

Renewable Northwest Project

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1368

In the Matter of PacifiCorp, dba Pacific Power Request for Approval of a 2008R-1 Solicitation Process for New Renewable Resources.))))	Opening Comments of the Renewable Northwest Project
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The Renewable Northwest Project (RNP) is pleased to provide these initial comments on PacifiCorp's draft Request for Proposals (RFP) 2008R-1 dated April 28, 2008. RNP warmly supports PacifiCorp's continued active role in acquiring renewable resources. We look forward to a successful execution of 2008R-1, and submit the comments and suggestions that follow in the spirit of fostering the best possible outcome from this process.

Potential for Bias

One of RNP's greatest concerns is the Company's treatment of its self-build (benchmark) and build-own-transfer (BOT) options in this process. There appear to be built-in advantages to such options in the proposal that need to be addressed to ensure a fair process for all participants. While the Company understandably seeks to protect itself from risks associated with the competitive bidders, the costs to the bidders of providing security and other assurances should not be included when comparing bid projects to ownership options. The risk of underperformance associated with ownership options will be borne by the ratepayers, but are simply not quantified by PacifiCorp for itself. PacifiCorp should require separate cost quantification of all RFP requirements that the Company does not require of itself when comparing resources to the self-build options. One example of this is the cost to bidders associated with the required guarantee of performance regardless of the status of the production tax credit¹. Some recognition of providing such a guarantee that is not required of owned resources should be part of the analysis.

Another potential built-in benchmark resource advantage is the requirement to deliver to specific points on PacifiCorp's transmission system. PacifiCorp must take care to ensure that the cost of transmitting its power from owned resources to the designated points of delivery is included in its analysis.

¹ Section 5(H), page 21

RNP is significantly concerned by the Company's insistence that any contractual purchase be subject to all risks associated with PacifiCorp's own accounting treatment.² As structured, this could result in default by the bidder from something they had no control over, but instead due to PacifiCorp's own failure to adequately assess the accounting status of the contract. This language appears overly severe, and may make any contractual purchases of power untenable to potential bidders. In addition, the provision in the pro forma power purchase agreement that gives PacifiCorp the option to purchase the project for one dollar at the end of the term forces bidders expecting significant salvage value to price that value into its offer price. This will push up the contract price and may have additional, possibly negative, ramifications to the accounting treatment. The one dollar end of term option and the provision subjecting power purchase agreement counterparties to changes in accounting treatment appear to have the effect of greatly diminishing the prospects for such bids. This seems unfair and overly onerous for bidders needing to rely on power purchase agreements.

It is unclear how the Company intends to rate BOT bids on performance guarantees, or benchmark resources on all the non-price factors except "conformity to RFP requirements". It may be most appropriate to exclude benchmark resource comparisons on non-price factors, or conversely to assign a zero score to benchmark resources on factors that do not apply, such as performance guarantees or conformity to pro forma PPA or BOT contracts.

Include Consideration of Capacity Contribution of Renewables

There appears to be no explicit treatment in the valuation analysis of the contribution of resources to meeting peak loads. RNP suggests using a methodology, perhaps the z-methodology previously employed, to value the capacity contribution of competing resources and to consider that value in the PVRr computation. PacifiCorp's models may appropriately gauge the market value of the generation in the marketplace; the extent to which a resource may reduce or delay the need to add capacity resources to the system should be properly recognized. This will not only aid in the proper differentiation among competing technologies such as wind, solar, and geothermal with significantly different capacity characteristics, but also account for the proper valuation of differences between and among wind projects due to the relative diversity they may bring.

Energy Storage Not Appropriate in this RFP

The language in the RFP regarding provision of energy storage does not appear to fit with the purpose of this RFP. It is unclear why this was deemed to be an important part of the RFP, and RNP suggests PacifiCorp strongly consider striking it altogether. PacifiCorp's system has significant, economic, and sufficient storage capability to accommodate the level of renewable resources anticipated in this RFP. PacifiCorp has not demonstrated that existing storage capability-- which currently exists in reservoirs, gas pipelines, gas storage facilities, and coal piles-- is insufficient under the addition of resources anticipated by this RFP. The economic value of storage facilities exists apart from the economics of renewable energy and such facilities were not found compelling in PacifiCorp's recent resource planning process, nor were they included in the resulting IRP Action Plan. RNP is concerned that PacifiCorp would realize the highest value for increased storage capability in storing its surplus, largely coal-fired generation, at night in order to realize a higher value of that power during the day. The economics and prudence of such facilities should be demonstrated prior to inclusion in an RFP.

² Section 5 (I), page 22.

Scoring

RNP is concerned about PacifiCorp's choice to allow only weights of 0%, 50%, and 100% on non-price factors³. PacifiCorp's RFP 2003 renewable resource RFP allowed numerical assignments on a continuum basis between zero and 100%. Although a simpler, more general approach may be desirable, RNP suggests a somewhat finer scale than that proposed. Zero should be assigned for proposals that are unacceptable on the particular category, and 100% used for complete compliance. However, RNP suggests more interim categories such as: *Minimally addresses the factor, significantly address factor, and largely addresses factor with weights of 25%, 50%, and 75% respectively*. This avoids the problem of a proposal that is not perfect, but nearly so receiving the same score as a bid that barely meets minimum acceptable level of performance.

Other Issues of Concern

PacifiCorp reserves the right to cancel the RFP without substituting another RFP in its place⁴. While understandable, RNP believes that bidders making a good faith effort to supply credible bids and paying a fee of at least \$10,000 should receive a refund in the event that PacifiCorp cancels its RFP without reason or replacement.

In Section 5 (A) on page 16, the RFP states that a larger PVRR represents a more valuable asset—this appears to be an error, or needs additional explanation. At the top of page 27 is an unusual juxtaposition of the words "final" and "finally" that may be in error or need additional clarification.

Thank you for the opportunity to provide feedback on the draft RFP.

³ Section 6 (C), page 26.

⁴ Section 7 (A), page 28, bullet 4.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **OPENING COMMENTS OF THE RENEWABLE NORTHWEST PROJECT** on the following persons on June 12, 2008, by hand-delivering, faxing, e-mailing, or mailing (as indicated below) to each a copy thereof, and if mailed, contained in a sealed envelope, with postage paid, addressed to said attorneys at the last known address of each shown below and deposited in the post office on said day at Portland, Oregon:

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DATED this 12th day of June, 2008.

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