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September 15, 2008

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

RE: Docket No. UM 1368, In the Matter of PACIFICORP Draft 2008R-1 Request for
Proposals for Renewable Resources

Enclosed for filing is PacifiCorp's, d.b.a. Pacific Power, letter in response to the Public Utility Commission of Oregon Staff's recommendations in its Reply Comments dated August 13, 2008, and the Oregon Independent Evaluator's Supplemental Comments dated August 25, 2008 on the outstanding issues in the above-referenced docket.

Informal inquiries may be directed to me at (503) 813-6043.

Very truly yours,

A handwritten signature in cursive script that reads "Andrea Kelly".

Andrea L. Kelly
Vice President, Regulation

Enclosures

September 15, 2008

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

Attn: Vikie Bailey-Goggins, Administrator
Regulatory Operations

Re: Docket No. UM 1368, In the Matter of PACIFICORP Draft 2008R-1 Request for
Proposals for Renewable Resources

PacifiCorp, d.b.a. Pacific Power, submits this letter to respond to the Public Utility Commission of Oregon (“Commission”) Staff’s recommendations in its Reply Comments dated August 13, 2008, and the Oregon Independent Evaluator’s (“IE”) Supplemental Comments dated August 25, 2008 on the outstanding issues in the above-referenced docket.

First, Staff and the IE raised a concern with the requirement in the purchase power agreement (“PPA”) giving PacifiCorp the right to purchase a bidder’s facility at the end of the PPA’s term or otherwise upon termination of the PPA. To respond to this concern, PacifiCorp will amend the PPA to provide the bidders the opportunity, but not the obligation, to propose a facility sale to PacifiCorp at the end of a PPA term and in compliance with the associated PPA transfer pricing provisions¹. The election to act upon any proposed sale would remain at PacifiCorp’s option but the bidder will no longer be required to propose such a sale in order to have a compliant bid. PacifiCorp will also modify the evaluation process to include an evaluation of PPA bids with and without the purchase option. Accordingly, PPA bids that result in a compliant purchase option will receive incremental value consistent with the valuation method ascribed to build-own-transfer bids and the benchmark resources; adjusting for valid differences in the value of underlying assets. To receive such value, the PPA bidder will be required to supply a bid with and without the purchase option.

Second, Staff and the IE questioned the requirement that bidders demonstrate a contractual right to purchase long lead-time equipment because the same requirement would not apply to PacifiCorp. PacifiCorp proposes to extend the requirement to demonstrate a contractual right to purchase long lead-time equipment to PacifiCorp and PacifiCorp will file a request for an accounting order. The Commission granted a similar accounting order to Portland General Electric for wind turbine reservation costs. *See* Docket No. UM 1323, Order No. 07-451.

¹ To facilitate consistent evaluation of a bidder’s proposed purchase price with that of other bidders, PacifiCorp will amend the PPA such that the purchase option exercise timing and procedures are defined and include a definition of transferred assets and a definition of the asset transfer price. The asset transfer price will be equal to the then-current fair market value of the towers, nacelles, blades and hub with all other assets (electrical, real-estate or other) transferred or assigned at a fixed price.

Third, Staff and the IE commented that, if bidders are required to absorb the risk that the Federal production tax credit (“PTC”) is extended, bidders are likely to include premiums in their bids to account for that risk. PacifiCorp proposes to require that bidders provide each bid with and without the assumption the PTC is extended to the end of the calendar year in which the bidder proposes the resource reach commercial operation. PacifiCorp will also modify the evaluation process to include an evaluation of bids with and without the PTC.

Fourth, Staff and the IE questioned the need to reject bids with unfavorable Alternative Costs of Compliance (“ACC”) values. Staff proposes that PacifiCorp evaluate the best 500 megawatts (“MW”) and consider renewable portfolio standards (“RPS”) in the analysis. PacifiCorp proposes changing the evaluation process to evaluate the best 500 MW, with a minimum of 5 counter parties secured by distinct parental hierarchy. The initial shortlist will include the evaluation of 500 MW which may include bids with negative and positive ACC values. In the event that a portion of the 500 MW in the initial shortlist has positive ACC values, a further evaluation step will take place. The Company will assess the market value for renewable energy credits, any compliance with RPS requirements for states in which PacifiCorp operates and the potential for future carbon dioxide regulation, consistent with the IRP.

Fifth, Staff and the IE questioned if a capacity value was included in the evaluation of bids and benchmark resources. PacifiCorp proposes to establish a capacity contribution calculation which would provide an incremental capacity contribution to account for the capacity contribution over and above the capacity contribution already received in the IRP calculation of the ACC with the proxy wind projects. The potential incremental capacity contribution may be provided by resources with higher capacity factors and or resources which are not intermittent. This incremental capacity contribution would be designed to capture the potential difference in the capacity contribution between the IRP proxy wind projects and biomass, geothermal, and or solar renewable projects. PacifiCorp will work with the IE to develop such a methodology. In developing the methodology, PacifiCorp will develop this incremental capacity contribution calculation consistent with the IRP as required in the commission guidelines².

Sixth, Staff requested that if PacifiCorp reissues the 2008R-1 RFP in subsequent years that PacifiCorp re-file the updated 2008R-1 RFP for Commission approval on an expedited basis. In response, PacifiCorp proposes that it will agree to meet with Staff thirty days prior to any re-issuance to determine if any of the changes are material. To the extent that Staff determines that the changes are material then PacifiCorp will refile with the Commission and seek approval on an expedited basis.

Seventh, Staff indicated that they wanted to ensure both the site and the size of the benchmark resources be provided prior to receiving the bids. PacifiCorp agrees that it will provide information on the benchmarks to the Oregon Staff and the IE two weeks prior to receiving the bids. The information to be provided will include the site and the size of the benchmark resources. PacifiCorp will make this clarification in the 2008R-1 RFP.

² In Guideline 7 of the competitive bidding guidelines adopted in Order No. 06-446, the Commission adopted a three-part RFP approval standard: (1) alignment of the utility’s RFP with its acknowledged IRP; (2) the RFP’s adherence to the Commission’s competitive bidding guidelines; and (3) the overall fairness of the bidding process.

Eighth, Staff requested that the Chehalis project and any viable projects in the Final Shortlist of the 2012 Request for Proposal be included in the modeling when completing the evaluation. PacifiCorp will incorporate this clarification in the 2008R-1 RFP.

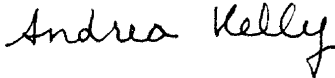
Ninth, Staff recommended deleting the second sentence in section 9.6 of the PPA. PacifiCorp proposes accepting Staff's recommendation.

Finally, Staff believes setting the value of the success fee at \$1,000,000 is excessive. PacifiCorp proposes setting the success fee at \$500,000 plus escalation.

PacifiCorp will amend the RFP to reflect the changes proposed in this letter.

The Company looks forward to discussing the 2008R-1 RFP at the September 18, 2008 public meeting. In the meantime, please contact me at (503) 813-6043 with any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Andrea Kelly".

Andrea L. Kelly
Vice President, Regulation

Cc: UM 1368 Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of September, 2008, 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.

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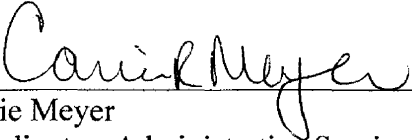
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