PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

October 11, 2010

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attn: Filing Center

RE: Docket UM 1360 – PacifiCorp's Request for Acknowledgement of Final Shortlist of Bidders in the 2008 Request for Proposals

Enclosed for filing by PacifiCorp d/b/a Pacific Power ("Company") is the original and one copy of the Company's Request for Acknowledgement of Final Shortlist of Bidders in the 2008 Request for Proposals in the above-referenced docket. A confidential and redacted version of the request is being provided with this filing.

Pursuant to the Modified Protective Order adopted for this proceeding in Order No. 08-603, the Company has designated the confidential information in this filing as Non-Public Information. Accordingly, copies containing the confidential information are being provided to only persons who are signatories to Order No. 08-603.

Please direct any informal inquiries to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: Service List – UM 1360

CERTIFICATE OF SERVICE

I hereby certify that on October 11, 2010, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

Service List
Docket No. UM-1360

Oregon Dockets
Pacific Power
825 NE Multnomah, Suite 2000
Portland, OR 97232
oregondockets@pacificorp.com

Thomas M. Grim (W)
Cable Huston Benedict et al
1001 SW Fifth Ave, Suite 2000
Portland, OR 97204-1136
tgrim@cablehuston.com

Raymond S. Kindley (W)
Cable Huston Benedict et al
1001 SW Fifth Ave, Suite 2000
Portland, OR 97204-1136
rkindley@cablehuston.com

OPUC Dockets (W)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
dockets@oregoncub.org

G. Catriona McCracken (W) (C) (HC)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
catriona@oregoncub.org

Gordon Feighner (W) (C) (HC)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
Gordon@oregoncub.org

Robert Jenks (W) (C) (HC)
Citizens' Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
bob@oregoncub.org

Mary Lynch (W)
Constellation Energy Commodities Group
2377 Gold Meadow Way
Gold River, CA 95670
Mary.lynch@constellation.com

Seth Unterschute (W)
Constellation Energy Commodities Group
111 Market Place, 5th Fl.
Baltimore, MD 21202
seth@unterschute@constellation.com

Joseph E. Donovan (W)
Constellation Energy Resources, Inc.
111 Market Place, Suite 500
Baltimore, MD 21202
Joseph.donovan@constellation.com

Melinda J. Davison (W) (C) (HC)
Davison Van Cleve PC
333 SW Taylor, Suite 300
Portland, OR 97204
mail@dvclaw.com

Irion A. Sanger (W) (C) (HC)
Davison Van Cleve PC
333 SW Taylor, Suite 300
Portland, OR 97204
ias@dvclaw.com

Randall J. Falkenberg (W) (C)
RFI Consulting, Inc.
PMB 362
8343 Roswell Road
Sandy Springs, GA 30350
consultrfi@aol.com

Natalie Hocken (C) (HC)
Vice President & General Counsel
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
Natalie.hocken@pacificorp.com

Michael T. Weirich (C)
Assistant Attorney General
Department of Justice
1162 Court St NE
Salem, OR 97301-4096
Michael.weirich@doj.state.or.us

Ed Busch (C)
Oregon Public Utility Commission
P.O. Box 2148
Salem, OR 97308-2148
Ed.busch@state.or.us

Adam Gassaway
LS Power Development, LLC.
400 Chesterfield Center, Suite 110
St. Louis, MO 63017
agassaway@lspower.com

David Hennen
LS Power Development, LLC.
400 Chesterfield Center, Suite 110
St. Louis, MO 63017
dhennen@lspower.com

Alan Kessler
Accion Group
244 North Main Street
Concord, NH 03301-5041
akessler@acciongroup.com

Harold T. Judd
Accion Group
244 North Main Street
Concord, NH 03301-5041
hjudd@acciongroup.com

Frank Mossburg
Boston Pacific Company
1100 New York Ave NW, Suite 4900 East
Washington DC 20005
fmossburg@bostonpacific.com

Craig Roach
Boston Pacific Company
1100 New York Ave NW, Suite 4900 East
Washington DC 20005
croach@bostonpacific.com

Ariel Son

Ariel Son
Coordinator, Administrative Services

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1360

In the Matter of PACIFICORP, dba Pacific Power Request for Approval of Draft 2008 Request for Proposals	**REQUEST FOR ACKNOWLEDGMENT OF FINAL SHORTLIST OF BIDDERS IN 2008 REQUEST FOR PROPOSALS** ***Expedited Treatment Requested***

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) hereby requests that the Public Utility Commission of Oregon (Commission) acknowledge the final shortlist of bidders (Final Shortlist) in PacifiCorp's 2008 Request for Proposals (All Source RFP)[1].

In support of this Request, PacifiCorp states as follows:

1. This Request is filed pursuant to Order No. 06-446 (RFP Order) and Order No. 09-491. Order No. 06-446 (hereafter, RFP Order) allows a utility the opportunity to request the Commission to acknowledge the utility's selection of its final shortlist of RFP resources. *See Re In the Matter of an Investigation Regarding Competitive Bidding*, Order No. 06-446 at p. 14 (Aug. 10, 2006). Order No. 09-491 requires PacifiCorp to file for acknowledgment of the final shortlist of the All Source RFP. *See Re PacifiCorp Request for Approval of Draft 2008 Request for Proposals*, Order No. 09-491 at p. 2 (Dec. 14, 2009).

2. Communications regarding this filing should be addressed to:

Oregon Dockets
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232
Phone: 503.813.5542
Email: oregondockets@pacificorp.com

Jordan A. White
PacifiCorp
1407 W North Temple, Suite 320
Salt Lake City, UT 84116
Phone: 801.220.2279
Email: jordan.white@pacificorp.com

[1] The All Source RFP was previously referred to in this proceeding by PacifiCorp as the 2008 RFP.

In addition, PacifiCorp requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal questions may be directed to Joelle Steward, Oregon Regulatory Manager at 503.813.5542.

All Source RFP Introduction and Background

3. On December 24, 2007, PacifiCorp filed an application with the Commission to open a docket to address the All Source RFP and select an independent evaluator to oversee the RFP process. On January 16, 2008, the Commission opened Docket UM 1360 to address the All Source RFP and directed the Company to negotiate a contract with Boston Pacific Company, Inc. (Boston Pacific) and Accion Group (Accion) (collectively, the Oregon IE) for independent evaluator services for the All Source RFP. *See Re PacifiCorp Request for Approval of Draft 2008 Request for Proposals*, Order No. 08-019 (January 16, 2008).

4. The Commission focuses its consideration of RFP approval on three criteria: "(1) The alignment of the utility's RFP with its acknowledged Integrated Resource Plan; (2) Whether the RFP satisfies the Commission's competitive bidding guidelines; and (3) the overall fairness of the utility's proposed bidding process." *See Re PacifiCorp Request for Approval of a 2008R-1 Solicitation Process for New Renewable Resources,* Order No. 08-476 at p. 1 (Sept. 23, 2008). Having applied these criteria, the Commission adopted Staff's recommendation and approved the All Source RFP with conditions. *See Re PacifiCorp Request for Approval of Draft 2008 Request for Proposals*, Order No. 08-310 (June 5, 2008).

The Company addressed all the conditions set forth in Order No. 08-310, as outlined in the Oregon Independent Evaluator's Second Supplemental Assessment of PacifiCorp's 2008 All Source RFP Design, dated November 11, 2008, attached as Exhibit 1.

5. On October 2, 2008, PacifiCorp issued the All Source RFP to market and received bidders' proposals on December 16, 2008.

6. On February 27, 2009, PacifiCorp filed a Notice of Suspension of the All Source RFP (Notice of Suspension), indicating the Company had determined it was not in the best interests of customers to proceed with the All Source RFP at that time in light of changes in economic and market conditions. The Notice of Suspension further indicated that bidders could either withdraw their bids or leave bids pending as the Company continued to assess the market over the next six to eight months.

7. On November 2, 2009, PacifiCorp filed a request for Commission approval to resume the All Source RFP (Request to Resume), which described how the Company continued to monitor conditions in the markets since it filed the Notice of Suspension. The Request to Resume further described how: (1) the dramatic global economic downturn in late 2008 resulted in a reduction of customer loads, price of commodities and construction costs, and other changes in economic and market conditions; (2) the Company's 2008 Integrated Resource Plan (2008 IRP) indicates that PacifiCorp can serve its load from current resources supplemented by market purchases until June 2014; and (3) there were indications that the recession had slowed down and economic conditions may start to improve. Based on these factors, the Company believed that there was a reasonable possibility that more favorable bids might be received than were provided in December 2008 and therefore, that it was is in the best interest of its customers to resume the All Source RFP at that time.

8. At its Public Meeting on November 24, 2009, the Commission approved PacifiCorp's Request to Resume, subject to the following conditions:

- Pacific Power will continue to work with the Oregon Independent Evaluators to draft request for proposals language.
- Pacific Power is required to file for acknowledgment of the final shortlist in docket UM 1360.
- Pacific Power will provide justification and analysis for the timing, type, and location of the resource need based on its most current evaluation of loads, market prices, and regulatory activity at the time it files for acknowledgment of the final shortlist.
- The Oregon Independent Evaluators will include a review of Pacific Power's analysis and justification within their Final Closing Report.

See Re PacifiCorp Request for Approval of Draft 2008 Request for Proposals, Order No. 09-491 at p. 2 (Dec. 14, 2009).

9. The All Source RFP was subsequently issued to the market on December 2, 2009 and sought up to 1500 megawatts (MW) of cost-effective resource(s) consisting of base load, intermediate load and summer peak resources to meet the Company's system position during calendar years 2014 to 2016.

10. The Company Benchmark initial proposal was due on February 15, 2010 with a best and final proposal due July 1, 2010. Bidder proposals were due March 1, 2010 with best and final proposals from the Initial Shortlist bidders due July 15, 2010.

Satisfaction of Conditions in Commission Order No. 09-491

11. The Company has satisfied each of the conditions set forth by the Commission for resumption of the All Source RFP. First, PacifiCorp worked with the Oregon IE in drafting the revised All Source RFP that was issued December 2, 2009. By this Request, PacifiCorp satisfies the second condition of requesting acknowledgment of the Final Shortlist.

12. Third, the justification and analysis for the timing, type, and location of the resource need based on PacifiCorp's most current evaluation of loads, market prices, and regulatory activity at this time are provided in the Resource Needs Assessment Update, attached as Confidential Exhibit 2.

13. Finally, the Company has provided the Resource Needs Assessment Update to the Oregon IE and the Oregon IE will provide their comments to PacifiCorp's analysis and justification in a Final Closing Report.

Final Shortlist Selection Process

14. In developing the 2008 IRP, PacifiCorp went through the process of selecting a preferred portfolio of resource acquisitions to meet a forecast of its customers' needs for electric capacity and energy. The preferred portfolio was selected by applying the following modeling analysis to resources: (1) define portfolios; (2) assess stochastic risk; and (3) assess scenario risk. As discussed below, this modeling analysis is one in the same with that utilized to develop the Final Shortlist that is the subject of this Request.

15. In the base load category, PacifiCorp received [redacted] bid variants from [redacted] bidders, totaling [redacted], excluding the Benchmark. These bids were comprised of [redacted] tolling service agreements (TSA), [redacted] asset purchase and sale agreements (APSA) and [redacted] TSA/APSA bid variants. In the intermediate category, the Company received [redacted] bid variants

from [redacted] bidders, totaling [redacted] (depending upon the technology at a given site). These bids were comprised of [redacted] TSA bid variants, [redacted] APSA bid variants and [redacted] TSA/APSA bid variants. There were no proposals submitted in the summer peaking category.

16. PacifiCorp submitted a Company Benchmark, consisting of [redacted] (Benchmark). The Benchmark was submitted to the Integrated Resource Planning Team and the Oregon IE on February 15, 2010. The Integrated Resource Planning Team completed the price and non-price score analysis for the Benchmark and submitted the models and the analysis to the Oregon IE and Staff on March 1, 2010, prior to the receipt of the bids from the market on March 1, 2010 at 5:30 p.m. Pacific Standard Time. The Oregon IE locked down the Benchmark prior to the opening of the bids from the market on March 2, 2010.

17. The Oregon IE provided a memo on the Benchmark to Staff on February 26 on the analysis of the PacifiCorp Benchmark Bid (Initial Benchmark Memo) attached hereto as Confidential Exhibit 3. The Oregon IE provided the following conclusion on page 12 of the Initial Benchmark Memo:

> We found that all capital costs were properly included and that the capital costs for the Benchmark were not lowballed. Heat rates proved difficult to audit but, via comparison to the 2008 All Source RFP bids, appeared to be not deliberately underestimated. [redacted]. While these Benchmark estimates appear reasonable we expect that the cost estimates will be more accurate in the best and final offer submission in July. . . .

18. The Oregon IE provided an update on the Benchmark Best and Final Proposal on July 16, 2010, (Final Benchmark Memo), attached hereto as Confidential Exhibit 4. The Oregon IE provided the following conclusion on page 6 of the Final Benchmark Memo:

The Best and Final Benchmark came in at lower cost and better performance compared to the initial Benchmark offer. These updates seem reasonable [redacted], we expect that PacifiCorp will be held to the costs and performance estimates in the Best and Final Benchmark proposal. [redacted]

19. PacifiCorp's analysis of the proposals and the Benchmark in the All Source RFP focused on determining which resources would provide the best value to customers on a system-wide planning basis to meet customer requirements at the least-cost, on a risk-adjusted basis and in the public interest. To achieve these objectives, PacifiCorp evaluated the proposals in a three step process. First, the Company screened proposals and selected two Initial Shortlists: (a) base load bid category Initial Shortlist; and (b) an intermediate bid category Initial Shortlist. There were no proposals in the summer peaking category and therefore, a third Initial Shortlist was unnecessary.

20. The two Initial Shortlists were comprised of the highest scoring proposals in each of the two respective categories, based on price and non-price factors. The price factor (up to 70 percent) was derived by using the PacifiCorp Structuring and Pricing RFP Base Model (RFP Base Model), which determines the top-performing proposals on the basis of the net present value revenue requirement (Net PVRR) per kilowatt month. The Net PVRR component views the value of energy from a resource as a positive and the offsetting costs of the proposal as a negative. The higher the Net PVRR, the more valuable a given resource is to PacifiCorp's customers.

21. The non-price factors (up to 30 percent) evaluated proposals based on the following criteria: (a) development feasibility and risk of the proposal; (b) site control or permitting of the proposal; and (c) operational viability and risk impacts of the proposal.

22. Based on the application of these factors, PacifiCorp selected the Initial Shortlists. The base load Initial Shortlist was comprised of the following projects: [redacted].

23. The intermediate category Initial Shortlist was comprised of the following projects: [redacted].

24. The IE concurred with PacifiCorp's selection of the Initial Shortlists in both categories.

25. After selection of the two Initial Shortlists, PacifiCorp requested and received best and final pricing from the Initial Shortlist bidders and the Benchmark and updated the Initial Shortlist.

26. The best and final pricing received for the base load proposals and the Benchmark all included reduced pricing with the exception of the [redacted]. After discussion with

the Oregon IE, the [redacted] was removed from the Initial Shortlist consistent with [redacted]

27. The best and final pricing received from the [redacted] category proposals varied. However, for the most part, the bidders [redacted] their pricing. The price for [redacted] and therefore, was removed from the RFP process. The Best and Final Initial Shortlist proposals and the Benchmark moved to step two of the evaluation process – selection of the Final Shortlist.

28. In selecting the Final Shortlist, the Company began by developing preferred resource portfolios. The starting point for the preferred portfolio development was a set of preferred resources from PacifiCorp's 2008 IRP Update, along with up-to-date input assumptions (load forecast, forward price curves, etc). PacifiCorp removed gas resources from the preferred portfolio in the 2012-2016 period in order to create a capacity deficit that the model filled with combinations of bid resources, benchmark resources, and firm market purchases up to prescribed limits by market hub. The Best and Final Initial Shortlist proposals were then allowed to compete for the replacement of the resources removed from the preferred portfolio. PacifiCorp used Ventyx Energy LLC's *System Optimizer* capacity expansion model to select a portfolio based on relative cost-effectiveness, need for capacity and energy given a 12 percent planning capacity reserve margin. System Optimizer portfolio selection was completed under a range of assumptions about future market prices for fuel, electricity, and carbon dioxide (CO_2) emission compliance costs.

29. The optimized portfolios were then subjected to Monte Carlo simulation using Ventyx Energy's Planning and Risk Model (PaR) to quantify the expected cost and risk of

each portfolio. The PaR model subjects each portfolio to random draws of electric demand, outages and fuel price based on probability distributions developed from a stochastic model. The portfolios analyzed in PaR were analyzed once again using System Optimizer to evaluate how portfolio costs change with different assumptions for electricity forward price curves, natural gas prices, and CO_2 compliance costs. *See* Final Shortlist Development for the All Source Request for Proposal, attached as Confidential Exhibit 5.

30. Upon completion of the analysis described above, and after consultation with the Oregon IE, PacifiCorp selected [redacted] proposals for the Final Shortlist; [redacted]. The [redacted] bid and the [redacted] More specifically, the [redacted] proposal consists of a [redacted]; the [redacted] at the [redacted] site in [redacted]. Given that the [redacted].

Competitive Bidding Guidelines (RFP Order)

31. On August 10, 2006, the Commission issued competitive bidding requirements for new supply-side resource acquisitions applicable to Oregon's investor-owned utilities. *See Re In the Matter of an Investigation Regarding Competitive Bidding*, Order No. 06-446 (August 10, 2006) (RFP Order).

32. Guideline 13 of the RFP Order allows a utility to seek Commission acknowledgment of the Final Shortlist. *See* RFP Order at p. 14. In making such a request, Guideline 13 directs utilities to discuss the consistency of the Final Shortlist with its acknowledged IRP Action Plan and to explain whether the Final Shortlist is consistent with the near-term resource acquisitions identified in its acknowledged IRP. *Id.*

PacifiCorp's Acknowledged IRP Action Plan is Consistent with Final Shortlist

33. On May 29, 2009, PacifiCorp filed its 2008 IRP with the Commission in Docket LC 47. Action Item three of the 2008 IRP Action Plan provided for the procurement of long-term firm capacity and energy resources for commercial service in the 2012-2016 timeframe.

34. Action Item three also called for procurement of resources through activation of the suspended All Source RFP in late 2009 and indicated PacifiCorp's intent to submit Company resources once suspension was removed.

35. At the Commission's February 2, 2010 public meeting, Staff recommended that the Commission acknowledge the 2008 IRP with agreed-upon modifications to the Action Plan and one exception.[2] *See Re In the Matter of PacifiCorp 2008 Integrated Resource Plan*, Order No. 10-066 at p. 6 (February 24, 2010).

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[2] The one exception to the 2008 IRP was PacifiCorp's wind integration analysis.

36. The agreed-upon modification to Action Item three is shown in underscore as follows:

> In recognition of the unsettled U.S. economy, expected volatility in natural gas markets, and regulatory uncertainty, continue to seek cost-effective resource deferral and acquisition opportunities in line with near-term updates to load/price forecasts, market conditions, transmission plans and regulatory developments. PacifiCorp will reexamine the timing and type of gas resources and other resource changes as part of a comprehensive assumptions update and portfolio analysis to be conducted for the 2008 RFP final short-list evaluation in the RFP, approved in Docket UM 1360, the next business plan and the 2008 IRP update.

37. On February 24, 2010, the Commission issued Order No. 10-066 (Docket No. LC 47), acknowledging the 2008 IRP Action Plan with the Staff's recommended modifications and one exception.

38. PacifiCorp filed a 2008 IRP Update with the Commission on March 31, 2010.

39. As part of the update, Action Item three was updated to indicate that the issuance of the All Source RFP and PacifiCorp's submission of a Company Benchmark to the All Source RFP. Action Item three was also updated in the 2008 IRP Update to include the agreed-upon modification language shown in underscore above.

40. Consistent with the agreed-upon modification language, the proxy resource included in Action Item three of the 2008 IRP was updated in the 2008 IRP Update from a Utah wet-cooled gas combined-cycle plant with a summer capacity rating of 570 MW, acquired by the summer of 2014, to the proxy resource included in the Company's 2008 IRP Update preferred portfolio; a Utah wet-cooled gas combined-cycle plant with a capacity rating of 607 MW, acquired by the summer of 2015. As indicated in the 2008 IRP Update change comments, the deferral of the 2014 combined-cycle plant resource to 2015 reflects lower load growth expectations than assumed for the 2008 IRP. The comments also indicate

that bid evaluation for the All Source RFP would use the October 2009 load forecast to determine the revised portfolio capacity and energy requirements.

41. PacifiCorp's adjustment of the proxy resource acquisition date to reflect more current load and generation forecasts is consistent with the agreed-upon modification to Action Item three of the 2008 IRP – that "PacifiCorp will reexamine the timing and type of gas resources and other resource changes as part of a comprehensive assumptions update and portfolio analysis to be conducted for the 2008 RFP final short-list evaluation in the RFP, approved in Docket UM 1360, the next business plan and the 2008 IRP update."

42. Additionally, the update of the proxy resource acquisition date is consistent with the condition listed in the Commission's order approving resumption of the All Source RFP (Order No. 09-491) that, "Pacific Power will provide justification and analysis for the timing, type, and location of the resource need based on its most current evaluation of loads, market prices, and regulatory activity at the time it files for acknowledgment of the final shortlist."

43. PacifiCorp updated its load and resource forecast subsequent to the load and resource forecast included in the 2008 IRP Update. This update served to support a comprehensive assumptions update prior to conducting the Final Shortlist evaluation in the All-Source RFP. Table 1 in Exhibit 2, the Resource Needs Assessment Update, presents the resulting capacity load and resource balance used for the All Source RFP portfolio modeling.

44. For modeling the All Source RFP bid and Benchmark resources, PacifiCorp developed a portfolio capacity load and resource balance that incorporates certain planned resources from the 2008 IRP Update preferred portfolio and excludes others. The resources excluded were those that were eligible to be filled by the bids and Benchmarks in the All

Source RFP. This portfolio set-up reflects the appropriate capacity gap for resource selection optimization by the Company's capacity expansion model, System Optimizer.

45. The starting point for the portfolio capacity load and resource balance is the initial capacity load and resource balance (Table 1) in the Resource Needs Assessment Update, plus preferred portfolio resources identified in PacifiCorp's 2008 IRP Update. PacifiCorp then removed the following IRP resources to create the capacity gap for bid/Benchmark portfolios optimization:

- East Power Purchase Agreement, modeled as a gas-fired simple-cycle combustion turbine plant (200 MW) with a 2012 in-service date
- The gas-fired combined-cycle combustion turbine (CCCT) plant, 607 MW, with a 2015 in-service date
- Front Office Transactions (FOT) for the following years;
  - 2012 – 604 MW
  - 2013 – 932 MW
  - 2014 – 1,223 MW
  - 2015 – 794 MW
  - 2016 – 923 MW

46. PacifiCorp also made size and annual timing adjustments to the turbine upgrade capacities, reflecting the most recent planning schedule. It should be noted that a second CCCT in Utah with a 2018 in-service date is included in the portfolio as a fixed resource since it is acquired outside of the term of the All Source RFP procurement period. The All Source RFP starting-point portfolio and associated removal of the gas resources (807 MW) are shown in Appendix A in the Resource Needs Assessment Update.

47. Table 6 in the Resource Needs Assessment Update shows the need for a significant resource in 2016, even assuming that all available front office transactions are acquired. This need ranges from 254 MW to 745 MW depending on the economics of acquiring front office transactions. To confirm the resource need based on capacity

expansion optimization results, PacifiCorp conducted a System Optimizer run with the RFP bid evaluation set-up; i.e., resource assumptions described above, along with the July 2010 load forecast and base price scenario ($19/ton starting CO_2 price and the June 2010 forward natural gas/electricity price curves.) The model was allowed to determine the timing of gas resources added after 2015 as opposed to fixing the second CCCT in 2018 as assumed for RFP bid evaluation purposes. The model selected the Utah dry-cooled CCCT (Currant Creek site) in 2016, confirming the need for a 2016 gas resource.

48. As described in the Resource Need Assessment Update, PacifiCorp evaluated the impact of including the [redacted] in the resource portfolio, specifically, focusing on whether the [redacted] bid would displace or defer the [redacted] This supplemental analysis demonstrated that the 2016 Currant Creek 2 resource is displaced by the [redacted]. Table 7 in the Resource Needs Assessment Update shows the annual resource capacity differences between the portfolio with the fixed bid resources from Portfolio 2 and a base portfolio that includes the [redacted] resources only. These two portfolios were then subject to stochastic simulation using the base price scenario. The PVRR benefit of displacing the 2016 Currant Creek 2 resource with the [redacted]

49. Consistent with the agreed-upon modifications to Action Item three discussed above, PacifiCorp reexamined the timing and type of gas resources and other resource changes as part of a comprehensive assumptions update and portfolio analysis conducted as part of the Final Shortlist evaluation. As fully detailed in the attached Resource Needs Assessment Update, the All Source RFP Final Shortlist reflects, and is the product of, this comprehensive assumptions update and portfolio analysis. Moreover, pursuant to Order No.

09-491, PacifiCorp has provided both the Oregon IE and Staff with justification and analysis for the timing, type, and location of the resource need based on its most current evaluation of loads, market prices, and regulatory activity prior to the filing of this Request. This justification and analysis is also included in the Resource Needs Assessment Update.

IE Report Supports Final Shortlist

50. The IE concurs with the Company's Final shortlist and will submit their Final Closing Report on PacifiCorp's All Source RFP (IE Report).

Next Steps/Request for Commission Decision

51. The Company intends to negotiate with Final Shortlist bidders for the lowest price and acceptable terms before selecting potential resources from the Final Shortlist.

52. PacifiCorp respectfully requests the Commission to issue a decision on the Company's Request as soon as possible in order for the Company to conclude negotiations with Final Shortlist bidders by December 2010 to meet an on-line date of no later than June 1, 2014.

For the reasons stated above, PacifiCorp respectfully requests that the Commission acknowledge its Final Shortlist of bidders to the All Source RFP as soon as possible.

DATED: October 11, 2010.

Jordan A. White/JR

Jordan A. White
Senior Counsel
Pacific Power
PacifiCorp

EXHIBIT 1

HARDY MYERS
Attorney General

PETER D. SHEPHERD
Deputy Attorney General

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.

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

November 11, 2008

Submitted by:

Accion Group

244 North Main Street
Concord, NH 03301
Tel 603 229-1644
Fax 603 225-4923
Advisors@acciongroup.com

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:**

Accion Group

244 North Main Street · Concord, NH 03301 ·Tel 603 229-1644 · Fax 603 225-4923 · Advisors@acciongroup.com

> **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 — $\geq$ 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

Step 2: Portfolio Development /Optimization

- 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

Step 3: Risk Analysis

- 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 CO_2, 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
825 NE Multnomah, Suite 1600
Portland, Oregon 97232
Kenneth.Houston@pacificorp.com

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:

PACIFIC POWER OREGON DOCKETS
825 NE MULTNOMAH STREET, STE 2000
PORTLAND OR 97232
oregondockets@pacificorp.com

W
CABLE HUSTON BENEDICT ET AL
THOMAS M GRIM
ATTORNEY
1001 SW FIFTH AVE STE 2000
PORTLAND OR 97204-1136
tgrim@cablehuston.com

W
CABLE HUSTON BENEDICT HAAGENSEN & LLOYD, LLP
RAYMOND S KINDLEY
1001 SW FIFTH AVENUE, SUITE 2000
PORTLAND OR 97204-1136
rkindley@cablehuston.com

CITIZENS' UTILITY BOARD OF OREGON
OPUC DOCKETS
610 SW BROADWAY STE 308
PORTLAND OR 97205
dockets@oregoncub.org

ROBERT JENKS
610 SW BROADWAY STE 308
PORTLAND OR 97205
bob@oregoncub.org

W
CONSTELLATION ENERGY COMMODITIES GROUP, INC.
MARY LYNCH
2377 GOLD MEADOW WAY
GOLD RIVER CA 95670
mary.lynch@constellation.com

SETH UNTERSCHUTE
111 MARKET PLACE, 5TH FLOOR
BALTIMORE MD 21202
seth.unterschute@constellation.com

W
CONSTELLATION ENERGY RESOURCES, INC.
JOSEPH E DONOVAN
SENIOR COUNSEL
111 MARKET STREET, SUITE 500
BALTIMORE MD 21202
joseph.donovan@constellation.com

W
DAVISON VAN CLEVE
IRION A SANGER **- CONFIDENTIAL**
ASSOCIATE ATTORNEY
333 SW TAYLOR - STE 400
PORTLAND OR 97204
ias@dvclaw.com

W
DAVISON VAN CLEVE PC
MELINDA J DAVISON **- CONFIDENTIAL**
333 SW TAYLOR - STE 400
PORTLAND OR 97204
mail@dvclaw.com

LS POWER DEVELOPMENT, LLC
ADAM GASSAWAY
400 CHESTERFIELD CENTER, SUITE 110
ST. LOUIS MO 63017
agassaway@lspower.com

DAVID HENNEN
400 CHESTERFIELD CENTER, SUITE 110
ST. LOUIS MO 63017
dhennen@lspower.com

PACIFICORP
NATALIE HOCKEN
VICE PRESIDENT & GENERAL COUNSEL
825 NE MULTNOMAH
SUITE 2000
PORTLAND OR 97232
natalie.hocken@pacificorp.com

PUBLIC UTILITY COMMISSION OF OREGON
LISA C SCHWARTZ **- CONFIDENTIAL**
SENIOR ANALYST
PO BOX 2148
SALEM OR 97308-2148
lisa.c.schwartz@state.or.us

Department of Justice
1162 Court Street NE
Salem, OR 97301-4096
(503) 378-6322

W
RFI CONSULTING INC
RANDALL J FALKENBERG **- CONFIDENTIAL**
PMB 362
8343 ROSWELL RD
SANDY SPRINGS GA 30350
consultrfi@aol.com

Neoma Lane

Neoma Lane
Legal Secretary
Department of Justice
Regulated Utility & Business Section

EXHIBIT 2

PacifiCorp
A MIDAMERICAN ENERGY HOLDINGS COMPANY

Let's turn the answers on.

REDACTED

All-Source Request For Proposal

Resource Needs Assessment Update

October 6, 2010

Pacific Power | Rocky Mountain Power | PacifiCorp Energy

REDACTED VERSION

Resource Needs Assessment Update for the All-Source Request For Proposals

INTRODUCTION

The purpose of this document is to report updates to PacifiCorp's capacity load and resource balance that support the All-Source Request For Proposals reactivated in December 2009 ("All-Source RFP"). The Company updated its capacity load and resource balance subsequent to the filing of the 2008 Integrated Resource Plan in May 2009 ("2008 IRP") and 2008 Integrated Resource Plan Update published in March 2010 ("2008 IRP Update").

This document describes how these updates affect resource capacity requirements for the period covered by the All-Source RFP, 2012 through 2016. It also summarizes how the capacity gap for this time period is set up for portfolio modeling with bid and Company benchmark resources submitted under the All-Source RFP.

ALL-SOURCE RFP INITIAL LOAD AND RESOURCE BALANCE

PacifiCorp updated its load and resource forecast subsequent to the load and resource forecast included in the 2008 IRP Update. This update served to support a comprehensive assumptions update prior to conducting the final short-list evaluation in the All-Source RFP.[1] Table 1 presents the resulting capacity load and resource balance used for the All-Source RFP portfolio modeling. Year 2011 data is also shown given that one bid proposed a 2011 in-service date. This load and resource balance incorporates a 12-percent target capacity planning reserve margin.

As shown in the system capacity position line item of Table 1, with no new resources added, PacifiCorp expects to experience a 1,300 MW capacity deficit in 2012, reaching just over 2,400 MW by 2016. Tables 2 and 3 provide a line item comparison of the All-Source RFP capacity load and resource balance with respect to the ones prepared for the 2008 IRP and the 2008 IRP Update, respectively.

[1] An input assumptions update for the All-Source RFP was requested by the Public Utility Commission of Oregon in their acknowledgment order for PacifiCorp's 2008 IRP (Order No. 10-066, Docket LC 47, page 26):

> *PacifiCorp will reexamine the timing and type of gas resources and other resource changes as part of a comprehensive assumptions update and portfolio analysis to be conducted for the 2008 RFP final short-list evaluation in the RFP, approved in Docket UM 1360…*

PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

REDACTED VERSION

Table 1. All-Source RFP Load and Resource Balance

Calendar Year	2011	2012	2013	2014	2015	2016
East						
Thermal	6,019	6,038	6,040	6,040	6,041	6,059
Hydro	132	132	132	132	132	132
Class 1 DSM	463	468	468	468	468	468
Renewable	173	173	173	172	170	170
Purchase	655	705	604	304	304	283
Qualifying Facilities	151	151	151	151	151	151
Interruptible	327	327	327	327	327	327
Transfers	787	398	224	283	517	549
East Existing Resources	**8,706**	**8,391**	**8,118**	**7,877**	**8,110**	**8,139**
Load	7,101	7,334	7,549	7,775	7,971	8,157
Sale	758	997	1,045	745	745	745
East Obligation	**7,859**	**8,331**	**8,594**	**8,520**	**8,716**	**8,902**
Planning reserves	770	820	863	891	914	939
Non-owned reserves	70	70	70	70	70	70
East Reserves	**840**	**890**	**934**	**961**	**984**	**1,009**
East Obligation + Reserves	**8,699**	**9,221**	**9,528**	**9,481**	**9,701**	**9,911**
East Position	**8**	**(830)**	**(1,409)**	**(1,604)**	**(1,591)**	**(1,773)**
East Reserve Margin	**12%**	**2%**	**(4%)**	**(7%)**	**(6%)**	**(8%)**
West						
Thermal	2,552	2,552	2,552	2,552	2,552	2,564
Hydro	1,135	977	976	976	982	982
Class 1 DSM	-	-	-	-	-	-
Renewable	77	71	71	71	71	71
Purchase	856	247	281	226	221	225
Qualifying Facilities	128	128	128	128	128	128
Transfers	(788)	(399)	(225)	(284)	(517)	(549)
West Existing Resources	**3,960**	**3,576**	**3,783**	**3,669**	**3,436**	**3,420**
Load	3,258	3,373	3,403	3,457	3,502	3,550
Sale	290	258	258	258	158	108
West Obligation	**3,548**	**3,631**	**3,661**	**3,715**	**3,660**	**3,658**
Planning reserves	323	406	406	419	413	412
Non-owned reserves	7	7	7	7	7	7
West Reserves	**330**	**413**	**412**	**425**	**419**	**418**
West Obligation + Reserves	**3,877**	**4,044**	**4,073**	**4,140**	**4,079**	**4,076**
West Position	**83**	**(467)**	**(290)**	**(471)**	**(643)**	**(656)**
West Reserve Margin	**14%**	**(1%)**	**4%**	**(1%)**	**(6%)**	**(6%)**
System						
Total Resources	**12,666**	**11,968**	**11,902**	**11,546**	**11,546**	**11,559**
Obligation	**11,406**	**11,962**	**12,255**	**12,235**	**12,376**	**12,560**
Reserves	**1,170**	**1,303**	**1,346**	**1,386**	**1,404**	**1,428**
Obligation + Reserves	**12,576**	**13,265**	**13,601**	**13,621**	**13,779**	**13,988**
System Position	**90**	**(1,297)**	**(1,699)**	**(2,075)**	**(2,233)**	**(2,428)**
Reserve Margin	**13%**	**1%**	**(2%)**	**(5%)**	**(6%)**	**(7%)**

Table 2. Capacity Load and Resource Balance Comparison, All-Source RFP vs. 2008 IRP

2008 IRP Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	8,592	8,645	8,658	8,669	8,670	8,678
Hydro	1,351	1,115	1,144	1,181	1,292	1,285
DSM	435	465	475	485	495	505
Renewable	253	247	247	247	244	244
Purchase	1,294	456	485	451	451	430
QF	271	271	271	271	271	271
Interruptible	237	237	237	237	237	237
System Existing Resources	12,433	11,437	11,515	11,543	11,662	11,651
System Obligation	11,687	11,996	12,284	12,504	12,701	12,980
System Reserves	1,243	1,377	1,407	1,437	1,459	1,494
System Obligation + Reserves	12,931	13,373	13,692	13,940	14,160	14,474
System Position	(498)	(1,936)	(2,176)	(2,397)	(2,498)	(2,823)
System Reserve Margin	8%	(4%)	(6%)	(7%)	(8%)	(10%)

All Source RFP Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	8,571	8,590	8,592	8,592	8,593	8,623
Hydro	1,267	1,109	1,108	1,108	1,114	1,114
DSM	463	468	468	468	468	468
Renewable	250	244	244	244	241	241
Purchase	1,510	952	885	530	525	508
QF	279	279	279	279	279	279
Interruptible	327	327	327	327	327	327
System Existing Resources	12,666	11,968	11,902	11,546	11,546	11,559
System Obligation	11,406	11,962	12,255	12,235	12,376	12,560
System Reserves	1,170	1,303	1,346	1,386	1,404	1,428
System Obligation + Reserves	12,576	13,265	13,601	13,621	13,779	13,988
System Position	90	(1,297)	(1,699)	(2,075)	(2,233)	(2,428)
System Reserve Margin	13%	1%	(2%)	(5%)	(6%)	(7%)

Difference (RFP less IRP) Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	(21)	(55)	(65)	(77)	(77)	(55)
Hydro	(85)	(6)	(36)	(73)	(179)	(171)
DSM	28	3	(7)	(17)	(27)	(37)
Renewable	(4)	(4)	(4)	(4)	(4)	(4)
Purchase	216	495	400	78	73	77
QF	8	8	8	8	8	8
Interruptible	90	90	90	90	90	90
System Existing Resources	233	530	387	3	(116)	(92)
System Obligation	(281)	(34)	(29)	(269)	(325)	(420)
System Reserves	(74)	(75)	(61)	(50)	(55)	(66)
System Obligation + Reserves	(355)	(109)	(90)	(319)	(380)	(486)
System Position	588	639	477	322	264	394
System Reserve Margin	5%	5%	4%	2%	2%	2%

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Table 3. Capacity Load and Resource Balance Comparison, All-source RFP vs. 2008 IRP Update

2008 IRP Update Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	8,563	8,563	8,565	8,565	8,576	8,625
Hydro	1,267	1,109	1,108	1,108	1,114	1,114
DSM	463	468	468	468	468	468
Renewable	234	228	228	228	225	225
Purchase	1,510	952	885	530	525	508
QF	290	287	287	287	287	287
Interruptible	327	327	327	327	327	327
System Existing Resources	12,653	11,933	11,868	11,514	11,523	11,554
System Obligation	11,319	11,902	12,280	12,308	12,477	12,694
System Reserves	1,159	1,296	1,349	1,395	1,416	1,444
System Obligation + Reserves	12,478	13,197	13,629	13,703	13,893	14,138
System Position	175	(1,264)	(1,761)	(2,189)	(2,370)	(2,584)
System Reserve Margin	14%	1%	(2%)	(6%)	(7%)	(8%)

All Source RFP Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	8,571	8,590	8,592	8,592	8,593	8,623
Hydro	1,267	1,109	1,108	1,108	1,114	1,114
DSM	463	468	468	468	468	468
Renewable	250	244	244	244	241	241
Purchase	1,510	952	885	530	525	508
QF	279	279	279	279	279	279
Interruptible	327	327	327	327	327	327
System Existing Resources	12,666	11,968	11,902	11,546	11,546	11,559
System Obligation	11,406	11,962	12,255	12,235	12,376	12,560
System Reserves	1,170	1,303	1,346	1,386	1,404	1,428
System Obligation + Reserves	12,576	13,265	13,601	13,621	13,779	13,988
System Position	90	(1,297)	(1,699)	(2,075)	(2,233)	(2,428)
System Reserve Margin	13%	1%	(2%)	(5%)	(6%)	(7%)

Difference (RFP less IRP) Initial Load and Resource Balance						
System	2011	2012	2013	2014	2015	2016
Thermal	8	27	27	27	17	(2)
Hydro	-	-	-	-	-	-
DSM	-	-	-	-	-	-
Renewable	15	15	15	15	15	15
Purchase	-	-	-	-	-	-
QF	(11)	(8)	(8)	(8)	(8)	(8)
Interruptible	-	-	-	-	-	-
System Existing Resources	13	35	34	33	23	6
System Obligation	87	60	(25)	(73)	(101)	(134)
System Reserves	10	7	(3)	(9)	(12)	(16)
System Obligation + Reserves	97	67	(28)	(82)	(113)	(150)
System Position	(85)	(32)	62	114	137	156
System Reserve Margin	(1%)	(0%)	0%	1%	1%	1%

Relative to the 2008 IRP, total system resources increased in most years while system peak loads decreased. The net result is an increase in the capacity position that averages about 500 MW on an annual basis. This change is driven mainly by (1) downward economic recessionary adjustments made to the load forecast after the October 2008 load forecast used in the 2008 IRP, (2) acquisition of firm market purchases (front office transactions), (3) load forecast changes supporting the Southeast Idaho exchange contract, and (4) a 90 MW upward adjustment to the Monsanto load curtailment contract. Offsetting some of the capacity position gain is a decrease in planned upgrades to thermal and hydro plant turbine capacity.

Relative to the 2008 IRP Update, the capacity position increased by 60 MW on an average annual basis from 2011 through 2016. Peak loads are forecasted to be higher as shown in Table 4, which compares the July 2010 forecast (used in the All-Source RFP) and the October 2009 forecast (used in the 2008 IRP Update) by state, business unit, and system total. The system peak change, reported in the last section of the table, varies from 256 MW in 2011 to 35 MW in 2016. Note that these peak load forecasts incorporate forecasted load reductions from IRP energy efficiency resources and exclude wholesale sales.

Table 4. Peak Load Forecast Comparison, All-Source RFP versus 2008 IRP Update

July 2010 Forecast Summer peaks By State (MW)	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016
Pacific Power						
Oregon	2,303	2,351	2,364	2,377	2,384	2,391
Washington	764	795	779	789	797	805
California	158	163	166	165	168	171
Pacific Power Total	3,225	3,310	3,308	3,331	3,348	3,367
Rocky Mountain Power						
Utah	4,688	4,815	4,922	5,019	5,107	5,199
Idaho	671	680	692	711	747	781
Wyoming	1,324	1,361	1,406	1,456	1,485	1,510
Rocky Mountain Power Total	6,683	6,857	7,020	7,186	7,339	7,491
System Peak	9,909	10,167	10,328	10,517	10,687	10,858
October 2009 Forecast Summer peaks By State (MW)	Forecast 2011	Forecast 2012	Forecast 2013	Forecast 2014	Forecast 2015	Forecast 2016
Pacific Power						
Oregon	2,235	2,289	2,316	2,336	2,343	2,348
Washington	754	786	771	781	789	796
California	155	160	163	161	163	165
Pacific Power Total	3,145	3,235	3,250	3,278	3,295	3,309
Rocky Mountain Power						
Utah	4,546	4,691	4,837	4,969	5,082	5,203
Idaho	683	695	719	750	767	780
Wyoming	1,279	1,324	1,379	1,434	1,491	1,531
Rocky Mountain Power Total	6,508	6,711	6,935	7,153	7,340	7,514
System Peak	9,653	9,946	10,185	10,431	10,635	10,823
System Peak Change	256	220	143	86	53	35
System Peak % change	2.7%	2.2%	1.4%	0.8%	0.5%	0.3%

ALL-SOURCE RFP PORTFOLIO LOAD AND RESOURCE BALANCE

For modeling the [redacted], PacifiCorp developed a portfolio capacity load and resource balance that incorporates certain planned resources from the 2008 IRP Update preferred portfolio and excludes others. The resources excluded were those that were eligible to be filled by the bids and benchmarks in the All-Source RFP. This portfolio set-up reflects the appropriate capacity gap for resource selection optimization by the Company's capacity expansion model, System Optimizer.

The starting point for the portfolio capacity load and resource balance is the initial capacity load and resource balance (Table 1), plus preferred portfolio resources identified in PacifiCorp's 2008 IRP Update. PacifiCorp then removed the following IRP resources to create the capacity gap for bid/benchmark portfolios optimization.

Removed Resources

- East Power Purchase Agreement, modeled as a gas-fired simple-cycle combustion turbine plant (200 MW) with a 2012 in-service date
- The gas-fired combined-cycle combustion turbine (CCCT) plant, 607 MW, with a 2015 in-service date
- Front Office Transactions (FOT) for the following years;
    - 2012 – 604 MW
    - 2013 – 932 MW
    - 2014 – 1,223 MW
    - 2015 – 794 MW
    - 2016 – 923 MW
- PacifiCorp also made size and annual timing adjustments to the turbine upgrade capacities, reflecting the most recent planning schedule.

Note that a second CCCT in Utah with a 2018 in-service date is included in the portfolio as a fixed resource since it is acquired outside of the RFP procurement period. The All-Source RFP starting-point portfolio and associated removal of the gas resources (807 MW) are shown in Appendix A.

Table 5 reports the resulting high-level annual capacity position and planning reserve margin after creating the resource gap described above. The capacity short position ranges from 908 MW in 2012 to 1,668 MW in 2016.

Table 5. Portfolio Capacity Load and Resource Balance, High Level

System	2011	2012	2013	2014	2015	2016
Total Resources	12,912	12,316	12,366	12,104	12,166	12,240
Obligation	11,406	11,962	12,255	12,235	12,376	12,560
Reserves	1,142	1,263	1,292	1,321	1,331	1,348
Obligation + Reserves	12,548	13,224	13,547	13,556	13,707	13,908
System Position	363	(908)	(1,181)	(1,452)	(1,541)	(1,668)
Reserve Margin	15.2%	4.4%	2.4%	0.1%	(0.5%)	(1.3%)

Figure 1 shows the capacity and timing of resources removed from the preferred portfolio (bars below zero) and the capacity and timing of bid resources and front office transactions competing for selection (bars above zero).

Figure 1. Resources Removed and Available for Model Selection by Year

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Table 6 shows the impact of two hypothetical FOT selection scenarios on the system short capacity positions modeled using System Optimizer: (1) applying the FOT amounts included in the 2008 IRP Update preferred portfolio, and (2) the maximum system-wide FOT assumed to be available for both the 2008 IRP Update and the RFP portfolio modeling. The last two columns to the right report the resulting system capacity positions when accounting for these FOT amounts.

Table 6. Impact of FOT Selection on the Short Capacity Positions (Megawatts)

Year	System Capacity Position (MW)	2008 IRP Update FOT (MW)	Maximum FOT Available (MW)		Capacity Position net of 2008 IRP Update FOT (MW)	Capacity Position net of Maximum Available FOT (MW)
2012	(908)	604	1,414		(304)	506
2013	(1,181)	932	1,414		(249)	233
2014	(1,452)	1,223	1,414		(229)	(38)
2015	(1,541)	794	1,414		(747)	(127)
2016	(1,668)	923	1,414		(745)	(254)

NEED FOR A SECOND RESOURCE DURING THE RFP PROCUREMENT PERIOD

Table 6 shows the need for a significant resource in 2016, even assuming that all available FOT are acquired. This need ranges from 254 MW to 745 MW depending on the economics of acquiring front office transactions. To confirm the resource need based on capacity expansion optimization results, PacifiCorp conducted a System Optimizer run with the RFP bid evaluation set-up; i.e., resource assumptions described above, along with the July 2010 load forecast and base price scenario ($19/ton starting CO_2 price and the June 2010 forward natural gas/electricity price curves.) The model was allowed to determine the timing of gas resources added after 2015 as opposed to fixing the second CCCT in 2018 as assumed for RFP bid evaluation purposes. The model selected the Utah dry-cooled CCCT (Currant Creek site) in 2016, confirming the need for a 2016 gas resource.

[redacted]

[redacted]

[redacted]

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Appendix A:
All-Source RFP Portfolio and Resources Removed

Table 1 shows the 2011-2016 resources from the 2008 Integrated Resource Plan Update preferred portfolio, with certain revised resource assumptions, that will be hardwired into the System Optimzer (SO) Model. The 2008 IRP Update is available at the Company's IRP Web site: http://www.pacificorp.com/es/irp.html) Table 2 shows the resources from the 2008 Integrated Resource Plan Update preferred portfolio that will be removed from SO. These consist of resources for the period 2014-2016 that align with the eligible resource types cited in the RFP.

Table 1. Resources included in the Portfolio for the IRP modeling of RFP bids (assumes a 12% planning reserve margin)

			Capacity (MW)					
	Resource	**Type or Location**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
East	Turbine Upgrades*	Existing coal	28	19	-	-	-	18
	Utah CCCT	Dry cooled 2x1 with duct firing	-	-	-	-	-	-
	Wind	Wyoming	-	200	-	-	-	-
	Class 1 DSM	Dispatchable load control	11	20	20	10	3	-
	Class 2 DSM	Energy efficiency	65	66	68	68	49	50
	Front office transactions**	Heavy Load Hour, 3rd Qtr	<=564	<=564	<=564	<=564	<=564	<=564
West	Turbine Upgrades*	Existing coal	-	-	-	-	-	12
	Class 1 DSM	Dispatchable load control	5	17	18	5	-	-
	Class 2 DSM	Energy efficiency	40	39	40	40	37	37
	Front office transactions**	24x7 Flat / Heavy Load Hour, 3rd Qtr	<=850	<=850	<=850	<=850	<=850	<=850

* Turbine upgrades reflect the planned quantities currently assumed for PacifiCorp All Source RFP.

** The System Optimizer model will be allowed to select a variable amount of front office transactions up to the designated amounts each year. This ensures that the portfolio is cost-effectively and optimally balanced on a capacity basis. Front office transaction amounts reflect firm purchases made for the year, and are not additive. The 564 MW east-side limit reflects the current import limit from the Mead and Mona markets. The 850 MW limit represents the total west-side front office transaction limit as reported in Table 4.2, page 42, of the 2008 IRP Update.

Table 2. Resources removed from the Portfolio for the IRP modeling of RFP bids (assumes a 12% planning reserve margin)

			Capacity (MW)					
	Resource	**Type**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
East	Utah CCCT	Wet cooled 2x1 with duct firing	-	-	-	-	607	-
	East PPA*	Long-term power purchase agreement	-	200	-	-	-	-

* The East PPA is excluded because a bid with similar resource characteristics has been submitted.

EXHIBITS 3-5 ARE NON-PUBLIC AND ARE PROVIDED UNDER SEPARATE COVER