval does not imply endorsement of any of the Company's benchmark resources.**

(PacifiCorp Supplemental Reply Comments at p4) "PacifiCorp acknowledges Staff Condition 15."

16. **The Commission is neither approving the pro forma agreements included in the Final Draft 2008 RFP in their entirety, nor endorsing any specific term therein.**

(PacifiCorp Supplemental Reply Comments at p4) "PacifiCorp acknowledges Staff Condition 16."

17. **The Commission does not acknowledge reductions from the Company's 2007 IRP preferred portfolio related to the specified levels of Front Office Transactions.**

(PacifiCorp Supplemental Reply Comments at p4) "PacifiCorp acknowledges Staff Condition 17."

These four conditions are not acknowledged in the RFP, but rather in the Company's Supplemental Reply Comments. We will continue to monitor and make sure that the CHP condition is met.

18. **PacifiCorp must report to the Commission within 30 days of the due date for bids on the Company's efforts to promote the final RFP and reasons market participants cited for not participating.**

(PacifiCorp Supplemental Reply Comments at p4) "PacifiCorp will agree to Staff Condition 18; however, it may not be possible to report on the reasons market participants did not participate. To the extent PacifiCorp receives this information from market participants, it will report this information to the Commission."

We will review this report as it arrives. We do note that a reasonable amount of participants were involved in the recent pre-bid conference[1].

19. **PacifiCorp must revise the final RFP to reference the correct tables that will be used to determine Design Plant Life.**

The Final RFP refers to the correct tables in the IRP throughout. These tables are Tables 5.1-5.4. *(RFP p12 and other places) "Life of the asset will be evaluated consistent with IRP 5.1-5.4."*

We believe this meets the Commission's condition.

[1] A presentation from that conference is attached.

20. **PacifiCorp must work with the IE, Staff and the Parties to modify the bid evaluation process to allow adjustments to the Design Plan Life based on existing or planned plant improvements.**

(fn 13 and other places) "Bidders may propose adjustments to the Design Plant Life based on existing or planned plant improvements which will be considered by the Company in consultation with the IEs during the bid evaluation process."

We believe this meets the Commission's condition.

HOW THE FINAL RFP ADDRESSES ISSUES THE OREGON IE RAISED IN COMMENTS TO THE COMMISSION AND THE COMPANY

Boston Pacific submitted two reports: one on April 11, 2008 and one on May 8, 2008. The April 11, 2008 report provided our assessment of the RFP, while our May 8, 2008 report provided supplemental comments regarding indexing of bids. In addition, Boston Pacific also made a few other comments aside from those in these reports. Because some of these comments were covered by the Commission's 20 conditions, we list the comments that we believe deserve discussion below.

A. Comments from the April 11, 2008 Report

Under this topic Boston Pacific stated that three minor risks could be more thoroughly recognized and valued in the evaluation process. These risks are transmission cost risk, capital cost risk, and the ability to sell power off-system. PacifiCorp will not directly analyze these risks within the RFP evaluation process. However, we note that they will hold a workshop for bidders in which their methodologies and findings re: transmission costs will be explained to bidders. We view this as a positive step. While the Company will do nothing else regarding these risks we will look at these components in our own analysis to determine if they are having a large effect on the choice of winning bids. It is our hope that, should we request any sensitivity analysis around these issues, the Company will be willing to conduct them.

B. Other Boston Pacific Recommendations

Boston Pacific also made the recommendation that bidders should be allowed to propose earlier on-line dates than June 1, 2012. In addition, Boston Pacific stated that it should also be clear that the Company's preference is for resources starting at one of the dates explicitly listed in the RFP. We believe that the following satisfies our request.

(RFP fn 5) "The Company may allow on-line flexibility consistent with the resource need identified in the Capacity Load and Resource Balance, however, a resource must be online by June 1, 2012 or starting with June 1 of each year for each year within the Eligible Online Dates."

(RFP p8) "To the extent Bidders propose resources that will be available prior to June 1, 2012, Bidders, may request alternative eligible online dates. Bidders should submit requests for alternative eligible online dates to the Company via the Independent Evaluators' ("IE") website at least 30 days prior to the bid due date. The Company and IE will review the request by the Bidder and make a determination whether or not the alternative online date will be classified as an approved eligible online date."

We note that the language in the RFP requires that Bidders submit alternative online dates at least 30 days prior to the bid due date. Further, the Company and the IE will make a decision to approve or reject the proposed online date. At this time, we have not discussed with the Company the grounds for approval or disapproval. We are not sure why Bidders should have to submit alternative online dates at least 30 days prior and why the alternative online dates need approval. It is our opinion that the benefit or determent of alternative online dates should be accounted for in the evaluation of bids rather than administratively determined. Most likely offering an earlier online date would hurt the bid in the evaluation, but bidders should still have this option if that is the only way to get the resource into the RFP. We will continue to monitor and comment this issue as necessary in our later reports.

PROVIDE THE IE'S REVIEW OF OTHER CHANGES IN THE RFP, COMPARED TO THE APRIL 25, 2008, VERSION APPROVED BY THE COMMISSION WITH CONDITIONS

The changes resulting from the Commission's Order No. 08-310 and the IE's recommendations account for most of the changes to the RFP since the Commission approved the April 25, 2008 version with conditions. However, a few other changes were also made to the RFP, some of which stemmed from changes in the Utah RFP.

- Attachment 22 allows the Guarantor to review the terms and conditions of the contract before it goes into effect.
- Additional alternative bids have a price that escalates $1,000 with each additional bid. The final structure in the Oregon RFP requires a $1,000 fee for the first through third alternatives. The fourth alternative comes with a $2,000 fee, while the fifth alternative comes with a fee of $3,000.
- Footnote 32 allows for pre-specified prices ranges to be altered if the price scores are not consistent with these pre-specified price ranges. If this occurs, the price ranges will be revised by the Company in collaboration with the IEs.
- Both the bids and benchmarks will be included in the price evaluation step. This condition is not in the RFP, although the Company stated in the pre-bid conference that this would be the case. We note that the RFP still says that Benchmarks will be included in the final shortlist evaluation (see p. 60), presumably regardless of their performance in the Initial Shortlist evaluation. We

would recommend that if the Benchmarks do not make it through the initial shortlist they should not be considered for the final shortlist.

PROVIDE THE IE'S REVIEW OF HOW THE COMPANY WILL ADDRESS THE DIFFERENCE BETWEEN THE OREGON AND UTAH VERSIONS OF THE RFP

The key difference between the two RFPs is the allowance for coal bids. At this point there has been no discussion of how the evaluation will be conducted should there be separate bids in Oregon and Utah. It is our opinion that we would essentially create two initial and final shortlists, with the only difference being that the Utah lists will have coal bids. Should we reach a situation where the final shortlists are different we will discuss with all parties how the Company could proceed based on the cost differences in the two shortlists and the legal restrictions it may face. We will update on this issue if initial shortlist results indicate that there may be difference between the Utah and Oregon final shortlists.

One other minor difference is that the Oregon RFP explicitly states that it will be conducted with a planning margin according to Commission's Guideline 11. We presume that there will be no separate analysis for Utah which incorporates a different planning margin. We will update on this issue in further reports.

All Source Request for Proposal
Bid Conference

October 22, 2008

PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Pacific Power | Rocky Mountain Power | PacifiCorp Energy

Agenda

- Overview of All Source Request for Proposal
- Schedule and timeline
- Resource Alternatives
- Delivery Points
- Bid Fee (s)
- Fixed and Index pricing
- Benchmark Resource (s)
- Pricing Input Sheet
- Initial Shortlists
- Final Shortlists
- Credit Requirements

Overview of All Source Request for Proposal

- Resource Categories - three bid categories
  - Categories — Capacity Factor
    1) Base Load — ≥ 60%
    2) Intermediate Load — 20-60%
    3) Summer Peak — Q3 purchases July-September HE 0700 through HE 2300

- Utah and Oregon Commission approved the All Source Request for Proposal
  - The Utah Commission approved coal as a source of supply
  - Bidders can submit their Intent to Bid and bids to the Company and the company will evaluate the proposals accordingly under one All Source Request for Proposal

- Company Benchmark
  - Benchmark's will be submitted to the IEs prior to the receipt of the bids
    - Base Load resource
    - Intermediate Load Bid Category
    - Third quarter summer peak purchases
      - » the Company will use the applicable east/west markets as the benchmark

Overview of All Source Request for Proposal

- Transaction Term
  - Online dates of June 1, 2012, 2013, 2015, 2016
  - Bidders may request alternative online dates via the Independent Evaluator web site at least 30 days prior to the bid due date.
  - The company will review and make a determination as to whether or not the alternative online date will be an approved eligible online date.

- Resource Need
  - Up to 2,000 MW of cost effective resources that can be delivered to, or into the Company's network transmission in PacifiCorp East (PACE) and PacifiCorp West (PACW)
  - Adjustments to the resource need will be made for the purchase of Chehalis and any pending projects which may result from RFP 2012

- Proposals which require third party transmission
  - If a third party transmission wheel is required in order to deliver to PacifiCorp's transmission system, the third party transmission details, including costs and availability, **must** be included in the proposal

Schedule for All Source Request for Proposal

Event	Anticipated Date*
RFP issued	October 2, 2008
RFP bid conference	October 22, 2008
Intent to Bid Forms due	October 31, 2008
Benchmark Resources due	December 2, 2008
Responses due	December 16, 2008
Evaluation complete	February 27, 2009
Oregon Commission acknowledgement of Final Shortlist	March 27, 2009
Bidder negotiation complete	June 15, 2009
PacifiCorp negotiation	June 30, 2009
Utah Public Service approval (120 days)	October 30, 2009

* - Dates subject to change

Resource Alternatives

Power Purchase Agreement and Tolling Agreement	– A PPA not backed by assets is limited to a Maximum Term of under 5 years, a minimum of 100 MW, and is not eligible to use a PacifiCorp site. – Fixed term specified in the bid up to the life of the asset from a single resource located in or delivering to PACE or PACW under the PPA. – Must be a minimum term of 5 years and a minimum of 100MW. – A PPA or TSA not backed by an assets is limited to a Maximum Term of under five (5) years means a term of greater than one (1) year but less than five (5) years.
Asset Purchase and Sale Agreements on PacifiCorp sites	Currant Creek or Lake Side sites.
Asset Purchase and Sale Agreements on Bidders sites	– Bid to result in the development and construction of a facility that complies with the specifications in the APSA and the specification for each site set forth in the Appendices. – Contractual privity between PacifiCorp and the EPC contractor. –The Bidder must build to the Currant Creek specification or the Lake Side specification.

Resource Alternatives and Exceptions

Purchase of an existing facility or Purchase of a portion of a facility jointly owned by and/or operated by PacifiCorp	– Evaluation will be completed based on the remaining depreciated life of the asset. – Due diligence of facility that PacifiCorp deems appropriate. PacifiCorp would own and operate the facility.
Restructuring of Existing Power Purchase Agreement or Exchange	– Fixed term specified in the bid up to the life of the PPA or Exchange Agreement must be a minimum of 5 years and 100 MW.
Exceptions	– Load Curtailment - Fixed term must be a minimum of 5 years and 25 MW. – Qualifying Facility – Fixed term must be a minimum of 5 years and 10 MW. A PPA not backed by assets is limited to a Maximum Term of 5 years and a minimum of 10 MW. – Eligible Renewable Resource - Company must be able to dispatch or schedule renewable resource.

Delivery Points

- Delivery Points for the eastern and western control area
  - Eastern Control Area (PACE)
    - Salt Lake Valley
    - Mona 345 kV
    - Glen Canyon 230 kV
    - Nevada/Utah Border
    - PacifiCorp sites
      - Currant Creek
      - Lake Side
  - Western Control Area (PACW)
    - Mid Columbia
    - Paul 500 kV
    - PACW System
      - Within the Western Control 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 control area and the Bonneville Power Administration or Portland General Electric such that transfer limitations are not exceeded. If the source located within the Bonneville the Bidder, must show they have control area service from the resource to the delivery point.

Structure of the Bid Fee (s)

- Bidder fees structure
  - Resource Alternatives pay a Nonrefundable "bid fee" of $10,000
    - » A bid in each Resource Alternative category may consist of one base proposal in addition to two alternatives, which may include a different index option for the same bid fee.
    - » Alternatives will be limited to different bid sizes, index option for the same bid fee.
    - » In addition, Bidders have the option of submitting up to five additional alternatives as follows:
      - » The fourth through sixth additional alternative at a fee of $1,000 each,
      - » The seventh additional alternative at a fee of $2,000 and
      - » The eight additional alternative at a fee of $3,000
  - The Resource Exceptions bid fee is $1,000
  - The bid fee (s) must be submitted with the proposals to Merrimack Energy Group, Inc.
  - The Bidder must attach to its proposal a certified check

Fixed and Index Pricing - Bidders and Benchmark (s)

- Bidders have the option of either submitting a proposal with a fixed capacity charge or capital cost (e.g. fixed for the term of the contract or escalated by a fixed amount) or to index a portion of the capacity charge or capital cost to a variable index

- Fixed Price - bidders must provide a minimum of 60% of the capacity charge or the capital cost as a fixed price. Bids with less than 100% fixed capacity charge or capital cost will be assessed a risk premium

- Index - bidders may index up to 40% of the total capital cost or capacity charge to approved indices
  - The Company prefers that a maximum of up to 25% of the capital costs or capacity charges may be indexed to the Consumer Price Index ("CPI") and
  - A maximum of up to 15% of the capital costs or capacity charges may be indexed to the Producer Price Index ("PPI") – Metals and Metal Products

- Alternative indices - bidders should submit requests for alternative indices to the Company via the IE website no later than 30 days prior to the bid due date.
  - The Company and IE will review the request by the Bidder and within 10 days make a determination whether or not the index will be classified as an approved index

Fixed and Index Pricing (cont)

- All reasonable indices specified by the Bidder will be considered; however, an index must be transparent, easy to forecast and independent
- Bidders' costs above the allowed indexing will not be reimbursed by the Company
- Bidders will be allowed to index up to 40% of the capital costs or capacity charges from the time of bid submission (or contract execution if agreed to by the Company and Bidder) until the earlier of the time 1) the Bidder executes the EPC Agreement or 2) the Bidder achieves project financing, provided that it is not longer than two years after the EPC Agreement has been executed
- Bidders may index the variable components to the CPI, or GDP

Benchmark Resources

- Company will submit a detailed score of the Benchmark Resources to the Oregon and Utah IEs prior to the receipt of the market bids
  - The Company will adjust the submitted capital costs of the Benchmark Resources for risk in the following matter
    - Establish with the IEs the indices for any capital variable component and percentage split between the capital variable components and associated indices for the Benchmarks prior to the receipt of the bids
    - Add to the expected mean escalation of the indices at the 95% percentile escalation adjusted for the probability of its occurrence
    - Include the risk adjustment for the Benchmark Resource in the final shortlist evaluation, applying the agreed upon escalator to 100 percent of the submitted capital costs
    - The Company will disclose to Bidders which index forecast it is using for evaluation, including the volatility forecasts, if available for deriving the risk-adjusted value.

- The Company will adjust the submitted capital cost of indexed bids for risk in the same manner specified for Benchmark Resources, but the adjustment will be applied only to the portion of capital costs that are indexed and to the reasonable indexes specified by the Bidder.

Pricing Input Sheet

- The Form 1 Pricing Input Sheet is an interactive Excel spreadsheet
  - Provides critical inputs that will be used for the financial evaluation of each bid
  - It is critical that bidders enter inputs by order of Field ID.
  - A Form 1 can be used for all Resource Categories. Selection made in Field ID 1 (Resource Category; e.g. Power Purchase Agreement, Tolling Service Agreement, etc) and Field ID 2 Transaction Type.
  - The Pricing Input Sheet contains definitions which are cross-referenced by Field ID

- An electronic version of the Pricing Input Sheet must be submitted for each bid or bid will be rejected and returned to the IE
  - To the extent that information does not conform to the Pricing Input Sheet, bidders are to supplement the additional information

Initial Shortlist Screening

– **Step 1: Initial Shortlist Bid Evaluation - RFP Base Model**
  - PRICE FACTOR EVALUATION (UP TO 70%)
    - PacifiCorp will utilize the RFP Base Model to screen the proposals and to evaluate and determine the price ranking
    - Comparison Metric - The comparison metric will be 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 a negative
      - » The more positive the net PVRR, the more valuable a given resource is to PacifiCorp's customers
      - » The percentage range of 60% to 140% may be adjusted based on the bids received
      - » Initial shortlists – up to two times the quantity in each of the three separate categories may be selected

Bid Cost Relative to Adjusted Price Curves	**Price Factor Weighting**
Less than or equal to 60% of adjusted price projections	70%
Greater than 60% of adjusted price projections but less than 140% of adjusted price curves	Linearly interpolated
Equal to or greater than 140% of the adjusted price projection	0%

Initial Shortlist Screening (cont)

- Non-price Factors (up to 30%)

1. Development Feasibility/Risk (up to 10%)
   » Critical Path Schedule 0-5%
   » Engineering Design and Technology 0-2.5%
   » Fuel supply and Transportation Strategy 0-2.5%

2. Site Control and Permitting (up to 10%)
   » Permits Required 0-5%
   » Access to Water Supply 0-2.5%
   » Right of Ways 0-2.5%

3. Operation Viability/Risk Impacts (up to 10%)
   » Environmental Compliance/Strategy 0-5%
   » Environmental Impact 0-2.5%
   » O&M Plan 0-2.5%

Final Shortlist

– **Consistent with Integrated Resource Planning**

- **<u>Step 2: Portfolio Development /Optimization</u>**
  - Using the initial shortlist, Ventyx Energy LLC's System Optimizer capacity expansion model will be used to develop optimized portfolios under various assumptions for future emission expense levels and market prices
    - » One optimized portfolio will result from each combination of emission and wholesale market and natural gas price assumptions, drawing from resources options in the initial shortlist along with the Company's Benchmark Resources

- **<u>Step 3: Risk Analysis</u>**
  - In order to identify the resources in the highest performing (least cost, adjusted for risk) portfolios, stochastic and deterministic analysis will be performed on each optimized portfolio
  - Consistent with the IRP, the Company will use the Planning and Risk Model (PaR) and the System Optimizer to assess the risk to each Resource Alternative
    - » The PaR model will model hydro generation, thermal outages, gas prices, electricity prices and load on a stochastic basis using Monte Carlo simulation
    - » The System Optimizer will model CO2, fuel prices (natural gas) and electricity on a scenario basis

Final Shortlist

- Step 3 a - Stochastic Analysis
  - The PaR model will be used in stochastic mode to develop expected PVRR and PVRR risk measures for each optimized portfolio
  - To capture capital cost risk in a manner consistent with the risk-adjusted PVRR methodology, a capital cost escalation premium will be added to resource capital costs for both benchmark and bidder resources. This premium is defined as the difference between the 95^{th} percentile and mean values from a probability distribution of index escalation values

- Step 3 b – Deterministic Scenario Analysis
  - To evaluate scenario risk, the System Optimizer will be used to calculate the deterministic PVRR results of each optimized portfolio for each of the future scenarios used in Step 2
  - This step is intended to identify portfolios with especially poor cost performance under the range of future scenarios, thereby informing the final resource selection

- Step 4 – Final Selection
  - Consistent with Utah Energy Resource Procurement Act
  - Consistent with Oregon Order No. 06-446, guideline 10(d)
  - Consider any impacts or implications to the Company's multi-state cost allocation

Credit Requirements

- Credit Requirements to be eligible for the shortlist will be determined by:
  - Credit quality of the Bidder or the entity providing credit assurances on behalf of the Bidder
  - Type of Resource Category and Transaction Type
    - Power Purchase Agreement, Tolling Service Agreement, Asset Purchase and Sale Agreement, Purchase of Existing Facility or Jointly-Owned Facility, Restructuring of Existing Power Purchase Agreement, Exceptions
    - Asset backed vs. non-asset backed
    - Non-asset backed will be limited to five years
  - Size of Resource
  - Date the resource comes online

- The Credit Matrix displays the value of credit assurances required to be eligible for the shortlist based on the factors above.
  - Credit assurances may include one or more of the following
    - Parental Guaranty
    - Letter of Credit
    - Other (as determined by PacifiCorp in its reasonable discretion)
  - Commitment letters to provide credit assurances on behalf of the Bidder will be required 20 business days after the Bidder is selected for the Final Shortlist

- Detailed credit terms will be negotiated with final short listed bidders to cover all appropriate terms for a particular bid, including but not limited to, limited loss of liability, delay liquidated damages and performance-based liquidated damages

Questions/Comments & Information Sources

Utah Independent Evaluator: Merrimack Energy Group,Inc.
http://www.merrimackenergy.com/PacifiCorp2008RFP/index.asp

Oregon Independent Evaluators: Accion Group and Boston Pacific Company, Inc.
To ensure timely responses, bidders should address questions and concerns to the Oregon IEs using both of the following email addresses:
Accion Group: advisors@acciongroup.com
Boston Pacific: croach@bostonpacific.com

PacifiCorp Transmission
Attention: Kenneth Houston, Director, Transmission Services
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CERTIFICATE OF SERVICE

I certify that on November 12, 2008, I served the foregoing OIE submission upon all parties of record in this proceeding by delivering a copy by electronic mail to:

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