BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1368

In the Matter of PacifiCorp Draft 2008R-1 Request for Proposals for New Renewable Resources	STAFF'S OPENING COMMENTS

Pursuant to Judge Kirkpatrick's memorandum of May 9, 2008, staff submits opening comments on PacifiCorp's Draft Request for Proposals (RFP) for New Renewable Resources. The Appendix is PacifiCorp's responses to selected data requests.

These comments are necessarily preliminary because**,** contrary to the Commission's guidelines on competitive bidding, the company's Draft RFP was not accompanied by an assessment of Draft RFP design by the Oregon Independent Evaluator (IE). This is the third RFP filed for approval by PacifiCorp since the Commission updated its competitive bidding guidelines. In all three cases, staff and parties did not have the benefit of such an assessment in advance of opening comments. While PacifiCorp filed its 2012 base load RFP shortly before the Commission issued Order No. 06-446 and therefore was unable to fully comply with this guideline, staff sees no reason why the 2008R-1 renewable resources RFP in particular was not accompanied by an IE assessment.[1]

Staff does not intend to accommodate such a departure from the Commission's guidelines in the future. We do not believe the Commission, parties and ratepayers are best served in this manner. While the company agreed that staff and parties will have two weeks after filing of the IE's assessment to submit reply comments, there is no adequate substitute for the Commission-established process to have the IE assessment filed up-front.

RFP Summary

The Draft RFP seeks up to 500 megawatts (MW) of renewable resources on the east or west side of the company's system. The minimum eligible resource size is 100 MW and the minimum term is five years.

Each resource is limited to 300 MW, qualifying the RFP under Utah Senate Bill 202 for an exception to many of that state's competitive bidding requirements, including RFP approval. In addition, each renewable resource must have an expected annual output of

[1] Nor did the company work with the Independent Evaluator in drafting the RFP as set out in the Commission's guidelines.

at least 70,000 megawatt-hours (the output from roughly a 24 MW wind facility) after accounting for planned and unplanned outages.

As described in the next section, the company plans to issue "updates" under the RFP to solicit additional bids in the future. The first solicitation under the proposed process is for resources that will be on-line by 2011*.*

Resources must be accompanied by Renewable Energy Certificates (RECs). PacifiCorp may reject any project that does not qualify under the various renewable portfolio standards in the states the company serves.

Bidders may offer a power purchase agreement (PPA) or a Build Own Transfer (BOT) agreement. The BOT agreement consists of an engineering procurement contract and asset acquisition and sale agreement. The Draft RFP does not address potential acquisition of existing facilities. In reply to a staff information request, PacifiCorp states that it will accept bids from existing facilities. *See* PacifiCorp's response to Staff Data Request No. 18, attached. However, unlike its previous RFPs, the company does not plan to provide a pro forma agreement for that type of transaction. Without a pro forma agreement in the RFP, staff is unclear how the company would evaluate such proposals for non-price scoring. *See* Guideline 6 below. Staff is interested in the IE's and potential bidders' feedback on whether a pro forma agreement for purchase of an existing facility should be included in the Draft RFP.

RFP Process Requested for Approval

PacifiCorp is requesting the Commission approve an RFP process that would "…enable the company to call for new bidders or updated bids on an as needed basis to provide needed flexibility in the procurement process due to timing concerns, uncertainty with the status of the [federal] production tax credit, the status of the then-current wind turbine supply market, and quality and quantity of bids received."[2] PacifiCorp states that, to the extent it is acquiring renewable resources, the company intends to issue "RFPs" at least annually.[3] The company describes the RFP currently under review as "…a 'shelf' RFP under which subsequent periodic RFPs will be issued to comply with current regulatory rules, orders, and any applicable resource procurement state laws."[4] According to PacifiCorp, the Draft RFP filed would serve as a foundation that would give the company a constant presence in the market.

As PacifiCorp points out, this concept is similar to the 2006 amendment approved by the Commission for the 2003-B renewable resources RFP (Docket UM 1118). However, PacifiCorp requests approval of a process that would notify the Commission that the company intends to issue an update to the RFP along with "the detail associated with

[2] *See* PacifiCorp's letter accompanying the Draft RFP, April 28, 2008, at 1.
[3] *See* PacifiCorp's Renewable Resources Update at 20, provided at the public meeting on June 10, 2008. Staff assumes PacifiCorp is referring to the "updates" described here.
[4] *See* PacifiCorp's 2007 IRP Update, June 11, 2008, at 25.

such updates."[5] The company states that it will file the update for Commission approval if the Commission determines that the update is a substantive modification of the originally approved RFP.

Staff recommends instead that the Commission require PacifiCorp to file such amendments for approval on an expedited basis. Staff and parties should have the opportunity to review the amendment for consistency with the Commission's competitive bidding guidelines, the company's most recent Integrated Resource Plan (IRP) as acknowledged by the Commission, updated information related to the IRP, renewable portfolio standard rules, and other regulatory and market issues as they change over time.

Unless the update includes significant modifications that staff or parties find controversial, staff recommends the Commission simply consider the filing for approval at a regular public meeting. The Commission acted quickly on the 2006 amendment to RFP 2003-B.[6] If, however, staff or parties wish to address contentious issues through a formal comment process, the Commission should provide such an opportunity.[7]

Criteria for RFP Approval

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

(1) The alignment of the utility's RFP with its acknowledged IRP;
(2) Whether the RFP satisfies the Commission's competitive bidding guidelines; and
(3) The overall fairness of the utility's proposed bidding process.[8]

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

Criteria 1: Alignment of RFP With PacifiCorp's Acknowledged 2007 IRP

2007 IRP Preferred Portfolio and Action Plan

The company requested acknowledgment of the Action Plan for its "preferred portfolio," Risk Analysis Portfolio 14. The portfolio includes 2,000 MW of renewable resources. Of that amount, the company plans to acquire 1,400 MW by 2010, including 400 MW the company acquired by year-end 2007, plus an additional 600 MW by 2013. The company's analysis demonstrated that these acquisitions appear reasonable on a risk-adjusted, least-cost basis, assuming a continuation of the federal production tax credit over the study term and a REC value assumption of $5 per megawatt-hour for the

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[5] *See* PacifiCorp's April 28, 2008, letter at 2.
[6] *See* Staff Report in Docket UM 1118, April 11, 2006, Commission public meeting.
[7] In Docket UM 1208, the first RFP considered under the Commission's updated competitive bidding guidelines, Judge Grant stated that "[t]he Commission intends to use, in this docket, a formal comment process similar to that used in reviewing final integrated resource plans (IRP)." See Judge Grant's memorandum dated July 25, 2006.
[8] *See* Guideline 7, Order No. 06-446 (at 9).

project's first five years.[9] The Commission acknowledged this action item in Order No. 08-232 (Docket LC 42).

The company includes the following acquisition schedule in RFP 2008R-1 (at 5):

2008	Up to 200 MW
2009	Up to 100 MW
2010	Up to 300 MW
2011	Up to 200 MW

This schedule matches the acquisition schedule in the IRP preferred portfolio except for 2008. In that year, the IRP preferred portfolio includes acquisition of 300 MW. The company simply states that it has updated its acquisition schedule. *See* PacifiCorp's response to Staff Data Request No. 19, attached. As staff explains below under "Commission-Required Updates," a utility must account for all material changes since IRP acknowledgment. PacifiCorp's response is insufficient. The company should explain the disparity in the acquisition schedule.

PacifiCorp plans to acquire only a portion of these renewable resources through this RFP. The company issued its "2008R RFP" on January 31, 2008, for renewable resources less than 100 MW or a term no longer than five years that can be on-line by 2009. The company did not file for RFP approval. The company advises that it received bids for 18 projects totaling 1,466 MW. The company also has acquired several renewable resources outside of any RFP process.[10]

On June 11, 2008, PacifiCorp filed an informational update to its 2007 IRP, based on the company's 2008 business plan. The update states, "The wind resources reflected in the 2007 IRP preferred portfolio, procured in the 2008 through 2013 period, were updated to match 2008 business plan assumptions for start dates, sites, and capacities. These updated wind resources, totaling 1,270 nameplate megawatts, were fixed in the System Optimizer model."[11] The business plan portfolio shows planned acquisition of 370 MW of renewable resources in 2008 — more than assumed in the 2007 IRP. The figure reflects 300 MW of Wyoming wind resources acquired outside of an RFP process. The remainder of the acquisition schedule through 2011 is in line with the levels of renewable resources in the IRP preferred portfolio acknowledged by the Commission, with the addition of a 35 MW upgrade at the Blundell geothermal site in 2010. However, the year-by-year assumed locations have shifted slightly.[12]

In its acknowledgment order for PacifiCorp's 2007 IRP, the Commission stated that the company should not limit its modeling of renewable resources to wind facilities, which served as a proxy for all renewable resources. The 2008R-1 RFP will accept and evaluate a wide range of renewable resources.

[9] Nominal dollars. *See* Appendix A at 22, PacifiCorp's 2007 IRP.
[10] Staff is reviewing this issue in Docket UE 200, PacifiCorp's 2009 Renewable Adjustment Clause.
[11] PacifiCorp 2007 IRP Update at 17, June 11, 2008.
[12] *Id.* at 19. Compare to IRP preferred portfolio, Table 7.32 in PacifiCorp's 2007 IRP at 184.

RFP 2008R-1 is consistent with the company's 2007 IRP as acknowledged by the Commission, except for the discrepancy in the stated acquisition schedule.

Commission-Required Updates

The Commission has clarified that in requesting approval for an RFP, "…a utility must account for all material changes since [IRP] acknowledgement and provide, at a minimum, updated load forecasts, revised assumptions and recent resource additions."[13] Most relevant to this RFP is a projection of the company's renewable resource needs to meet renewable portfolio standard (RPS) requirements based on an updated load forecast, updated regulations and recent renewable resource additions.

The Oregon Renewable Energy Act (Senate Bill 838, 2007 Session) went into effect June 6, 2007, just after the company filed its 2007 IRP for Commission approval. Under the Act, PacifiCorp must use qualifying renewable resources to serve 5 percent of the energy needs of its Oregon customers by 2011, 15 percent by 2011, 20 percent by 2020 and 25 percent by 2025.

In reviewing the 2007 IRP, staff noted that such standards require utilities to deviate from a strict comparability standard in evaluating resource choices. They must include the specified levels of renewable resources in their action plans, subject to any cost cap or other flexibility mechanism. Staff found reasonable PacifiCorp's responses to data requests on how the resource plan positions the company to meet the RPS requirements of West Coast states through 2014 and federal standards under consideration at that time.

The Oregon Department of Energy recently issued rules under SB 838 allowing utilities to bank toward future compliance with Oregon's standard qualifying RECs that are generated on or after January 1, 2007.

Utah recently enacted a carbon reduction initiative law (SB 202) with a 20 percent renewable resources requirement in 2025. However, there are no interim requirements, resource eligibility is broad, and utilities are not required to meet the standard if the resources are not cost-effective. There is still no national standard. Among the states PacifiCorp serves, renewable portfolio standards of various stringencies are now in effect in Oregon, Washington, California and Utah. To meet the Oregon RPS, the company projects it will need the following levels of renewable resources system-wide, *including resources already acquired*:

	System-wide	Oregon's allocated share
2011	1,031 MW	263 MW
2015	3,359 MW	796 MW
2020	4,733 MW	1,070 MW
2025	6,325 MW	1,388 MW

[13] *See* Order No. 07-018 at 3 (footnote 4).

These figures are based on the company's October 2007 load forecast and assuming wind resources will provide all of the remaining capacity to be acquired.[14] *See* PacifiCorp's response to Staff Data Request No. 34, attached. The system-wide figures also assume PacifiCorp states without an RPS will pay their allocated share of the resources.[15]

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

Staff has not completed its review of the Draft 2008R-1 RFP for compliance with the Commission's competitive bidding guidelines. However, staff offers the following comments at this time.

Guideline 4 – Utility Ownership Options

Guideline 4 addresses consideration of ownership options. The Commission provides for ownership transfers within the RFP as well as "benchmark resources," defined as "a site-specific, self-build option for which there is a commitment to proceed if it is the resource selected through the RFP."[16]

PacifiCorp is still assessing which self-build options it may use in the RFP. The Draft RFP provides the following limited information on possible benchmark resources:

> - up to three wind projects,
> - located on up to three wind sites,
> - with a size of up to three hundred (300) megawatts per project.
>
> Locations being considered include sites the Company is currently developing in Wyoming. In addition, project sites may be considered that the Company may acquire from developers prior to the time when the benchmark resource(s) are finalized….
>
> The benchmarks will be based on the expected cost to develop, construct, own, and operate the benchmark(s) using prudent industry practices, established vendors, and experienced constructors. The suitability of each site to result in a valid benchmark project will be based on the Company's then current assessment of the site's ability to accommodate the timing requirements of RFP 2008R-1 with respect to permitting, interconnection timing and capability, availability of long

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[14] Wind has a low capacity factor compared to geothermal and biomass resources. All other factors being equal, actual capacity additions to meet RPS standards will be lower.
[15] Multi-state agreements addressing assignment of resources are possible that would reduce system-wide (but not state) requirements for renewable resources.
[16] *See* Order No. 06-446 at 5.

> lead time equipment, constructability, and regulatory cost recovery risk, and the size.[17]

Such a description does not meet the requirements of Guidelines 4 and 8 in Order No. 06-446 that benchmark resources are "site-specific." However, if the company includes benchmark resources in the RFP, it intends to notify the market about the specific site(s). *See* PacifiCorp's response to Staff Data Request No. 26, attached.

Further, staff believes the Commission intended that the description of benchmark resources provided to bidders through the RFP document filed for Commission approval specify size, not a size range. Staff is uncertain whether the Commission also intended that the RFP disclose other information such as PacifiCorp provided in its 2012 base load and 2008 all-source RFPs – equipment specifications, for example. Staff requests the Commission clarify in its order in this proceeding its intent regarding disclosure of information on benchmark resources in the RFP process.

Guideline 5 – Independent Evaluator

The Commission approved Boston Pacific Company as the Oregon IE.[18] Guideline 5 states in part, "The utility may request recovery of its payments to the IE in customer rates."

Conversely, Utah law requires bidders to pay a fee to cover the cost of an IE or consultant[19] for the Utah Commission. The Draft RFP requires a nonrefundable bid fee of $10,000 per project. Two alternatives plus a base proposal may be submitted under the same bid fee. The alternatives may vary by bid size, contract term, in-service date or pricing structure for the same project. Bidders may submit up to three additional alternatives for an additional $1,000 fee per alternative.

Guideline 7 in Order No. 06-446 provides for consideration of multi-state regulation, including requirements imposed by other states. The Commission allowed for bidder fees in Docket UM 1208. In Docket UM 1360, the company agreed to the following condition for approval of the 2008 all-source RFP:

> 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.

[17] *See* Appendix I, Draft RFP.
[18] *See* Order No. 08-248.
[19] Utah Senate Bill 202 modified the Commission's role in reviewing renewable resource RFPs that meet certain requirements. A "consultant" is retained for such solicitations instead of an Independent Evaluator.

The Draft 2008R-1 RFP states (at 11) that the bidders fee may be used “[t]o help defray the cost of the Oregon Independent Evaluator and/or the Utah Consultant….” PacifiCorp states that, if a success fee is adopted to pay for the Oregon IE, bidders will increase their bid price and that raises inter-jurisdictional cost issues. The company raises a concern about “unfair cost shifts from Oregon customers to other states.” *See* PacifiCorp’s response to Staff Data Request No. 28, attached. Applying the same logic to the company’s thermal resource RFPs, the bidders fee required by Utah law to pay for the Utah IE raises the cost of bids and creates unfair cost shifts to Oregon ratepayers. Staff will provide its recommendations on a capped success fee in reply comments, following the IE’s recommendations in its forthcoming report on the Draft RFP.

Guideline 6 – RFP Design

<u>IE consultation and assessment</u> - Guideline 6 states in part, “The utility will consult with the IE in preparing the RFPs, and the IE will submit its assessment of the final draft RFP to the Commission when the utility files for RFP approval.” As staff stated at the beginning of these comments, the company did not comply with this guideline.

<u>Standard form contracts</u> - Guideline 6 also states, “The final draft submitted to the Commission must also include standard form contracts. However, the utility must allow bidders to negotiate mutually agreeable final contract terms that are different from ones in the standard form contracts.” The power purchase and Build Own Transfer agreements included with the Draft RFP are tailored to wind projects, which PacifiCorp reasonably expects will dominate bid proposals.

The Draft RFP states (at 6): “To the extent that Bidders bid in variations of a PPA or BOT, such proposal will be considered at the Company’s discretion and the Company reserves the right to reject non-compliant bids.” Further, the company’s proposed non-price scoring assigns a 6 percent weighting for “Conformity to RFP requirements” and a 6 percent weighting for “Conformity to pro forma PPA or BOT non-price factors.”

Staff raised concerns in light of the wind-specific nature of the PPA and BOT forms. The company states that it will not score a bid proposal lower solely due to the specific nature of a non-wind resource. However, the non-price score will be lower if the bidder’s proposed changes to the pro forma PPA or BOT agreement would shift costs or risks to ratepayers. PacifiCorp states that the transaction structures set forth in the pro forma agreements make clear what the company deems compliant with the RFP requirements. Among the transaction structures that would not be compliant are site sales without a completed asset, proposals that require PacifiCorp to supply its own turbines and proposals that require a joint venture. *See* PacifiCorp’s responses to Staff Data Request Nos. 3 and 15, attached.

Staff also has raised concerns that the PPA in the Draft RFP requires that the Seller be the Qualified Reporting Entity (QRE) for reporting generating data to the Western Renewable Energy Generation Information System (WREGIS) unless PacifiCorp elects to perform this function.[20] Renewable energy certificates must be WREGIS-certified to comply with the Oregon RPS. WREGIS requires that metering data be provided by a QRE. The WREGIS Interface Control Document for QREs[21] states (at 4): "If the Generating Unit currently reports to a Balancing Authority, then this specific Balancing Authority should be the Qualified Reporting Entity for those generating units in WREGIS, as long as the data can be reported on a generating unit basis." Staff has conferred with the WREGIS administrator regarding current and potential QREs. The WREGIS administrator advises that this provision in the draft PPA represents a significant barrier to market participation. Staff recommends the Commission not approve the RFP with this provision.

Qualifying Facilities - Guideline 6 states, "The utility may set a minimum resource size, but Qualifying Facilities larger than 10 MW must be allowed to participate." The Draft RFP does not meet this requirement.[22] Staff recommends the Commission direct PacifiCorp to modify the RFP to allows QFs larger than 10 MW to participate.

Size of initial and final short-lists – As in the last RFP (Docket UM 1360), staff recommends that PacifiCorp specify in the RFP the maximum quantities of bids that will be included on the initial and final short-lists. PacifiCorp agrees to do so.

Guideline 8 – Benchmark Resource Score

The company states that it may submit site-specific, self-build options to the Commission and the Oregon IE in advance of the opening of bidding. The company agrees to provide its detailed score for any benchmark resource, with supporting cost information, in advance of the opening of bidding, consistent with Guideline 8.

Guideline 9 – Bid Scoring and Evaluation

Guideline 9a - Price will be weighted 70 percent and non-price factors will be weighted 30 percent in initial short-list evaluation. PacifiCorp will enter the prices submitted by bidders into a spreadsheet model ("RFP Base Model") to determine the price ranking of the initial short-list. The comparison metric is projected net present value of revenue requirements (PVRR) per kilowatt per month. Proposals with a bid cost less than or equal to 80 percent of adjusted price projections will receive the maximum price score. Proposals equal to or greater than 140 percent of the adjusted price projection will receive a zero price score. Proposals between these values will receive a weighting that is linearly interpolated. If all proposals are above 140 percent of the adjusted price projection, PacifiCorp will rank the proposals using linear interpolation.

Non-price factors, each weighted at 6 percent of the total initial short-list score, are as follows:

[20] *See* Section 9.6 of the pro forma PPA.
[21] Available at: http://www.wregis.org/content/blogcategory/26/47/.
[22] Staff has submitted a data request on this subject and will comment further in reply comments.

- Conformity to RFP requirements
- Conformity to pro forma PPA or BOT
- Status of project development
- Bidder’s experience
- Performance guarantee

Non-price factors will be scored at one of the following three levels: 100 percent of the percentage weight (all requirements met), 50 percent of the percentage weight (some requirements met) or zero of the percentage weight (no requirements met). PacifiCorp explains that the non-price factors are largely scored based on subjective evaluation of the bid proposals and therefore cannot be scored using an objective numerical calculation and interpolation as in pricing. *See* PacifiCorp’s response to Staff Data Request No. 10, attached.

The initial short-list evaluation process described in the Draft RFP is consistent with Guideline 9a, except the company has not specified how it will provide resource diversity on the initial short-list — for example, with respect to resource type (fuel, base load vs. intermittent resources), resource duration, transaction type (PPA vs. BOT), and geographic diversity for intermittent resources.

As in the last RFP, staff recommends that PacifiCorp 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. PacifiCorp agrees to do so.

<u>Guideline 9b</u> - PacifiCorp proposes to use a new methodology, what it calls the “next highest alternative cost for compliance” (ACC), for evaluating bids and benchmark resources for the final short-list. According to the company, the ACC method is aligned with the IRP because it uses the IRP Planning and Risk (PaR) production cost model and the “then-current IRP preferred portfolio” — the company’s 2008 business plan portfolio based on a more recent model run with updated market prices. Further, the ACC method accounts for the costs and benefits of renewable resources included in the 2007 IRP preferred portfolio.

Staff and the IE have only recently been provided regular access to the model. Staff must therefore defer its recommendation on the appropriateness of the model until the time set for reply. At this time, however, staff points out flaws in the proposed process identified to date.

Under the ACC method, the company will use the PaR model in “stochastic” mode under a range of loads, wholesale natural gas and electricity prices, hydro variations and thermal unit performance. The model dispatches PacifiCorp’s owned and contracted resources to market. The company will first run the PaR model using its business plan portfolio. The company will then remove “uncommitted” renewable resources – those the company has not yet acquired or firmly committed to — and re-run the model. The company states that the difference in costs will “reflect the market-based energy costs incurred as a result of no longer adding renewable resources to the IRP preferred portfolio.”[23]

The bids (including any benchmark resources) will be compared to the PaR model results. First, the company will assume the estimated energy production (MWh) for the bid is worth the savings (in dollars per MWh) that is estimated by the difference in the two PaR model runs. The company will add to that energy value any other estimated benefits such as tax credits. Any revenues from REC sales are not accounted for.[24] Next, the company compares that value to the cost over the life of the project, also in dollars per MWh. The company then adds the “alternative compliance cost” to the equation. The alternative compliance cost is set so that the estimated value of renewable energy equals the cost of the bid being analyzed.

A negative ACC value indicates the bid compares favorably to the market-based alternative. The Draft RFP does not explain how, in the event PacifiCorp cannot fulfill the RFP target with bids that have a negative (favorable) ACC value, the company would determine whether to acquire a resource with a positive ACC value. In response to a staff request for more information, the company states that it would consider RPS requirements, potential REC sales or portfolio risk reduction. *See* PacifiCorp’s response to Staff Data Request No. 17c, attached.

Regarding REC sales, staff notes that Section 4.5 of the PPA requires the Seller at its expense to maintain registration with the Center for Resource Solution’s Green-e program throughout the term. PacifiCorp explains that the company may sell some of the RECs from resources acquired through this RFP and that the Green-e certification provides access to a more liquid market for REC sales. *See* PacifiCorp’s response to Staff Data Request Nos. 12 and 23, attached.

The proposed ACC methodology does not account for the risk of CO_2 regulatory costs above the company’s base case of $8 per ton. Staff does not believe this complies with the Commission’s competitive bidding guidelines.

Guideline 9b states in part, “The portfolio modeling and decision criteria used to select the final short-list of bids must be consistent with the modeling and decision criteria used to develop the utility’s acknowledged IRP Action Plan.” Order No. 06-446 explains (at 11):

> We … prefer to view the competitive bidding process as a search process aimed at helping find the best combination of

[23] *See* Draft RFP at 26.
[24] RECs are required for near-term RPS compliance in Oregon, Washington and California. However, the company does not need to surrender RECs for Utah SB 202 requirements until 2025, and Idaho and Wyoming do not have such requirements.

> resources for ratepayers. As stated in subsection (b) of this guideline, we expect the utility to apply the same analytical approach and judgment in selecting the final short-list as it did in developing its acknowledged IRP Action Plan. For example, it should apply the same tradeoff between cost and risk in the bid process as it did in the IRP, and not simply focus on expected cost at the acquisition stage.

In accordance with the Commission's resource planning guidelines. PacifiCorp's 2007 IRP evaluated portfolios at specified CO_2 cost adders in addition to the company's assumed (base case) cost. Environmental cost risk is a key part of IRP decision criteria that should not be abandoned when a utility actually acquires resources. In the case of renewable resources being valued against the company's "market-based" energy alternative, higher CO_2 regulatory costs equate to higher electricity prices, potentially turning a positive ACC value (unfavorable compared to the market-based energy value of the bid) into a negative (favorable) ACC value.

Staff recommends PacifiCorp be required to modify the Draft RFP to specify the evaluation process the company will use to determine whether in the case of a positive ACC result the resource should be acquired. Staff believes that potential CO_2 regulatory costs should be added to the list PacifiCorp laid out for factors it would consider. Also in line with the company's IRP decision criteria, higher (and lower) electricity and natural gas prices also should be considered. Regarding consideration of compliance with RPS requirements, the Draft RFP should lay out how the company will consider ORS 469A.052 (large utility standard), 469A.100 (cost off-ramp) and ORS 469A.180 (alternative compliance payment), as well as alternative compliance mechanisms and penalties for non-compliance in other states PacifiCorp serves.

Under the Revised Protocol adopted by the Oregon Commission, ratepayers bear the cost of compliance with their own state's RPS requirements.[25] Each state has unique alternative compliance mechanisms and penalties. Therefore, the avoided cost of compliance in Oregon will be different than the avoided cost of compliance in California, for example. In meeting the Oregon RPS, PacifiCorp would likely avail itself of the alternative compliance payment under ORS 469A.180 because such payment may be recoverable in rates, rather than risk an unspecified penalty that would be borne by shareholders. The RFP evaluation should account for this.

Staff also recommends the IE review how geographic diversity of wind bids will be valued in the final short-list evaluation. One of the advantages of an RFP process rather than piecemeal acquisition of renewable resources is the ability to compare wind energy production profiles to determine how such diversity would be beneficial for the company's portfolio.[26]

Regarding the base portfolio the company plans to use in final short-list modeling — the

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[25] *See* Revised Protocol at 6, Order No. 05-021 (Docket UM 1050).
[26] Geographic diversity also should be considered in establishing the initial short-list.

2008 business plan, the Commission's competitive bidding guidelines do not envision a new portfolio run replacing the acknowledged IRP portfolio. The Commission has clarified that in considering RFP approval, its "review begins with the utility's last acknowledged IRP to ensure that our review is based on a fully vetted and acknowledged resource plan."[27] In this case, the Commission did not acknowledge the levels or types of thermal resources included in the company's 2007 IRP preferred portfolio. Further, PacifiCorp dropped its plans for coal benchmark resources.[28]

In approving the 2008 all source RFP, the Commission included the following condition among others:

> 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.[29]

If the Commission approves the 2008R-1 RFP, the Commission will not be conferring any acknowledgment of the company's 2008 business plan portfolio that the company intends to use in final short-list modeling. However, for the reasons stated in Docket UM 1360, the Commission should direct PacifiCorp to 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.

<u>Guideline 9c</u> - The company states that it may consider direct and indirect debt associated with bids on the final short-list, consistent with Guideline 9c. However, included among the "Reasons for rejection of a Bidder or its bid" is the following: "The transaction results in a third party owned asset being consolidated on PacifiCorp's balance sheet."[30] Eliminating a bid due to potential consolidation on PacifiCorp's balance sheet is not consistent with Order No. 06-446. The company would be rejecting

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[27] *See* Order No. 07-018 at 3.
[28] In its Draft 2008 all source RFP, PacifiCorp stated it would accept coal plant bids that meet California and Washington laws limiting coal plant acquisitions. It is unclear how the company plans to accommodate differing requirements related to coal plant eligibility in the Oregon and Utah Commission orders on the RFP.
[29] *See* Order No. 08-310 at 3.
[30] *See* Draft RFP at 11-12. Also refer to the "Accounting" section of the Draft RFP at 13.

any such bid upfront, rather than quantifying the potential impact of consolidation at the final short-list stage. Staff recommends against approving the RFP with this provision.

Guideline 10 – Utility and IE Roles

Toward ensuring the process is conducted fairly and properly, the Oregon IE provided mock bids to PacifiCorp to run through the ACC method to help understand and validate the model. The IE will discuss the results in its assessment of Draft RFP design. Repeating the results at the time benchmark resources and market bids are modeled will confirm that the model has not been modified.[31]

The IE will evaluate the unique risks and advantages of any benchmark resources in compliance with Guideline 10d. The IE states that PPAs assign most risk to the bidder, BOT agreements lay off construction risk to the bidder and operating risks to ratepayers, and utility benchmark resources pose most risk to ratepayers.[32]

The IE's assessment of Draft RFP design should include a proposed methodology for evaluating risks for various transaction types. For example, in Docket UM 1360, the Commission adopted the recommendation by the IE and staff to risk-adjust in the final short-list evaluation 100 percent of the capital costs of the utility benchmark resources and the portion of capital costs that bidders index, up to the 40 percent allowed in the solicitation.

For this RFP, staff has additional concerns related to treatment of federal production tax credit risk for benchmark resources vs. bids. The Draft RFP states that bidders bear all risk related to receipt of the tax credit, which represents a significant portion of the project value. The tax credit is set to expire at the end of 2008 and has not yet been renewed in Congress. In addition, the tax credit may be renewed only for a year or two, not through 2011, the last eligible on-line date under the RFP.

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

Unlike the previous two RFPs filed for Commission approval, RFP 2008R-1 does not allow bidders to index a portion of capital costs. The company states that it cannot identify one or more indexes that would adequately track the market for equipment, labor and services. PacifiCorp explains, "The market for renewable resource equipment, labor and services is not currently within balance on a supply and demand basis." *See* PacifiCorp's response to Staff Data Request No. 13, attached.

Staff finds the company's rationale for allowing bidders to index capital costs for its thermal resource solicitations (2012 base load and 2008 all source RFPs) equally

[31] If needed modifications to the model are made in consultation with the IE prior to receipt of bids, the mock bids can be re-run at that time.
[32] *See* Boston Pacific Company's UM 1368 workshop presentation at 8, June 9, 2008, available at: http://www.pacificorp.com/File/File82270.pdf. Ratepayers bear risk to the extent the Commission allows pass-through of costs.

applicable to renewable resources given escalating equipment, labor and services costs for construction of both types of resources. Staff also is unclear why the indexes specified for the thermal resource RFPs — CPI and PPI-metals — would not be appropriate for this RFP. Staff further notes that for the 2008 all source RFP, bidders will be allowed to propose other reasonable indexes if they are transparent, easy to forecast and independent.

In PacifiCorp's response to Staff Data Request No. 25, attached, the company provides an additional rationale — project lead time – for the disparate treatment of bid indexing. Following is a comparison of lead times by RFP:

- 2012 RFP – Issued in 2007 for thermal resources with on-line dates from 2012 to 2014 (five to seven years in advance)
- 2008 RFP – To be issued shortly for thermal resources with on-line dates from 2012 to 2016 (four to eight years in advance)
- 2008R-1 RFP – To be issued later this year for renewable resources on line by 2011 (up to three years in advance)

However, staff is interested in hearing from potential bidders and the Oregon IE on whether indexing is needed for a successful RFP process for renewable resources given the current market environment.

In addition, the IE has asked for bidder feedback on the requirement in the pro forma PPA that PacifiCorp has the right to purchase the facility at the end of the term, as well as the right to purchase the facility upon termination. The IE also has asked for feedback from potential bidders on the requirement in the PPA that bidders must demonstrate a contractual right or option to purchase major equipment (e.g., wind turbines) for the projects they submit.

As a clarification on another matter, PacifiCorp states that it does not intend to blind bids. Based on experience in the 2012 RFP (Docket UM 1208), the Oregon IE and staff recommended that the company not blind bids for the 2008 "all source" RFP (Docket UM 1360).

Staff recommends below several areas that the Oregon IE should address in its forthcoming assessment of Draft RFP design. Staff will provide further comments on criteria 3 after reviewing this report.

Summary of Staff's Initial Recommendations

1. PacifiCorp's proposal to establish an RFP process for renewable resources that enables the company to call for new bidders or updated bids on an as needed basis to provide flexibility in the procurement process should be approved, subject to the

conditions below[33] and with a requirement that PacifiCorp file for approval on an expedited basis all requests for new bidders or substantive RFP amendments.

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.

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.

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

5. No later than two weeks prior to the receipt of market bids, the Company must notify the market regarding the specific site and size of any benchmark resources. The Commission should clarify in its order in this proceeding whether a utility should disclose to the market additional information on benchmark resources.

6. 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.

7. PacifiCorp must modify the RFP to allow Qualifying Facilities larger than 10 MW to participate.

8. PacifiCorp must modify the RFP to remove from "Reasons for rejection of a Bidder or its bid" the following: "The transaction results in a third party owned asset being consolidated on PacifiCorp's balance sheet." The company may consider direct and indirect debt associated with bids on the final short-list, consistent with Guideline 9c.

9. PacifiCorp must modify Section 9.6 of the pro forma power purchase agreement to remove the requirement that the "Seller shall be the WREGIS Qualified Reporting Entity."

10. 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

[33] This is staff's preliminary list of recommended conditions, prior to receipt of the IE's assessment of Draft RFP design, review of parties' comments, and thorough review of the proposed method for final short-list evaluation.

feedback on the approach from potential bidders prior to implementation.

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

12. The Commission is neither approving the pro forma agreements included in the RFP in their entirety, nor endorsing any specific term therein.

13. Among the issues staff recommends the Oregon IE explore regarding Draft RFP design are the following:
    a. The company's proposed modeling, including but not limited to the ACC method and ensuring a fair comparison of resources and transaction types;
    b. Evaluation of bids with a positive (unfavorable) ACC value, including evaluation of alternative compliance costs for meeting renewable portfolio standards, potential REC revenues and portfolio risk mitigation;
    c. The pro forma contracts to ensure no build vs. buy bias or bias toward or against a particular type of transaction, resource or technology;
    d. Resource diversity on the initial and final short-lists with respect to resource type, resource duration, geographic diversity and transaction type;
    e. Specification of benchmark resources in the RFP process;
    f. Credit and security requirements;
    g. Eligibility and treatment of PPAs not backed by an asset;
    h. Whether bidders should be allowed to index a portion of capital costs as in the 2008 all source and 2012 base load RFPs;
    i. How to address Guideline 10d;
    j. Treatment of federal production tax credit risk;
    k. Treatment of change of law risk;
    l. Provisions in the pro forma PPA related to PacifiCorp's rights to purchase the facility at the end of the term or upon termination;
    m. Requirement that the bidder must demonstrate a contractual right or option to purchase major equipment (e.g., wind turbines) for the project that is bid;
    n. Use of a bidders fee and potential success fee for recovery of Oregon IE and Utah Independent Consultant costs;
    o. PacifiCorp's 2008 business plan portfolio to be used in modeling (i.e., departures from the company's 2007 IRP Action Plan as acknowledged by the Commission); and
    p. Overall fairness of the proposed process.

Dated at Salem, Oregon, this 12th day of June 2008

Lisa Schwartz
Senior Analyst
Electric and Natural Gas Division

UM-1368/PacifiCorp
May 19, 2008
OPUC Data Request 3

OPUC Data Request 3

Please refer to the following statement on page 6 of the draft RFP: "To the extent that Bidders bid in variations of a PPA or BOT, such proposal will be considered at the Company's discretion and the Company reserves the right to reject non-compliant bids." Explain how bidders may propose renewable resource projects other than wind, given the wind-specific nature of the Power Purchase Agreement and Build Own Transfer forms, the 6% weighting for "Conformity to RFP requirements," and the 6% weighting for "Conformity to pro forma PPA or BOT non-price factors."

Response to OPUC Data Request 3

The referenced statement on page 6 is intended to encourage bidders to submit proposals that include transactions that are structured in the manner set forth in the RFP for either power purchase agreement (PPA) or build own transfer (BOT) transactions. These transaction structures are not specific to a wind resource, but rather can be applied to any resource type. Examples of proposals that are non-conforming to the transaction structures set forth in the RFP are: proposals that consist solely of a site sale (and not a completed asset), proposals that require PacifiCorp to supply its own turbines, or proposals that require a joint venture, among others. The non-price factor "Conformity to RFP requirements" will be evaluated based on whether the transaction complies with the specific transaction structure detailed in the RFP. The non-price factor "Conformity to pro forma PPA or BOT" will be evaluated based on whether the bidder's proposal includes material changes to the commercial terms of the PPA or BOT pro forma documents. While the pro forma documents are wind-specific, the commercial terms of these documents are applicable to any resource type. Examples of these commercial terms are: credit, performance guarantees, and damages, among others. Those sections of the PPA and BOT pro forma documents are either not wind-specific or are easily applied to other resource types, thus making it possible for bidders to provide comments or proposed changes on those sections of the pro forma documents regardless of the resource type they are bidding. Those comments or proposed changes will then be the basis for the non-price factor scoring for "Conformity to pro forma PPA or BOT".

UM-1368/PacifiCorp
May 19, 2008
OPUC Data Request 10

OPUC Data Request 10

Please refer to page 26 of the draft RFP. Explain why the company plans to score the non-price factors using 100%, 50% or zero of the percentage weight.

Response to OPUC Data Request 10

The non-price factors are largely scored based on subjective evaluation of the content included in the bid proposals. The non-price factors cannot be scored using an objective numerical calculation and further interpolation like what is done with the price factors to arrive at an exact score between zero and 100%. Therefore, the Company will score non-price factors based on a scale of 100% (all requirements met), 50% (some requirements met) or zero (no requirements met).

UM-1368/PacifiCorp
May 19, 2008
OPUC Data Request 12

OPUC Data Request 12

Please refer to Section 4.5 of the Power Purchase Agreement. Explain why PacifiCorp proposes to require that the "Seller shall at its expense cause the Facility to maintain its registration in good standing with the Center for Resource Solution's Green-e program throughout the Term."

Response to OPUC Data Request 12

Green-e certification through the Center for Resource Solutions is the leading current label for voluntary green tags programs. Required registration with green-e is anticipated to potentially enable the output of the units to have access to this potentially more liquid market.

UM-1368/PacifiCorp
May 19, 2008
OPUC Data Request 13

OPUC Data Request 13

Please explain whether the company proposes to allow bidders to index a portion of their capital costs and, if not, why not. Include in your response a comparison of market conditions related to the three ongoing RFP processes.

Response to OPUC Data Request 13

The RFP does not allow bidders to index any portion of their capital costs. Indexing in previous RFPs was motivated by the reasonable belief of an equipment, labor, and associated services market that would remain in balance from a supply and demand perspective and would follow the chosen indices. The renewable resource market for equipment, labor, and services is not currently within balance on a supply and demand basis. As such, the Company has no reasonable expectation that one or more indices can be identified that would adequately track the market for such items.

UM-1368/PacifiCorp
June 6, 2008
OPUC Data Request 15

OPUC Data Request 15

Please refer to PacifiCorp's response to Staff Data Request No. 3. Explain how the company's response is consistent with the following requirement under Order No. 06-446 (at 7): "The final draft submitted to the Commission must also include standard form contracts. However, the utility must allow bidders to negotiate mutually agreeable final contract terms that are different from ones in the standard form contracts." Include in your response whether the company intends to give a lower score to proposals that vary from the PPA and BOT pro forma agreements simply due to the specific nature of a non-wind resource.

Response to OPUC Data Request 15

The Company will accept edits to the Power Purchase Agreement (PPA) and Build Own Transfer (BOT) pro forma documents. However, if the edits shift cost or risk to customers, the non-price factor score will be impacted. The Company does not intend to give a lower score to proposals that vary from the PPA or BOT pro forma agreements simply due to the specific nature of a non-wind resource.

UM-1368/PacifiCorp
June 6, 2008
OPUC Data Request 17

OPUC Data Request 17

Please provide a numerical example of the use of the Alternative Compliance Cost method in evaluating a bid or benchmark resource. Please follow the steps below, elaborating when necessary:

a. Begin with an assumed cost delta based on PaR model runs with and without uncommitted renewable resources.
b. Show how a bid/benchmark resource to be evaluated would be compared to this cost delta using an assumed bid cost. Describe how the company would build up the assumed bid cost – i.e., submitted bid price plus any additional costs assigned.
c. Describe how the evaluated bid/benchmark resource would be compared with other bid resources. Would the resources be ranked based on total costs or cost per MWh? Please explain.
d. List where and how costs or revenues such as transmission integration, wind integration and renewable energy credits would be included in the analysis.
e. List any major costs that would not be considered in the analysis and explain why.

Response to OPUC Data Request 17

The Company and Boston Pacific, the Independent Evaluator (IE) appointed under RFP2008R-1, are currently in the process of completing mock bids which will provide OPUC staff the answers to the questions above once they are completed. At this point in time, a numerical example has not yet been produced; however, Boston Pacific and OPUC staff will have access to the model shortly. The Company is waiting for Boston Pacific to provide sample inputs through the Form 1 which will be used to complete the mock bids and then will be available on a highly confidential basis to OPUC staff.

a. The PaR model run results are considered to be commercially sensitive and thus Highly Confidential, and the Company requests special handling arrangements. Please contact Joelle Steward at 503-813-5542 to discuss arrangements for review.

b. The Company is awaiting examples for both Power Purchase Agreement (PPA) bid and Build Own Transfer (BOT) proposals to be submitted by the Independent Evaluator. The mock bid process will provide this information to the OPUC staff and the IE.

c. Each bid or benchmark resource will be compared to the others on the basis of the resource specific next highest alternative cost for compliance (ACC). This ranking, which is represented on a levelized dollar/MWh basis, will show either a negative ACC or a positive ACC. If the ACC is negative, then the bid compares favorably to PaR results. If the ACC is positive, then the bid may be considered in the context of expected Renewable Portfolio Standard compliance and/or the long-term value to customers from RECs and/or portfolio risk mitigation.

d. The full details of costs and revenues are included in the model available to the IE. These costs may include capital costs, O & M costs, transmission costs, and integration costs, among others. Revenue items may include the value of energy provided under PaR model runs, tax credits, or other benefits, if applicable. Renewable Energy Credits are not considered a revenue under the ACC methodology.

e. No material generation resource-related costs will be excluded from the analysis. Interconnection costs (associated with the non-discriminatory application of FERC regulated transmission tariffs) that are not considered by PacifiCorp's transmission function to be network upgrade costs will be considered resource-related costs.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 18

OPUC Data Request 18

Please explain whether PacifiCorp will accept bids offering a sale of an existing renewable resource facility that otherwise complies with the RFP requirements and, if not, why not. If the answer is yes, explain whether PacifiCorp intends to include in the final RFP it issues to the market a pro forma agreement for purchase of an existing facility and whether the company intends to make the form agreement available for review by staff, parties and the Oregon Independent Evaluator (IE) in advance of the filing date for the IE assessment of RFP design.

Response to OPUC Data Request 18

PacifiCorp will accept a bid offering a sale of an existing renewable resource facility that otherwise complies with the RFP requirements. The Company does not plan to provide a pro forma agreement because the assets will be subject to due diligence and, depending on the assets being offered, the agreement may take many different forms so the use of a pro forma agreement is not practical in this situation.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 19

OPUC Data Request 19

Please explain why the renewable resource acquisition schedule on page 5 of the RFP differs from the renewable resource acquisition schedule for the preferred portfolio in Table 7.32 of PacifiCorp's 2007 IRP (page 184) — specifically the amount of renewable resources the company plans to acquire in 2008.

Response to OPUC Data Request 19

The table in the RFP reflects an updated wind resource acquisition schedule. The main purpose of the IRP is to serve as a strategic roadmap to assist the Company in determining and implementing the Company's long-term resource strategy. As such, the resource acquisition schedule in the IRP is not intended to remain fixed.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 23

OPUC Data Request 23

Please explain whether PacifiCorp anticipates selling any of the Renewable Energy Certificates from the resources acquired through RFP 2008-1. If the answer is yes, explain why and describe how this revenue stream will be accounted for in the evaluation of bids and benchmark resources.

Response to OPUC Data Request 23

Yes, the Company may sell the Renewable Energy Certificates in line with the jurisdictional risk tolerance of its states. The ACC evaluation will capture the avoided compliance cost for the bids and benchmarks.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 25

OPUC Data Request 25

Please refer to PacifiCorp's response to Staff Data Request No. 13. Explain the company's determination that bid indexing for capital costs is not needed for a successful solicitation process for renewable resources given the following statement by the company: "The market for renewable resource equipment, labor and services is not currently within balance on a supply and demand basis." Also explain why the company made a different determination on indexing for its thermal resource solicitations (2012 base load and 2008 all-source RFPs) given escalating equipment, labor and services costs for thermal resource construction.

Response to OPUC Data Request 25

Indexing is not appropriate because there can be no reasonable expectation that the equipment, labor, and associated services market will remain in balance from a supply and demand perspective and would reasonably follow any known index. The Company originally did not allow indexing in the 2012 baseload RFPs and was ordered to allow 40% of the costs to be indexed. The rational for indexing was the long lead time of the resource, the high demands for the equipment, the volatility of the pricing of EPC contracts and the fact that firm pricing was not available for the large equipment parts. Indexing for thermal resource solicitations was appropriate because, at the time, it could be reasonably expected that equipment, labor, and the associated services market would remain in balance from a supply and demand perspective and would reasonably follow a specified index.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 26

OPUC Data Request 26

If in the final RFP PacifiCorp issues to the market there is no additional information provided on the benchmark resource(s) beyond what is included in Appendix I in the Draft RFP, please explain whether, prior to the bid due date, the company plans to notify the market about the following items and, if not, why not:

a. Size of benchmark resource(s)
b. Site-specific location of benchmark resource(s)
c. Turbine size for benchmark resource(s)
d. Turbine manufacturer for benchmark resource(s)
e. Transmission arrangements for benchmark resource(s)

Response to OPUC Data Request 26

The Company plans to notify the market, if a benchmark is provided, as to the site specific location of the benchmark resource.

The Company does not plan on notifying the market regarding a, c, d, or e. The Company does not believe that this information is required to be provided to the market in order for bidders to submit proposals under RFP 2008R-1.

UM-1368/PacifiCorp
June 11, 2008
OPUC Data Request 28

OPUC Data Request 28

Please report on progress toward meeting agreed-upon condition no. 11 for RFP approval in Docket UM 1360: "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." Include in your response how the company plans to address this issue in the current docket (UM 1368).

Response to OPUC Data Request 28

With respect to Docket UM 1360, PacifiCorp has determined that the use of a capped success fee at this time is not likely because a capped success fee was not proposed as part of the RFP approval during the Utah proceeding in Docket No. 07-035-94. R746-420-5(1)(d) of the Public Service Commission of Utah's administrative rules applicable to competitive solicitation provides: "[u]nless the Commission directs otherwise in connection with a Solicitation, the expenses of the Independent Evaluator shall be reimbursed as follows: (i) the Soliciting Utility is authorized to collect bid fees that are reasonable under the circumstances of up to $10,000 per bid to defray costs of the Independent Evaluator." Because this issue was not proposed as part of the Utah proceeding, and the Utah Commission has issued its order on RFP approval, the Utah Commission has not had the opportunity to consider and rule on this issue. As a result, PacifiCorp is not proposing to implement a capped success fee proposal as part of Docket UM 1360.

Notwithstanding this approach for Docket UM 1360, PacifiCorp will schedule a meeting with Staff and the IE to discuss use of a capped success fee in the current Docket UM 1368.

It became apparent in the Public Meeting that bidders intend to increase their bids to cover the cost of any success fee. This approach would raise inter-jurisdictional allocation issues in that Oregon customers are presently responsible for cost recovery of Oregon IE fees. If the fees are instead embedded in the cost of the project and the costs of the project are allocated system-wide, the use of a success fee may result in unfair cost shifts from Oregon customers to other states.

UM-1368/PacifiCorp
June 10, 2008
OPUC Data Request 34

OPUC Data Request 34

Using PacifiCorp's most recent load forecast, please provide an up-to-date analysis of the Company's projected renewable resource requirements for each state, by year through 2015, under renewable portfolio standards enacted by Oregon (with RECs issued on or after January 1, 2007, qualifying for banking), Washington, California and Utah.

Response to OPUC Data Request 34

Please refer to Attachment OPUC 34 for the projected renewable resource requirements for California, Oregon, Washington and Utah, using the Company's actual loads from calendar year 2007 and the most recent load forecast (October 2007) for years 2008 and beyond. The attachment provides estimates for years 2007 through 2025.

California and PacifiCorp Total System Retail MWH Sales Projections(1), (2)

year	Projected California Retail MWH Sales	Assumed California RPS % Targets(5)	Estimated California Required Renewable MWH	Projected Total System Retail MWH Sales	Projected California Energy Consumption Allocation Share
2007	**884,865**	**17%**	**150,427**	**51,980,340**	**1.8409%**
2008	852,665	18%	153,480	53,599,783	1.6639%
2009	856,885	19%	162,808	55,300,432	1.6372%
2010	863,827	20%	172,765	57,239,924	1.6171%
2011	**870,249**	**20%**	**174,050**	**58,774,217**	**1.5988%**
2012	876,857	20%	175,371	60,031,769	1.5630%
2013	884,326	20%	176,865	61,203,595	1.5561%
2014	892,873	20%	178,575	62,312,823	1.5415%
2015	**903,501**	**20%**	**180,700**	**63,458,246**	**1.5329%**
2016	913,998	20%	182,800	64,852,909	1.5283%
2017	925,102	20%	185,020	66,343,353	1.5191%
2018	935,042	20%	187,008	67,777,100	1.5278%
2019	944,461	20%	188,892	69,277,100	1.5250%
2020	**955,314**	**33%**	**315,254**	**70,908,289**	**1.5112%**
2021	966,146	33%	318,828	72,347,248	1.5184%
2022	977,417	33%	322,548	73,670,637	1.5237%
2023	991,122	33%	327,070	75,130,263	1.5063%
2024	993,254	33%	327,774	76,647,510	1.4859%
2025	**1,020,413**	**33%**	**336,736**	**77,898,856**	**1.5060%**

Projected Total Company Installed MWCapacity Including Capacity Value of Power Purchases(4)	17,158
% of 2025 Co. Capacity that Must be Renewable In Order To Meet 33% of California Load RPS Standard	49%

(1) 2007: Actual, based on 12 month period ending December 31, 2007
(2) 2008 - 2025: Load forecast, October 2007

(3) Consists geothermal resources:
Blundell (COD 1984): 26 MW
Blundell Unit 2 (COD 2007): 11 MW

(4) Based on 2007 IRP data (assumes 12% planning margin)

2016 existing resources	10,598 MW
2025 cumulative system additions	6560 MW
Total capacity with 15% wind credit	17,158 MW

(5) Assumes California Target incrases to 33% by 2020

(6) Assumes 299 MW of small hydro electric facilities (<30 MW) with a capacity factor for those facilities of 36% (calendar year 2007)

PacifiCorp System-level RPS-Eligible Renewable Resource Amounts and Additions Required to Meet California Proposed RPS Standards in 2007, 2011, 2015, 2020, & 2025

	Total Company New Renewable MW	California's Allocated Share Renewables MW	Assumed Capacity Factor	Total Company Annual Renewables MWH Production (Avg Hrs / Yr 8766)	California's Share Renewables MWH
CA 2007 Allocation Share	1.8409%				
Assumed On-Line Geothermal Resource Capacity(3)	37	1	85%	275,691	5,075
Assumed On-Line Small Hydro Resource Capacity	299	6	36%	943,572	17,370
Required On-line Wind to Meet CA 17% 2007 Reqt	2,644	49	30%	6,952,296	127,982
Total Company & California's Share 2007	2,980	55		8,171,559	150,427
CA 2011 Allocation Share	1.5988%				
Assumed On-Line Geothermal Resource Capacity(3)	37	1	85%	275,691	4,408
Assumed On-Line Small Hydro Resource Capacity(6)	299	5	36%	943,572	15,086
Required On-line Wind to Meet CA 20% 2011 Reqt	3,676	59	30%	9,666,873	154,556
Total Company & California's Share 2011	4,012	64		10,886,136	174,050
CA 2015 Allocation Share	1.5329%				
Assumed On-Line Geothermal Resource Capacity(3)	37	1	85%	275,691	4,226
Assumed On-Line Small Hydro Resource Capacity(6)	299	5	36%	943,572	14,464
Required On-line Wind to Meet CA 20% 2015 Reqt	4,019	62	30%	10,568,850	162,010
Total Company & California's Share 2015	4,355	67		11,788,113	180,700
CA 2020 Allocation Share	1.5112%				
Assumed On-Line Geothermal Resource Capacity(3)	37	1	85%	275,691	4,166
Assumed On-Line Small Hydro Resource Capacity(6)	299	5	36%	943,572	14,260
Required On-line Wind to Meet CA 33% 2020 Reqt	7,469	113	30%	19,641,463	296,828
Total Company & California's Share 2020	7,805	118		20,860,726	315,254
CA 2025 Allocation Share	1.5060%				
Assumed On-Line Geothermal Resource Capacity(3)	37	1	85%	275,691	4,152
Assumed On-Line Small Hydro Resource Capacity(6)	299	5	36%	943,572	14,211
Required On-line Wind to Meet CA 33% 2025 Reqt	8,039	121	30%	21,139,888	318,374
Total Company & California's Share 2025	8,375	126		22,359,151	336,736

Update: April 17, 2008

Oregon and PacifiCorp Total System Retail MWH Sales Projections(1), (2)

year	Projected Oregon Retail MWH Sales	Assumed Oregon RPS % Targets	Estimated Oregon Required Renewable MWH	Projected Total System Retail MWH Sales	Projected Oregon Energy Consumption Allocation Share
2007	14,077,356	0%	-	51,980,340	27.4404%
2008	14,119,401	0%	-	53,599,783	26.9377%
2009	14,154,906	0%	-	55,300,432	26.4114%
2010	14,114,863	0%	-	57,239,924	25.8320%
2011	**14,100,118**	**5%**	**705,006**	**58,774,217**	**25.4985%**
2012	14,082,813	5%	704,141	60,031,769	24.7647%
2013	14,069,672	5%	703,484	61,203,595	24.4673%
2014	14,053,982	5%	702,699	62,312,823	24.1288%
2015	**14,037,974**	**15%**	**2,105,696**	**63,458,246**	**23.6979%**
2016	14,017,485	15%	2,102,623	64,852,909	23.3762%
2017	14,004,483	15%	2,100,672	66,343,353	23.3506%
2018	14,039,917	15%	2,105,988	67,777,100	23.2070%
2019	14,069,614	15%	2,110,442	69,277,100	23.0288%
2020	**14,132,775**	**20%**	**2,826,555**	**70,908,289**	**22.6123%**
2021	14,207,855	20%	2,841,571	72,347,248	22.5972%
2022	14,280,614	20%	2,856,123	73,670,637	22.6074%
2023	14,393,946	20%	2,878,789	75,130,263	22.4239%
2024	14,514,603	20%	2,902,921	76,647,510	21.9054%
2025	**14,649,657**	**25%**	**3,662,414**	**77,898,856**	**21.9471%**

Projected Total Company Installed MWCapacity Including Capacity Value of Power Purchases(4)	17,158
% of 2025 Co. Capacity that Must be Renewable In Order To Meet 25% of Oregon Load RPS Standard	37%

(1) 2007: Actual, based on 12 month period ending December 31, 2007
(2) 2008 - 2025: Load forecast, October 2007

(3) Consists of geothermal resources:
Blundell Unit 2 (COD 2007): 11 MW

(4) Based on 2007 IRP data (assumes 12% planning margin)

2016 existing resources	10,598 MW
2025 cumulative system additions	6560 MW
Total capacity with 15% wind credit	17,158 MW

PacifiCorp System-level RPS-Eligible Renewable Resource Amounts and Additions Required to Meet Oregon Proposed RPS Standards in 2011, 2015, 2020, & 2025

	Total Company New Renewable MW	Oregon's Allocated Share Renewables MW	Assumed Capacity Factor	Total Company Annual Renewables MWH Production (Avg Hrs / Yr)	Oregon's Share Renewables MWH (8766)
OR 2011 Allocation Share	25.4985%				
Assumed On-Line Geothermal Resource Capacity(3)	11	3	85%	81,962	20,899
Required On-line Wind to Meet OR 5% 2011 Reqt	1,020	260	30%	2,682,928	684,107
Total Company & Oregon's Share 2011	1,031	263		2,764,890	705,006
OR 2015 Allocation Share	23.6979%				
Assumed On-Line Geothermal Resource Capacity(3)	11	3	85%	81,962	19,423
Required On-line Wind to Meet OR 15% 2015 Reqt	3,348	793	30%	8,803,628	2,086,273
Total Company & Oregon's Share 2015	3,359	796		8,885,590	2,105,696
OR 2020 Allocation Share	22.6123%				
Assumed On-Line Geothermal Resource Capacity(3)	11	2	85%	81,962	18,533
Required On-line Wind to Meet OR 20% 2020 Reqt	4,722	1,068	30%	12,418,129	2,808,021
Total Company & Oregon's Share 2020	4,733	1,070		12,500,091	2,826,555
OR 2025 Allocation Share	21.9471%				
Assumed On-Line Geothermal Resource Capacity(3)	11	2	85%	81,962	17,988
Required On-line Wind to Meet OR 25% 2025 Reqt	6,314	1,386	30%	16,605,508	3,644,426
Total Company & Oregon's Share 2025	6,325	1,388		16,687,470	3,662,414

Appendix 16/18

Washington and PacifiCorp Total System Retail MWH Sales Projections(1), (2)

year	Projected Washington Retail MWH Sales	Assumed Washington RPS % Targets(5)	Estimated Washington Required Renewable MWH	Projected Total System Retail MWH Sales	Projected Washington Energy Consumption Allocation Share(6)
2007	4,078,370	0%	-	51,980,340	7.8339%
2008	4,128,754	0%	-	53,599,783	7.9325%
2009	4,144,071	0%	-	55,300,432	7.7634%
2010	4,168,016	0%	-	57,239,924	7.6387%
2011	4,196,540	3%	125,896	58,774,217	7.6045%
2012	**4,220,014**	**3%**	**126,600**	**60,031,769**	**7.4626%**
2013	4,240,348	3%	127,210	61,203,595	7.3623%
2014	4,277,007	3%	128,310	62,312,823	7.3051%
2015	**4,324,229**	**9%**	**389,181**	**63,458,246**	**7.2757%**
2016	4,347,854	9%	391,307	64,852,909	7.2091%
2017	4,369,328	9%	393,240	66,343,353	7.1638%
2018	4,402,078	9%	396,187	67,777,100	7.1664%
2019	4,430,050	15%	664,507	69,277,100	7.1448%
2020	**4,482,605**	**15%**	**672,391**	**70,908,289**	**7.1072%**
2021	4,531,995	15%	679,799	72,347,248	7.1348%
2022	4,582,512	15%	687,377	73,670,637	7.1295%
2023	4,646,361	15%	696,954	75,130,263	7.1290%
2024	4,705,747	15%	705,862	76,647,510	6.9822%
2025	**4,770,461**	**15%**	**715,569**	**77,898,856**	**7.1257%**

Projected Total Company Installed MWCapacity Including Capacity Value of Power Purchases(4)	17,158
% of 2025 Co. Capacity that Must be Renewable In Order To Meet 15% of Washington Load RPS Standard	22%

(1) 2007: Actual, based on 12 month period ending December 31, 2007
(2) 2008 - 2025: Load forecast, October 2007

(3) Assumes no qualifying geothermal resources located in the Pacific Northwest.

(4) Based on 2007 IRP data (assumes 12% planning margin)

2016 existing resources	10,598 MW
2025 cumulative system additions	6560 MW
Total capacity with 15% wind credit	17,158 MW

(5) Based on interpretation of compliance rulemaking, UE-06-1895.

(5) Allocation factor based on Revised Protocol.

PacifiCorp System-level RPS-Eligible Renewable Resource Amounts and Additions Required to Meet Washington Proposed RPS Standards in 2012, 2015, 2020, & 2025

	Total Company New Renewable MW	Washington's Allocated Share Renewables MW	Assumed Capacity Factor	Total Company Annual Renewables MWH Production (Avg Hrs / Yr)	Washington's Share Renewables MWH (8766)
WA 2012 Allocation Share	7.4626%				
Assumed On-Line Geothermal Resource Capacity(3)	-	-	85%	-	-
Required On-line Wind to Meet WA 3% 2012 Reqt	645	48	30%	1,696,460	126,600
Total Company & Washington's Share 2012	645	48		1,696,460	126,600
WA 2015 Allocation Share	7.2757%				
Assumed On-Line Geothermal Resource Capacity(3)	-	-	85%	-	-
Required On-line Wind to Meet WA 9% 2015 Reqt	2,034	148	30%	5,349,016	389,181
Total Company & Washington's Share 2015	2,034	148		5,349,016	389,181
WA 2020 Allocation Share	7.1072%				
Assumed On-Line Geothermal Resource Capacity(3)	-	-	85%	-	-
Required On-line Wind to Meet WA 15% 2020 Reqt	3,598	256	30%	9,460,734	672,391
Total Company & Washington's Share 2020	3,598	256		9,460,734	672,391
WA 2025 Allocation Share	7.1257%				
Assumed On-Line Geothermal Resource Capacity(3)	-	-	85%	-	-
Required On-line Wind to Meet WA 15% 2025 Reqt	3,819	272	30%	10,042,071	715,569
Total Company & Washington's Share 2025	3,819	272		10,042,071	715,569

Updated as of April 16, 2008

Utah and PacifiCorp Total System Retail MWH Sales Projections(1), (2)

year	Projected Utah Retail MWH Sales	Assumed Utah RPS % Targets	Estimated Utah Required Renewable MWH(5)	Projected Total System Retail MWH Sales	Projected Utah Energy Consumption Allocation Share
2007	22,352,159	0%	-	51,980,340	41.6706%
2008	22,648,466	0%	-	53,599,783	42.4346%
2009	23,235,671	0%	-	55,300,432	42.2865%
2010	23,655,214	0%	-	57,239,924	42.4737%
2011	24,176,698	0%	-	58,774,217	42.6944%
2012	**24,764,205**	**0%**	**-**	**60,031,769**	**43.2948%**
2013	25,301,811	0%	-	61,203,595	43.0227%
2014	25,841,248	0%	-	62,312,823	43.2391%
2015	**26,335,019**	**0%**	**-**	**63,458,246**	**43.6109%**
2016	26,982,405	0%	-	64,852,909	44.1965%
2017	27,519,827	0%	-	66,343,353	44.4438%
2018	28,125,925	0%	-	67,777,100	45.3687%
2019	28,657,312	0%	-	69,277,100	45.7959%
2020	**29,410,548**	**0%**	**-**	**70,908,289**	**46.7428%**
2021	30,093,015	0%	-	72,347,248	46.9020%
2022	30,727,958	0%	-	73,670,637	47.1785%
2023	31,596,933	0%	-	75,130,263	47.7192%
2024	32,450,844	0%	-	76,647,510	48.7102%
2025	**33,317,624**	**20%**	**5,686,684**	**77,898,856**	**48.7446%**

Projected Total Company Installed MWCapacity Including Capacity Value of Power Purchases(4)	17,158
% of 2025 Co. Capacity that Must be Renewable In Order To Meet 20% of Utah Load RPS Standard	**25%**

PacifiCorp System-level RPS-Eligible Renewable Resource Amounts and Additions Required to Meet Utah Proposed RPS Standards in 2012, 2015, 2020, & 2025

	Total Company New Renewable MW	Utah's Allocated Share Renewables MW	Assumed Capacity Factor	Total Company Annual Renewables MWH Production	Utah's Share Renewables MWH
				Avg Hrs / Yr	8766
UT 2025 Allocation Share	48.7446%				
Assumed On-Line Geothermal Resource Capacity(3)	**37**	**18**	**85%**	**275,691**	**134,384**
Assumed On-Line Utah Hydro Electric Resource Capacity(6)	**58**	**28**	**27%**	**137,276**	**66,914**
Required On-line Wind to Meet UT 20% 2025 Reqt	**4,279**	**2,086**	**30%**	**11,253,326**	**5,485,385**
Total Company & Utah's Share 2025	**4,374**	**2,132**		**11,666,293**	**5,686,684**

(1) 2007: Actual, based on 12 month period ending December 31, 2007
(2) 2008 - 2025: Load forecast, October 2007

(3) Consists geothermal resources:
Blundell (COD 1984): 26 MW
Blundell Unit 2 (COD 2007): 11 MW

(4) Based on 2007 IRP data (assumes 12% planning margin)
2016 existing resources 10,598 MW
2025 cumulative system additions 6560 MW
Total capacity with 15% wind credit 17,158 MW

(5) Assumes annual MWh savings in Utah attributed to DSM in 2022 2,294,538

(6) Assumes 58 MW of hydro electric facilities in Utah with a capacity factor of 27% (calendar year 2007)

Updated as of April 16, 2008

CERTIFICATE OF SERVICE

UM 1368

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

Dated at Salem, Oregon, this 12th day of June, 2008.

Kay Barnes

Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

UM 1368
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UM 1368
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