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GENERAL COUNSEL DIVISION

November 17, 2009

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NOV 18 2009

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

Public Utility Commission of Oregon
Administrative Hearing Division

Re: UM 1429 – OIE Final Closing Report on PacifiCorp's 2009R Renewables RFP

Dear Judge Hardie:

On Monday, November 16, 2009, we filed two documents entitled "The Oregon Independent Evaluator's Final Closing Report on PacifiCorp's 2009R Renewables RFP" that staff submitted in PUC Docket UM 1429 on behalf of one of the Oregon Independent Evaluators, Boston Pacific. One document was a redacted version of the report, but the header of the document stated "Non-Public Information Subject to Special Protective Order." We are now filing an amended version of that document with the header redacted.

Sincerely,

Neoma Lane
Legal Secretary
Regulated Utility & Business Section

NAL:nal/#1723357-v2

Enclosures

C: All parties by email only w/non-confidential enclosure

DOCKETED

1 **CERTIFICATE OF SERVICE**

2 I certify that on November 17, 2009 I served the foregoing Letter and Amended OIE

3 Non-confidential Report upon the parties in this proceeding by electronic mail only.

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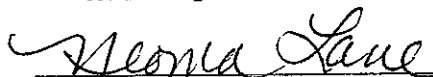
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Re: UM 1429 - OIE Final Closing Report on PacifiCorp's 2009R Renewables RFP

Dear Judge Hardie:

Enclosed with this letter are two documents entitled "The Oregon Independent Evaluator's Final Closing Report on PacifiCorp's 2009R Renewables RFP" that staff is submitting in PUC Docket UM 1429 on behalf of one of the Oregon Independent Evaluators, Boston Pacific.

One is a redacted version that does not include the confidential attachments, the other is a document that contains highly-confidential Non-Public Information that should only be disclosed and distributed in accordance with your Special Protective Order (Order No. 09-413). I am submitting this highly-confidential Non-Public Information Final Report in the manner specified by the Special Protective Order (i.e. on green paper that is placed within a sealed, marked, envelope).

Please note that I am not serving the Non-Public Information on any UM 1429 party. Any party desiring to view this highly-confidential information must first comply with the Special Protective Order's requirements and then submit a request for copies of such information directly to the Public Utility Commission's Administrative Proceedings Division.

Sincerely,

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

MTW:nal/#1723357-v1

Enclosures

C: All parties by email only w/non-confidential enclosure

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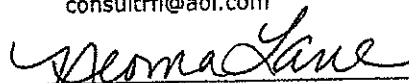
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**THE OREGON INDEPENDENT EVALUATOR'S FINAL
CLOSING REPORT
ON PACIFICORP'S 2009R RENEWABLES RFP**

RECEIVED

NOV 18 2009

PRESENTED TO

**Public Utility Commission of Oregon
Administrative Hearing Division**

THE OREGON PUBLIC UTILITY COMMISSION

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November 5, 2009



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[REDACTED]

I. INTRODUCTION AND SUMMARY

A. INTRODUCTION

This is Boston Pacific Company's Final Closing Report on PacifiCorp's 2009R RFP. Boston Pacific serves as the Oregon Independent Evaluator (the "IE"). We have previously filed comments on the proposed RFP design.

The primary purpose of this report is to provide to the Oregon Public Utility Commission (the "Commission") the Oregon IE's recommendation on acknowledgement of PacifiCorp's (the "Company's") selection of a final shortlist. This report is also intended to provide the Commission with a record of the 2009R RFP process.

B. SUMMARY

Boston Pacific, as the Oregon IE, recommends that the Commission acknowledge the final shortlist as presented.

Final Shortlist

Based on their calculation of Alternative Cost of Compliance (ACC) values, the Company has selected [REDACTED] projects for the final shortlist. Because their ACC scores were clearly superior to other projects, the first [REDACTED] projects will be targeted for acquisition, they are:

[REDACTED]
[REDACTED]
[REDACTED]



- (ii) The bids represent the top options from a competitive process. The RFP received bids from ■ suppliers offering a total of ■ projects. Some of these projects offered multiple options. In total there were ■ bid options presented. This represents a total of over ■ MW offered, or about ■ times PacifiCorp's advertised need.

- (iii) Boston Pacific's independent analysis confirmed that the selected bids represented the lowest cost alternatives for ratepayers, with an accounting for risk. Our independent analysis included the creation of our own cost annuity models for each bid option, a review of PacifiCorp's models, and a thorough review of the terms and conditions of each bid.

- (iv) The RFP aligns with the Company's Integrated Resource Planning (IRP) process. The initial and final shortlist analyses used current assumptions from the IRP. In addition, the ACC analysis uses a model from the Company's IRP process to calculate the benefit of renewable resources.

- (v) ■ has been selected to the final shortlist and we took special care to confirm that selection. We confirmed the accuracy of the ■ costs and scoring and provided the Commission with a complete review of all costs of the project prior to bid receipt. We also confirmed the ■ status by; (a) reviewing the project's initial and final shortlist scores and models, (b) independently scoring the project's non-price characteristics, (c) comparing the cost and output of the project to recent ■ bids, and (d) evaluating the bid costs in our own cost model. In addition, we note that ■ capital costs are under fixed price or not-to-exceed contracts and the wind output projections were reviewed by an independent, third-party consultant.

- [REDACTED]
- (vi) While there are [REDACTED] targeted for acquisition the shortlist also includes [REDACTED] "backup bids" which provide some assurance that, should negotiations fall through with [REDACTED], the RFP may still result in a winner [REDACTED].

Additionally, we base our recommendation on our participation in the entire RFP process from design, through bid receipt and analysis, to selection of the final shortlist. During that time we:

- (a) Reviewed and commented on drafts of the RFP;
- (b) Attended the pre-bid conference;
- (c) Answered bidder questions and responded to bidder concerns;
- (d) Confirmed the assumptions used in the analyses;
- (e) Supervised the receipt and opening of bids in person;
- (f) Confirmed the initial qualification of bidders and the confirmation of proposal details;
- (g) Provided input with respect to bidder disqualifications;
- (h) Reviewed the price and non-price scores and models for the Company's initial shortlist process and confirmed the Company's selection of an initial shortlist.
- (i) Reviewed the ACC scores and models for the selection of the final shortlist and confirmed the Company's selection of the final shortlist.

Throughout this time we were in constant contact with the Company and had multiple discussions on many issues, from bid qualification to the determination of initial and final shortlists. All of this work has led to what we believe was a fair and transparent process which complies with Commission guidelines and will, we hope, lead to the supply of new renewable resources for the ratepayers of Oregon.

[REDACTED]

Additional Recommendations

To ensure the full benefits of the chosen projects reach ratepayers we have two additional recommendations going forward, assuming that the top [REDACTED] projects are able to be constructed as a result of this RFP process. To frame these recommendations it is important to understand that [REDACTED] projects derive a great deal of their value from [REDACTED]. These factors in combination result in a [REDACTED] dollar-per-megawatt hour cost to ratepayers.

First, because [REDACTED]

[REDACTED] As mentioned above, [REDACTED] costs were under fixed or not-to-exceed contracts and we identified each of these costs in our [REDACTED] analysis memo. [REDACTED]

Second, to ensure that both projects achieve their projected output levels we would recommend that [REDACTED]

[REDACTED] This could be incorporated as part of the Company's annual Transition Adjustment Mechanism (TAM) process. For recent and commercially acceptable guidelines regarding availability levels, definitions of availability and penalties the Commission could use the contract that PacifiCorp recently signed with Duke as a result of the recently-completed 2008R-1 Renewables RFP (the R-1 RFP).

In addition to these findings we make two recommendations with regard to the overall RFP process. These are, (a) changing the Notice of Intent to Bid (NOITB) process to a voluntary procedure for these renewable "shelf" RFPs in order to prevent the disqualification of bids, and (b) a more clear definition in future RFPs of what is required

[REDACTED]

to prove the availability of firm transmission capacity from third-party transmission providers.

II. RFP DESIGN AND ISSUANCE

PacifiCorp filed its request to open this docket in April of this year.¹ In that filing the Company also requested the appointment of Boston Pacific as the IE. Boston Pacific was selected as the IE on May 19th. PacifiCorp filed its draft RFP in June.² The RFP sought to acquire up to 600 MW of system-wide renewable resources (less quantities purchased in the R-1 RFP). Resources had to be able to deliver to PacifiCorp's system and be on-line by December 31, 2012.

The design process for this RFP was much simpler than last year's 2008R-1 RFP because the 2009R RFP used the R-1 as a template; the Company made only minor changes to that RFP and supporting documents. The primary changes made were: (a) a later requested commercial on-line date (December 2012 versus December 2011) and (b) the inclusion of a Company Benchmark resource (the Dunlap Wind Energy project). The proposed RFP was approved by the Commission on July 7th with conditions. The most important condition, in our opinion, was the requirement that PacifiCorp conclude the 2008R-1 RFP (by either rejecting or signing contracts with shortlisted bidders) prior to bid receipt in this RFP. Ultimately, PacifiCorp did sign a contract with one shortlisted bidder (Duke Energy) in the R-1 RFP. With this signing, the Company's need for future renewable resources decreased to 400 MW.

¹ Pacific Power, Application to Open Docket, April 28, 2009, Oregon Public Utility Commission Docket UM-1429

² Pacific Power, Draft Request for Proposal for New Renewable Resources, June 5, 2009, Oregon Public Utility Commission Docket UM-1429.

III. BID RECEIPT AND BIDDER QUALIFICATION

The RFP was issued to the market on July 8th and bids were due on September 10th. As noted, PacifiCorp was required to complete the 2008R-1 RFP prior to bid receipt. PacifiCorp successfully accomplished this on August 26th by signing a contract with Duke Energy for output from its Top of the World Wind Energy farm.³

We paid special attention to the Company Benchmark submission because of affiliate concerns. By Commission rule, we were required to review the Company's Benchmark bid prior to opening third-party bids. We analyzed the Benchmark by: (a) reviewing the bid proposal, (b) reviewing the detailed, line-by-line cost buildup for the project, (c) reviewing the Company's price and non-price scores for the bid, (d) evaluating the bid with our own cost model, (e) scoring the bid on non-price aspects, and (f) comparing the capital cost and output projections to bids in the 2008R-1 RFP.

We ultimately found that the Benchmark included all capital costs and that its capital costs were not lowballed. We found that its capital costs were within the range of recent third-party bids and that its capacity factor, while high, was comparable to similar third-party bids in the project's vicinity. We submitted our findings in a memo to the Commission on September 11th. It is included as Attachment 1.

We also, by rule, had to evaluate the unique risks associated with the Benchmark. To us, the chief risk was that the bid would be built on a cost-of-service basis and, as such, the bid's cost numbers would simply be estimates. In this case, the risk was largely minimized because 95% of the costs of the project were either (a) spent, (b) under fixed contract or (c) under not-to-exceed contracts. For scoring purposes, remaining estimated costs were "risk adjusted" by RFP rule, but the effect was minimal. As noted above, we would recommend that the Commission would hold the Company to its statements regarding fixed or capped costs in any rate proceeding going forward.

³ For more details about the negotiation process, please see our Report on the Negotiation Phase of the 2008R-1 RFP, submitted on September 10, 2009 in Oregon PUC Docket no. UM-1368.

[REDACTED]

In addition, [REDACTED] was initially removed for failure to meet the minimum size threshold. However, we granted the bid an exception due to a requirement in Washington State that all Qualifying Facilities (QF) must compete in an RFP process. Small resources located in other states (such as the [REDACTED] [REDACTED] bids mentioned above) could proceed directly to negotiating with the Company to sell as a QF without an RFP. Had we not allowed this, the Company could not have been able to enter into negotiations with the [REDACTED]. The Company consulted Boston Pacific on this decision as well as the decision to remove each of these bidders and bid options listed above we agreed with the decisions made.

We did gain two insights from the process which we feel should inform the next process. First the NOITB process is, in our minds, an unnecessary barrier to competition at this point for these "shelf" renewable RFPs (i.e. renewable RFPs based on the 2008R-1 RFP design that are meant to be quickly issued to market). The process originally served a purpose by allowing the Company to adequately prepare for evaluations and alert it to potential low turnouts. At this point, the process does not add much value since, generally speaking, the Company already knows the rough size of the response it will receive. In addition, the mandatory nature of the NOITB requires that we disqualify bidders who fail to honor the process, were we to do otherwise it would not be fair to bidders who do submit their documents on time. This time there were quality bids removed by this process; for example, [REDACTED] was a final shortlist project in the R-1. To prevent this from happening again, we would recommend that the NOITB process be made voluntary for these renewable RFPs, but, all bidders should be encouraged to submit NOITBs with the reminder that failure to do so may result in a delay in analyzing the bid results and, ultimately, making a deal. If the Company should go for a long period (e.g. 2 years or more) between these RFPs we could consider re-instituting the NOITB process since the time lapse may have allowed for some larger shifts in the market.

[REDACTED]

Second, there was some confusion over the requirement in the RFP for a bidder located outside PacifiCorp's service territory to demonstrate available firm transmission from third-party suppliers to PacifiCorp's territory. For some bids the demonstration was simply providing current Firm Available Transmission Capacity (ATC) numbers from the OASIS system. However, other bids which relied on planned improvements had a more nebulous standard to meet. Therefore the Company should more accurately lay out in the next RFP just what it will accept as proof that a party can deliver firm supply via a third party transmission provider. Our suggestions would be either (a) transmission numbers from the OASIS system or (b) a note from the third-party transmission provider stating that future improvements would be likely to allow the project to secure firm transmission by its projected commercial on-line date.

IV. INITIAL SHORTLIST DEVELOPMENT

After the bids were received and bid details were confirmed, the Company began the Initial Shortlist evaluation. The Initial Shortlist ranking is determined by a point score. Bids may receive up to a maximum of 100 points. The score is broken down into two parts, a price score analysis (worth up to 70 points) and a non-price score analysis (worth up to 30 points). A more thorough description of the price and non-price scoring process can be found in Attachment 3.

We independently verified the price and non-price scores in three ways: (a) we reviewed each model on a line-by-line basis to make sure that the details of the bids were properly input and that all bids used the same default assumptions, (b) we reviewed the terms and conditions of the bids and compiled our own non-price scores, and (c) we made a check of PacifiCorp's models by putting key costs of each bid option into our own cost model, which determined an annual \$/MWh annuity cost for the bid option. After we reviewed the bids we conferred with PacifiCorp to come to a consensus on shortlist candidates.

[REDACTED]

The overall ranking of all the bid options along with our price model rank is shown in Attachment 4.⁴ In order to actually select the initial shortlist, bids were divided into the categories, per the RFP, of East Wind, West Wind and Non-Wind. With each shortlist category PacifiCorp made a presentation to the IE with detailed rankings for each bid as well as additional analyses. This presentation can be seen as Attachment 5.⁵

In order to select groups of bid options for the initial shortlist, PacifiCorp and the IEs had several goals in mind in setting the cut-off point for shortlist inclusion: (a) selecting the bids with the greatest net benefit in terms of price and non-price benefits, (b) a diversity of bidders and projects, (c) a mix of PPAs and BOTs, (d) a relatively clear split between the score of the last bid picked and the next bid that was not selected, and (e) the RFP goal that each category contain up to 600 MW or 5 bids. Our comments on each shortlist category are as follows.

East Wind

For the East Wind category PacifiCorp selected a total of [REDACTED] projects, one of which offered [REDACTED] options, specifically these were:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴ Some of these projects included several options, for example, [REDACTED] offered different sizes of project and multiple pricing options. PacifiCorp ran a separate analysis on each option. Therefore, the rankings include scores for all options proposed by bidders.

⁵ When reviewing the scores, please note that similar scores across categories do not indicate similar quality bids. For each category the parameters for the "price score" were altered so that price would be the dominant component of the total score. For example, a bid in the East Wind shortlist would receive a full 70 points if their price was 80% of market replacement costs and a score of zero if their costs were over 140% of market replacement costs (with scores in between linearly interpolated). [REDACTED]

[REDACTED]

[REDACTED]

This group was selected because (a) they are the bids which delivered the most net benefit to ratepayers according to the analysis, (b) they represent a diverse mix of transaction types, bidders, and projects (c) they represent an appropriate amount of supply (potentially over [REDACTED] MW), and (d) there is a clear and distinct gap between the last bid selected (the [REDACTED]) and the next highest project (the [REDACTED]).⁶

One thing to note about this selection is that the list's top bids do not change when we consider just the price score part of the bid ranking. This comports with our independent findings. Our model rankings chose the same [REDACTED] bid options as the top bids in this group.

West Wind

For the West Wind shortlist PacifiCorp selected [REDACTED] bids. These projects were all proposed as [REDACTED] and were as follows;

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The reasons for selecting this particular group were similar to the selection of the East Wind shortlist. The bids delivered the greatest net benefit according to this analysis, and provided for adequate supply (over [REDACTED]). In addition, there was a clear gap in

⁶ Note that the [REDACTED] option is close in score to the [REDACTED] bid. However, this bid was not chosen for the shortlist because the [REDACTED] option was (a) already in the shortlist and (b) a clearly superior choice based on its combined price and non-price score.

[REDACTED]

scores between the last bid selected ([REDACTED]) and the next highest bid, (the [REDACTED])⁷.

When these results are compared to our cost model we again have agreement with the Company on the selection of bids; these [REDACTED] options were our top four based on the output of our own cost model. Again this matches with the fact that, had PacifiCorp used only the price scores for the evaluation they would have selected the same bids.

Non-Wind

There were a total of [REDACTED] non-wind projects selected to the initial shortlist. All [REDACTED] and they represented a range of technologies. They were

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

The selection criteria for these bids were the same as for the East and West Wind shortlists. Our own model concurred with the selection and non-price scores had no impact on the selection.

V. FINAL SHORTLIST DEVELOPMENT

A. THE ACC METHOD

To develop a final shortlist, bids on the initial shortlist were screened using the ACC method. The ACC method, while sharing similar inputs, is a separate and distinct analysis from the initial shortlist price score analysis discussed earlier. The ACC analysis

⁷ Again, note that there were two bid options from the [REDACTED] project that scored high but were not included in the official shortlist. The reason for this is that the two bids from [REDACTED] that were taken to the shortlist ([REDACTED]) included the options that were evaluated in bids [REDACTED].

[REDACTED]

is also performed within the Company's RFP base model, and seeks to calculate the costs and benefits of a bid. In practice it substitutes the benefit calculated by market replacement costs for one calculated by PacifiCorp's IRP planning models. For a more detailed description of the ACC method, please see Attachment 3.

There were two other additions to or modifications of cost and benefit categories for this ACC analysis. These modifications came out of the R-1 RFP design process and changes in the Company's IRP process. The changes include an additional terminal value adder for BOTs, to reflect the value of the Company owning the site after the life of the asset, and an adder to reflect the incremental value of the capacity contribution of renewable resources (i.e. the increase or decrease in capacity contribution from the bid as compared to the IRP preferred portfolio proxy resources).

These additions ended up having no effect on the selection of bidders to the final shortlist. We reviewed and approved the methods for each of these additions. However, to be very clear, our acceptance of these methods does not mean that we agree with them 100%. Instead, our current acceptance merely means that we felt these methods were acceptable enough to use in an initial calculation. In light of the fact that they had no effect on the final shortlist selection, we did not feel the need to scrutinize them further. Had they come into play we would have gone into a more extended debate with PacifiCorp regarding some of the assumptions.

PacifiCorp proposed a methodology to ascribe terminal values to renewable resources for the evaluation of bids submitted into the 2008R-1 Renewable RFP. PacifiCorp commissioned Christensen Associates Energy Consulting LLC to prepare a study to examine terminal value applications and recommend an approach to terminal value pricing.

From the findings of the Christensen Associates study, PacifiCorp decided to implement the concepts that were proposed as the "preferred method" of determining terminal values for renewable energy assets. The study recommended using current

[REDACTED]

market offers if available, but also suggested a “revaluation and depreciation” method supplemented with any available market offer data. At the time of the study, PacifiCorp had only three different relevant market offers (i.e. offers where a participant ascribed some price to a renewable asset purchase option or future site rights). Therefore, PacifiCorp decided that it would also use the revaluation and depreciation method to augment their current market offers.

The revaluation and depreciation method seeks to assess an economic value, at any point in time, of the net present value of future services from an asset. The value is based on two parameters, (i) the “revaluation rate” which is the amount by which the value of an asset of a certain age (in this case, a new wind project) changes from one year to the next and (ii) depreciation, which is the annual decline in value of an asset.

PacifiCorp weighted the “revaluation and depreciation” method to [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

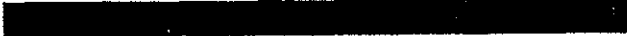
Again, while these efforts were acceptable for use in an initial calculation it does not mean that they are, in our eyes, perfect. For example, the “revaluation and depreciation” method does not factor into account technological changes or changes in tax incentives that may radically increase or decrease the future value of wind assets. (For example, the method doesn’t work with something like a computer, which will likely become obsolete due to technological improvements). Also, without speaking to the participants who made the three market offers we will never be sure whether their price offers were explicitly for the terminal value of the projects going forward or whether there was some other factor at work.



B. RESULTS

The Company provided its final shortlist presentation to the IE on October 12th. It is included as Attachment 6. The key results of the ACC analysis are shown in Table One along with our corresponding cost model rank. The shaded bids are the bids selected to the final shortlist.

TABLE ONE



This Table shows the complete ranking of all bids which were selected to the final shortlist. As in the initial shortlist evaluation, some bids contain multiple options (e.g. difference in turbine types or project size) so each option is the subject of a separate

[REDACTED]

analysis.⁸ The bids are ranked by the "ACC Value" column, which shows their ACC value prior to adjustments for capacity contribution and terminal value. Recall that the ACC value is the \$/MWh benefit required to make the bid benefits equal the bid costs. The lower the ACC value, the more net benefit the bid produces.

To the right of the ACC value column, we show the additional value ascribed to each bid option for terminal value and incremental capacity contributions discussed earlier. The column "ACC after adjustment" is the ACC calculation inclusive of these adjustments. The far right-hand column shows our cost model ranking of the bids.

The Company selected the following [REDACTED] projects for the final shortlist, the first two projects, by virtue of their clearly superior ACC scores, will be targeted for acquisition, they are:

[REDACTED]
[REDACTED]

These were the top [REDACTED] bids according to our independent models. While the Company initially wanted to take just those [REDACTED] bids, we requested that [REDACTED] more bids be placed on the shortlist as backup bids in case either of the top choices fell through during negotiations. Our choices were

[REDACTED]
[REDACTED]

Our logic was that (a) these were the next most beneficial bids as calculated by both the ACC method and our cost model, (b) the 2008R-1 negotiating process had shown that bids can fail after being selected to the shortlist and validated the need for backup bids, (c) the inclusion of backup bids required minimal additional effort and (d) while there was some distance in score between the top bids and the [REDACTED]

⁸ For example, [REDACTED] bid has two pricing options.

[REDACTED]

project, the [REDACTED] project offered a price (\$ [REDACTED]/MWh flat for the entire contract term) that was similar to the winning price in the 2008R-1 (\$ [REDACTED] MWh flat for the entire contract term). The Company agreed to make this adjustment, and added these [REDACTED] projects to the final shortlist as backup bids.

With this adjustment we concurred with the selection of this shortlist. We do so for six reasons. First and foremost, these bids represent the resources with the greatest net benefit to ratepayers as determined by the ACC method. Looking at Table One, we see a clear split between the last bid chosen for the shortlist, the [REDACTED] bid, with a \$ [REDACTED] MWh ACC value and the next bid, the [REDACTED] bid option at \$ [REDACTED] MWh ACC value. This gap between the selected group and the rest of the projects remains, even when we adjust the ACC to account for terminal value and capacity contributions. Note that [REDACTED], the [REDACTED], which is close in ACC score to the [REDACTED]. We did not request inclusion of this option since the [REDACTED] option was already included and was a significantly better option, based on ACC score.

Second, these bids represent the best offers from a very competitive procurement process. The RFP received bids from [REDACTED] suppliers offering a total of [REDACTED] projects. As noted, some of these projects offered multiple options. In total there were [REDACTED] bid options analyzed. This represents a total of over [REDACTED] MW offered, or almost [REDACTED] times PacifiCorp's advertised need. The fact that there were so many bids offered gives us a good indication that we are really seeing and selecting the best bids the market can offer.

Third, Boston Pacific's own, independent analysis confirmed that the selected bids represented the lowest cost alternatives for ratepayers, with some accounting for risk. Our cost model identified the same projects as being the least-cost options for ratepayers. The fact that our model agrees with PacifiCorp's more complicated analysis gives us confidence that these are indeed the best choices for ratepayers. In addition, our opinion is further reinforced by (a) our auditing of the Company's initial shortlist price

[REDACTED]

score models and the ACC models, and (b) our review and evaluation of all the terms and conditions of each bid.

Fourth, while there are [REDACTED] bids targeted for acquisition the shortlist also includes [REDACTED] which provide some assurance that, should negotiations fall through with any one bid, the RFP may still result in a winner in addition [REDACTED].

Fifth, the RFP aligns with the Company's Integrated Resource Planning (IRP) process. The alignment comes in two forms. First, the initial shortlist price score analysis and the ACC analysis used current assumptions from the IRP process in modeling the costs and benefits of the bids. Second, the ACC analysis used the Company's PaR model to value the benefits of renewable resources using the current IRP preferred portfolio of renewable resources.

Sixth, [REDACTED]. We confirmed the accuracy of [REDACTED] costs and scoring and provided the Commission with a complete review of all costs of the project prior to bid receipt. We also confirmed [REDACTED] status by; (a) reviewing the initial and final shortlist scores and models, (b) independently scoring the project's non-price characteristics, (c) comparing the cost and output of the project [REDACTED], and (d) evaluating the bid costs in our own cost model. In addition, we note that [REDACTED]

[REDACTED]

[REDACTED]

VI. ADDITIONAL ANALYSES

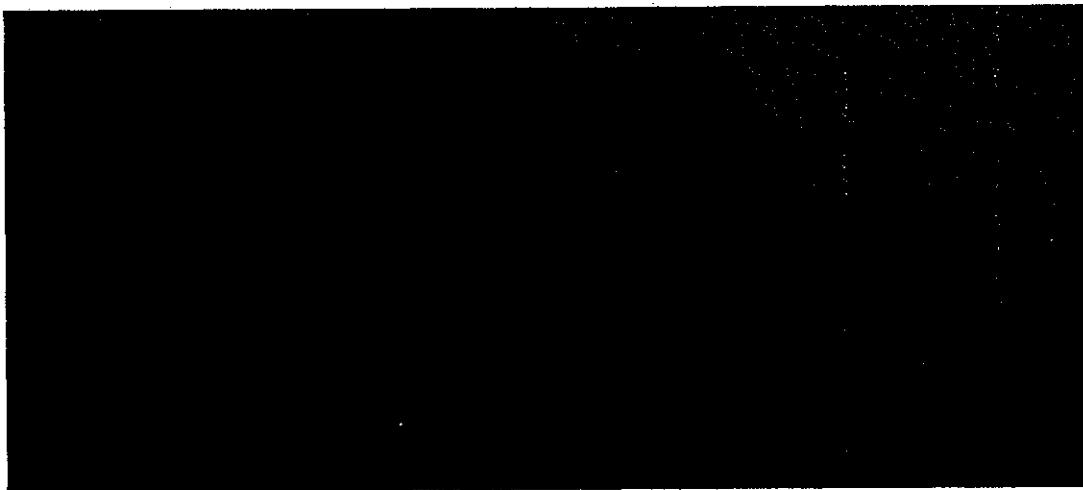
After we agreed on a selection for the Final Shortlist, the Company filed for approval of the shortlist and proceeded to conduct additional analysis on the shortlisted bids. This analysis consisted of two items (a) examining project-specific integration

[REDACTED]

costs and (b) having a third-party expert review each project's wind output data. The latter was in response to concerns raised in the 2008R-1 process regarding the observed trend of wind projects underperforming their output estimates. Because ratepayers pay the total capital costs of a BOT or benchmark project, regardless of output, this was thought to potentially bias bid selection towards BOT projects (since PPAs require payment only for output they actually generate).

The Company delivered the draft report of the consultant, along with additional analyses to the IE on October 25th. These are included as Attachment 7 and Attachment 8, respectively. The consultant made some adjustments to the capacity factors of the bids, in all cases revising estimates downward, based on a review of the project-specific wind data and internal assumptions. The Company took the consultant's revised capacity factors and re-ran the ACC analysis for the [REDACTED] shortlisted bids. The results of these adjustments are shown in the table below.

TABLE TWO
RESULTS OF ADDITIONAL ANALYSIS



The conclusion was that the top choices remained the best choices, even accounting for the revised capacity factors. This finding did not change, even when project specific integration costs were factored in. In sum, the ACC scores for [REDACTED]

[REDACTED]

To address these issues we have two recommendations, assuming that [REDACTED] projects are able [REDACTED] as a result of this RFP process. First, regarding the

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]


[REDACTED]

Second, to ensure that [REDACTED] projects achieve their projected output levels, we would recommend that [REDACTED]. For a reference as to how this works in commercial agreements, we would cite PacifiCorp's recently completed contract with Duke Energy that came from the 2008R-1 RFP process. In that contract, [REDACTED]. Note that this is based on availability, not output, the idea is to incent the operator to keep the facilities available for use, not to punish them if the wind does not blow.

[REDACTED]

[REDACTED]

[REDACTED] should be allowed to have some input on the exact parameters of (a) the levels of availability maintained each year, (b) the penalties enforced upon failure to meet availability levels and (c) the exact definition of availability. The last parameter is particularly important, since the availability number can be greatly changed by what is considered an "available hour" and what is not. Again, we recommend using the Duke contract as the basis for all these parameters, but if [REDACTED] can show project-specific reasons for changes in any parameter, then those changes should be considered.



In addition to these suggestions, we reiterate our two recommendations from above with regard to the overall RFP process. These are, (a) for these renewable “shelf” RFPs, changing the Notice of Intent to Bid (NOITB) process to a voluntary procedure in order to prevent the disqualification of bids, and (b) a more clear definition in future RFPs of what is required to demonstrate available firm transmission availability from third-party transmission providers. These recommendations should serve to help reduce the needless elimination of bids and provide bidders with information to make better and more accurate proposals going forward.



ATTACHMENT 1 – Boston Pacific Benchmark Analysis Memo

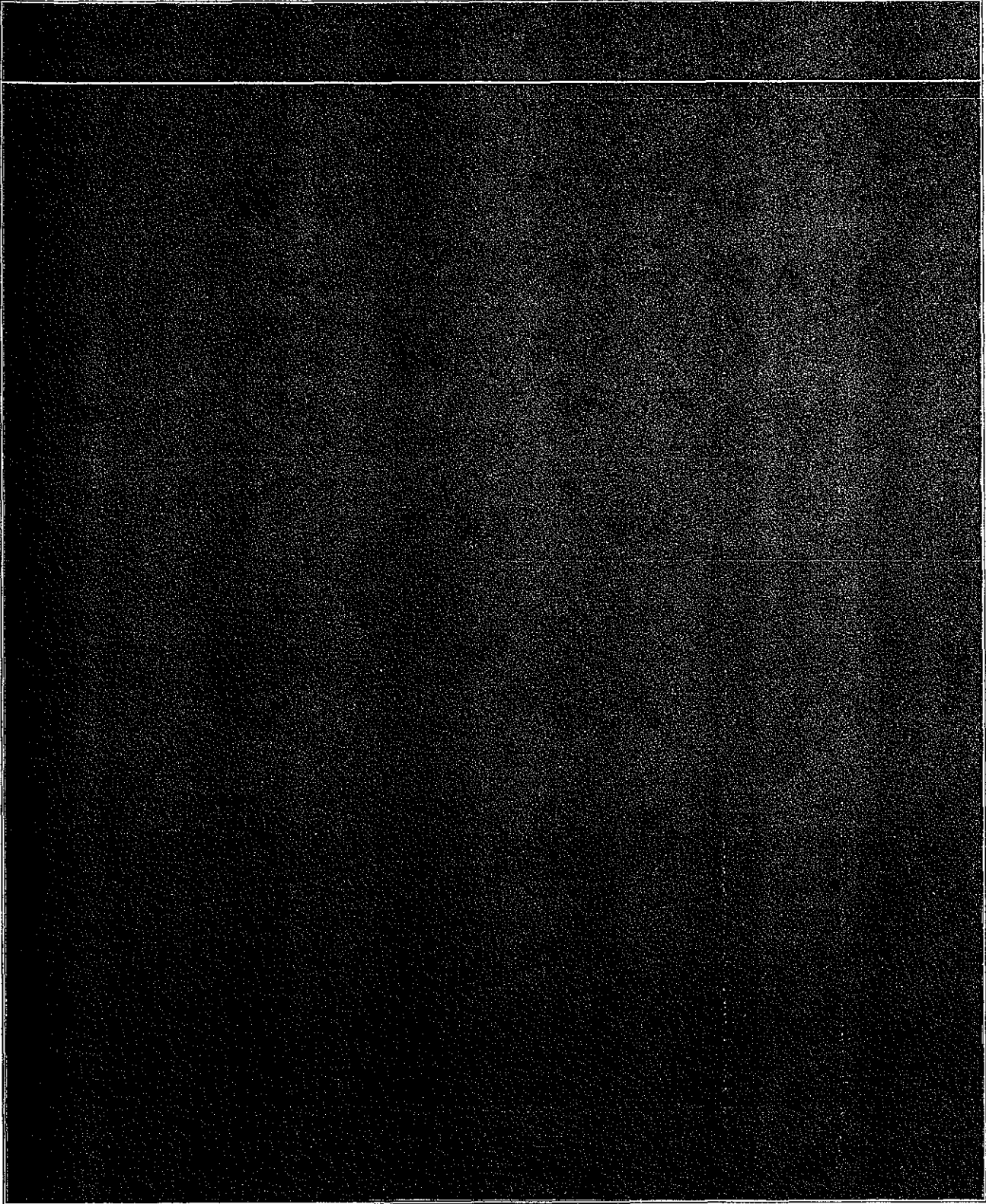


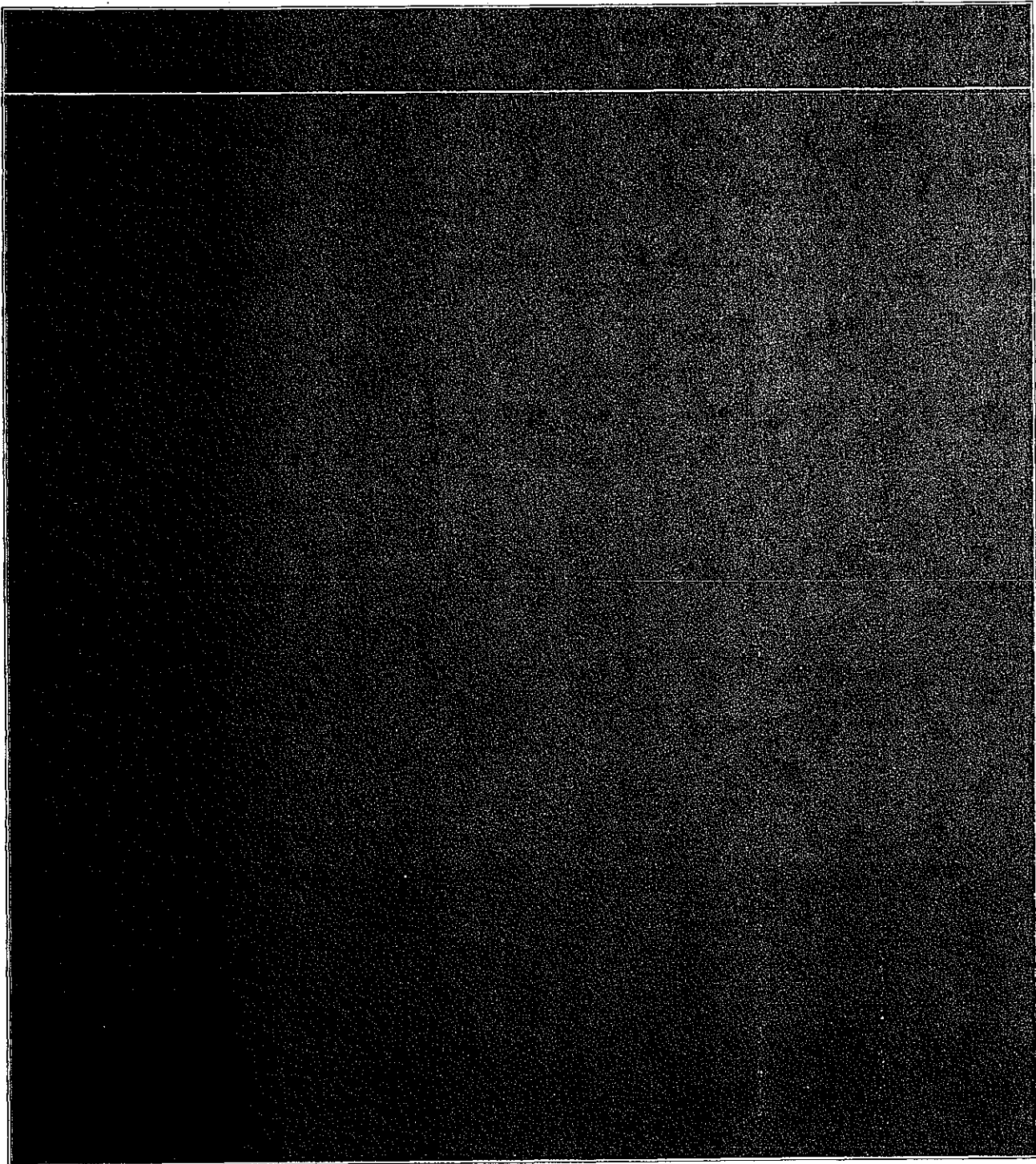
ATTACHMENT 2 – List of All Bid Options Received

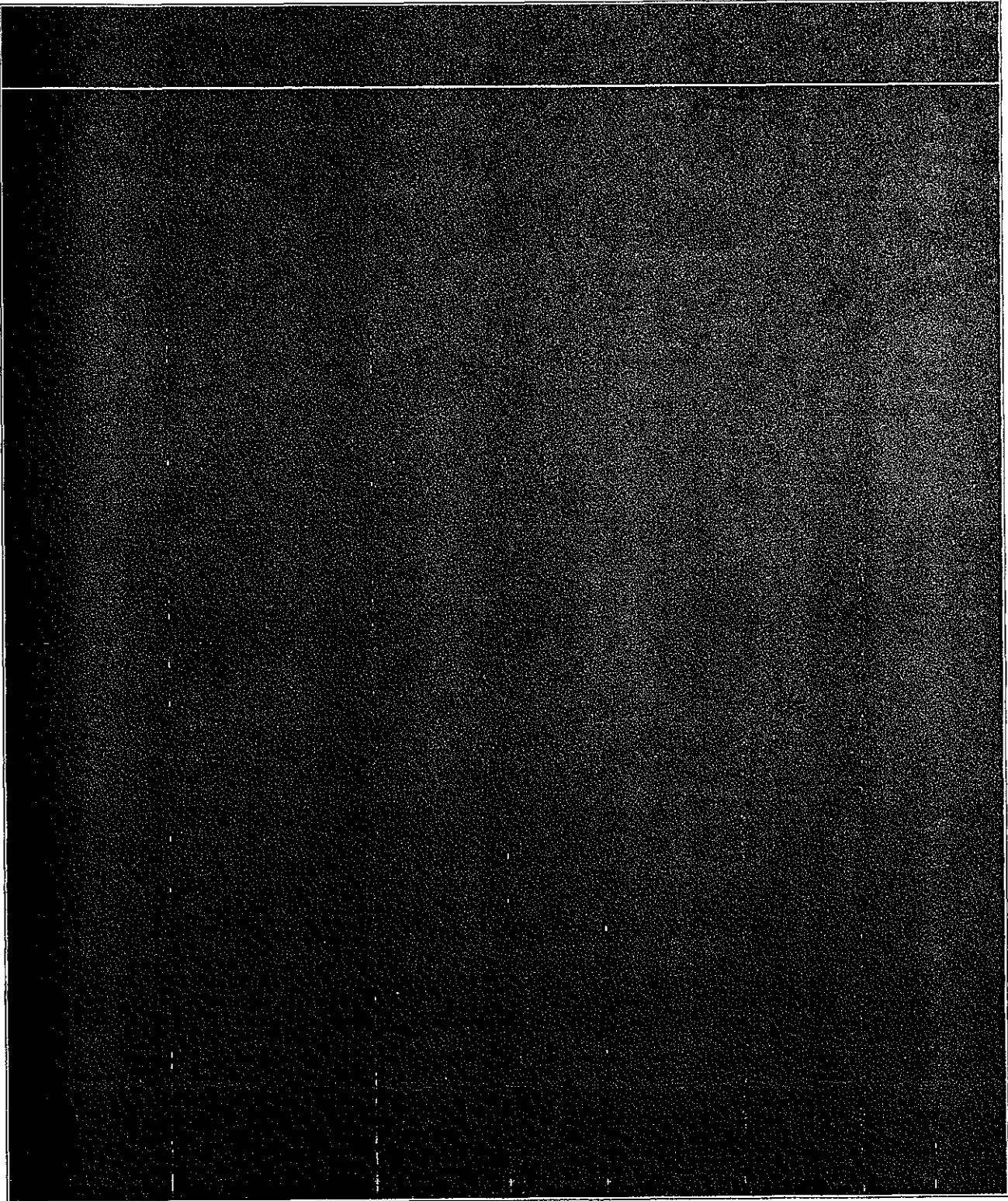


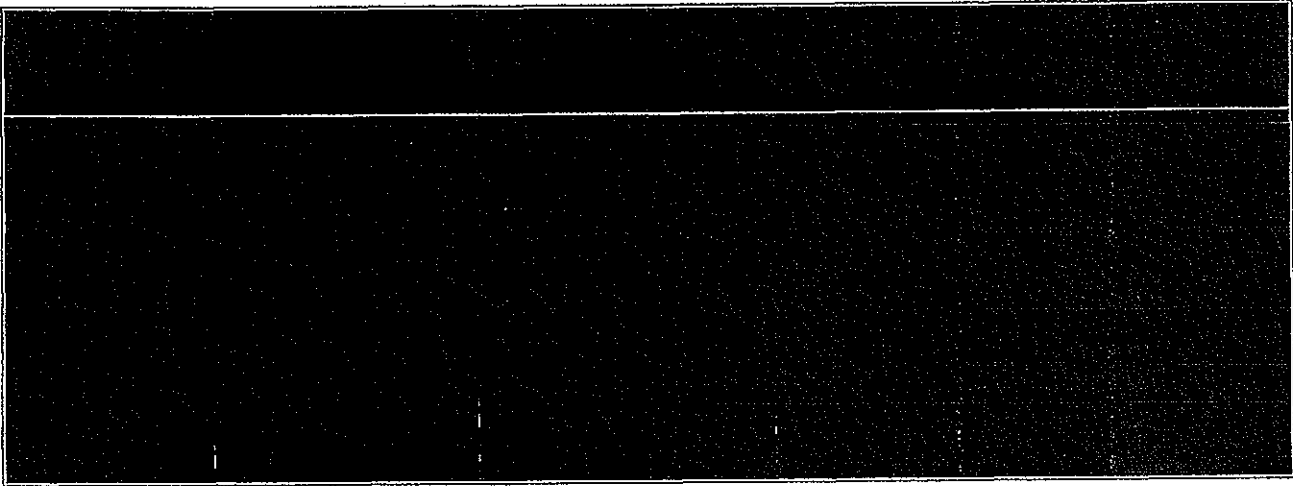
LIST OF ALL NON-REJECTED BIDS FOR THE 2009R RFP

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ATTACHMENT 3 – Description of Initial and Final Shortlist Analysis Methods



DESCRIPTION OF INITIAL AND FINAL SHORTLIST SCORING METHODS

The following sections provide more detail regarding the methods for creating the initial and final shortlist scores.

INITIAL SHORTLIST DEVELOPMENT

The Initial Shortlist ranking is determined by a point score. Bids may receive up to a maximum of 100 points. The score is broken down into two parts, a price score analysis (worth up to 70 points) and a non-price score analysis (worth up to 30 points).


Price Score

The price score analysis of each bid is separate and distinct from the ACC analysis used in the final shortlist ranking. To determine the price score PacifiCorp compares the costs of a bid versus the benefits of a bid using its RFP base model.

The costs of a bid are the following:

1. Energy payment (in the case of a Power Purchase Agreement)
2. Annual capital revenue requirement (in the case of a Build-Own-Transfer project)
3. Operating and maintenance costs (in the case of a Build-Own-Transfer project)
4. Wind integration costs
5. Third-Party transmission charges (if necessary)

The benefits of a bid are the following:

- 
1. The avoided cost of wholesale market purchases (i.e. cost of electric power purchases from the market that would have been made absent the bid)
 2. Renewable Energy Credits (RECs) produced by the bid
 3. Production Tax Credits produced by the bid (in the case of a Build-Own-Transfer)

As an example calculation, say a bidder offered a PPA with a \$70/MWh energy price. The cost of the bid in a given hour would be \$70/MWh, plus \$10/MWh for integration, leading to a total cost of \$80/MWh. Additionally, assume that, in the same hour, the Company could have replaced this generation with a wholesale market purchase costing \$60/MWh. Additionally, the bid produced a REC worth \$5/MWh, leading to a total benefit of \$65/MWh.

To get the point value for the price score analysis PacifiCorp divided the cost of the bid by the benefit. In our example above, they would divide the \$80/MWh cost by the \$65/MWh benefit. This leads to a ratio of 123%. Bids with a cost/benefit ratio of 80% or less received 70 points, bids with a cost-benefit ratio of 140% or more received no points. Any ratio in between ratio in the middle was linearly interpolated. This bid, then, received 19.8 points ($[(17/60)*70]$).

In the RFP Base model, the calculation of costs and benefits was performed for each month and peak/off-peak period in the asset lifespan and discounted back to the present day, at which point the cost/benefit ratio and price score were calculated as described in the example above. In terms of inputs, on the cost side, bidders provided the PPA energy payment price, the cost to construct a BOT project, O&M costs for a BOT project, and third-party transmission costs. PacifiCorp added the wind integration costs (which were \$9.96/MWh in 2009\$ and escalated thereafter) and calculated the annual capital revenue requirements of BOT bids. On the benefit side, PacifiCorp calculated the avoided cost of market purchases from its Company-wide Forward Price Curve, as well as the value for RECs (using its 2007 IRP value of \$5 per MWh for the first 5 years of

[REDACTED]

operation of the asset, amortized over the life of the asset). For BOT bids only, PacifiCorp added the value of the Federal Production Tax Credit for all eligible output (about \$34/MWh,¹⁰ increasing at 2% per year, for the first ten years of the project). Bidders provided a schedule of annual output by month and by peak and off-peak period.

Non Price Score

The non-price score was worth 30 points and consisted of five categories:

1. Conformity to RFP requirements;
2. Conformity to pro forma agreements;
3. Development and feasibility of the proposal;
4. Site control and Permitting;
5. Operational Viability.

Each category was worth 6 points and bidders could earn either: (a) 100% of the points, (b) 75% of the points, (c) 50% of the points, (d) 25% of points or (e) no points.

¹⁰ The \$34/MWh value reflects the \$21/MWh credit grossed up for taxes.

FINAL SHORTLIST DEVELOPMENT

The ACC Method

To develop a final shortlist, bids on the initial shortlist were screened using the ACC method. The ACC method, while sharing similar inputs, is a separate and distinct analysis from the initial shortlist price score analysis discussed earlier. The ACC analysis is also performed within the Company's RFP base model model, and seeks to calculate the costs and benefits of a bid. For the ACC analysis the costs are:

1. Energy payment (in the case of a Power Purchase Agreement);
2. Capital revenue requirement (in the case of a Build-Own-Transfer project);
3. Operating and maintenance costs (in the case of a Build-Own-Transfer project);
4. Wind integration costs;
5. Third-Party transmission charges (if necessary).

Benefits are

1. The avoided cost of electric power purchases from the market or generation that would have been run absent renewable resources;
2. Production Tax Credits produced by the bid (in the case of a Build-Own-Transfer);
3. The ACC value.

The lists above are similar to the initial shortlist's price score analysis, but contain two major differences, both on the benefit side. First, instead of calculating the cost of wholesale market purchases that would have been made absent the bid, the ACC method looks at the cost of replacing renewable supply using both generation and market purchases under a variety of scenarios.

[REDACTED]

PacifiCorp does this by using its Planning and Risk (PaR) model. The model is an hourly dispatch model used in the IRP process which dispatches the Company's system based on changes in load, wholesale market prices, gas prices, thermal outages and hydro generation levels. To calculate the cost of replacing renewable supply, the PaR model is run twice, once with the preferred portfolio proxy renewable resources from the Company's IRP and once without. The model estimates the cost to replace these resources via least-cost dispatch, purchasing from the market, and running available generation as it sees fit. These additional costs are divided by the MWh replaced to determine a dollar per MWh cost of replacing renewable resources.

As an example, let us say that, in one hour, the PaR model is run using the IRP preferred portfolio and produces 200 MWh of generation from proxy renewable resources. These resources are removed, and PaR is re-run. In the second PaR run this 200 MWh is replaced by a combination of 100 MWh of generation from gas-fired plants, which cost \$70 per MWh, and 100 MWh of market purchases, costing \$80 per MWh. Thus, the avoided cost benefit for renewable resources in this hour is \$75 per MWh. This calculation is "rolled up", or grouped by year, month and peak or off-peak period.

The second major difference is that the ACC value is substituted for the REC value. The ACC value is the value that, on a per-MWh basis, makes the net benefits equal *zero*. For example, if the overall avoided cost benefit of the bid is \$75/MWh and the cost of the bid is \$80/MWh the ACC value is \$5/MWh, since $\$75 + \$5 = \$80$. The lower the ACC value, the more beneficial the bid. Note that a negative ACC value means the bid has a positive net benefit and vice versa.



ATTACHMENT 4 – PacifiCorp’s Initial Shortlist Bid Ranking by Category

2009R RFP SHORTLISTED BIDS BY CATEGORY - EAST WIND

SHORTLISTED BIDS ARE SHADED

Bidder Name	Project name	Project Location	Resource Type	Bid Type	Net Capacity (MW)	Start Date	Term	PAC Price Score	PAC Non Price Score	PAC Total Score	PAC Rank	BP Price Model Rank



Bidder Name	Project name	Project Location	Resource Type	Bid Type	Net Capacity (MW)	Start Date	Term	PAC Price Score	PAC Non Price Score	PAC Total Score	PAC Rank	BP Price Model Rank
[Redacted]								[Redacted]				



Bidder Name	Project name	Project Location	Resource Type	Bid Type	Net Capacity (MW)	Start Date	Term	PAC Price Score	PAC Non Price Score	PAC Total Score	PAC Rank	BP Price Model Rank
[Redacted]								[Redacted]				
[Redacted]								[Redacted]				

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]






ATTACHMENT 5 – PacifiCorp’s Initial Shortlist Presentation to the IE



ATTACHMENT 6 – PacifiCorp’s Final Shortlist Presentation to the IE



ATTACHMENT 7 – Report of Third-Party Consultant on Wind Output Projections



**ATTACHMENT 8 – PacifiCorp’s Report Presentation to the IE Regarding
Additional Analyses**