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November 2, 2009

***VIA ELECTRONIC FILING  
AND HAND DELIVERY***

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


Attn: Filing Center

RE: **UM 1360** – PacifiCorp's Request for Approval to Resume 2008 RFP

Enclosed for filing by PacifiCorp is a Request for Approval to Resume the 2008 Request for Proposals in the above-referenced proceeding. The Company requests expedited consideration of this filing for the November 24, 2009 public meeting. A copy of this filing is being served on all parties on the service list.

Informal inquiries on this matter may be directed to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Very truly yours,

  
Andrea L. Kelly  
Vice President, Regulation

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1360**

In the Matter of  
PACIFICORP, dba Pacific Power  
Request for Approval of Draft 2008  
Request for Proposal

**PACIFICORP'S REQUEST FOR  
APPROVAL TO RESUME 2008  
REQUEST FOR PROPOSAL**  
  
***EXPEDITED TREATMENT  
REQUESTED***

1           PacifiCorp d/b/a Pacific Power (“PacifiCorp” or “Company”) hereby respectfully  
2 requests the Public Utility Commission of Oregon (“Commission”) to approve the  
3 resumption of PacifiCorp’s 2008 Request for Proposal (“2008 RFP”).

**I.     BACKGROUND**

5           In Order 08-310, the Commission approved PacifiCorp’s request for approval of the  
6 2008 RFP with conditions. On October 2, 2008, PacifiCorp issued the 2008 RFP to the  
7 market and received bidders’ proposals on December 16, 2008. On February 27, 2009,  
8 PacifiCorp filed a Notice of Suspension of 2008 Request for Proposal (“Notice of  
9 Suspension”), indicating the Company had determined it was not in the best interests of  
10 customers to proceed with the 2008 RFP in light of changes in economic and market  
11 conditions. The Notice of Suspension further indicated that bidders could both withdraw  
12 their bids and have their bid fee returned or leave bids pending as the Company continued to  
13 assess the market over the next six to eight months.

14           On February 26, 2009, the Company filed a Motion to Suspend Request for Proposals  
15 with the Public Service Commission of Utah (“UPSC”), requesting that the UPSC approve  
16 suspension of the 2008 RFP. The UPSC granted PacifiCorp’s motion to suspend April 6,  
17 2009, subject to certain conditions, including the requirement for PacifiCorp to seek approval

1 from the UPSC at such time the Company determined to resume the 2008 RFP. The  
2 Company filed a Notice of Intent to Resume All Source RFP and Request for Approval  
3 (“UPSC Notice”) with the UPSC on October 6, 2009, which was subsequently granted on  
4 October 26, 2009.

## 5 **II. CURRENT MARKET CONDITIONS**

6 The Company has continued to monitor conditions in the markets since it filed the  
7 Notice of Suspension. As anticipated by the Company, the dramatic global economic  
8 downturn in late 2008 resulted in a reduction of customer loads, price of commodities and  
9 construction costs, and in other changes in economic and market conditions. In addition, the  
10 Company’s recently filed 2008 IRP indicates that PacifiCorp can serve its load from current  
11 resources supplemented by market purchases until at least June of 2014. The Company  
12 believes that as a result of the economic downturn there is a reasonable possibility that more  
13 favorable bids may be received now than were provided in December 2008. Further, there are  
14 indications that the recession has slowed down and economic conditions may start to  
15 improve, thus issuing the request for proposals now takes advantage of what may be  
16 opportunistic timing. Accordingly, the Company believes it is in the interest of its customers  
17 to resume the 2008 RFP at this time.

## 18 **III. NONMATERIAL CHANGES TO 2008 RFP**

19 The 2008 RFP originally requested proposals for up to 2,000 megawatts of energy  
20 resources to meet the Company’s projected resource needs for 2012 to 2016. Projected on-  
21 line dates for the resources were June 1, 2012; June 1, 2013; June 1, 2014; June 1, 2015; or  
22 June 1, 2016. The 2008 RFP included the following Company benchmarks: (1) a combined

1 cycle, 535 MW to 700 MW<sup>1</sup>, natural gas fired generating plant to be a second block at the  
2 Company's Currant Creek site approximately one mile west of Mona, Utah; (2) a combined  
3 cycle, 550 MW to 580 MW, natural gas fired generating plant to be a second block at the  
4 Company's Lake Side site in Vineyard, Utah; and (3) the addition of three to seven simple  
5 cycle advanced gas turbines at one or more locations in the Company's system<sup>2</sup> with an  
6 expected capacity at each location ranging from 250 MW to 290 MW. The 2008 RFP  
7 allowed bidders to make proposals for plants on the Company's existing plant sites at Currant  
8 Creek and Lake Side. It also allowed bidders to submit proposals for all types of resources,  
9 including a power purchase agreement, a tolling service agreement, an asset purchase and  
10 sale agreement on a Company site, an asset purchase and sale agreements on a bidder site,  
11 purchase of an existing facility, purchase of a portion of a facility jointly owned and operated  
12 by the Company, restructure of an existing power purchase agreement or an exchange  
13 agreement or buyback of an existing sales agreement, and resource alternative exceptions.

14 The Company is making the following nonmaterial changes to the 2008 RFP:

15 a. The time period for which resource needs is sought is updated to 2014 to  
16 2016. The Company is looking for resources to be available on or after June 1, 2014 but not  
17 later than June 1, 2016. This is consistent with the Company's 2008 IRP, currently being  
18 reviewed by the Commission.

19 b. The Company's benchmark will be limited to a combined cycle natural gas  
20 fired plant at Lake Side. This is consistent with the 2008 IRP and also reflects the fact that

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<sup>1</sup> All of the capacity numbers for the benchmarks are nominal net ratings at average ambient conditions.

<sup>2</sup> Locations being considered at the time the 2008 RFP was issued included sites at the Company's major substations in the Wasatch Front in Utah, adjacent to the second block proposed for the Company's benchmark at Currant Creek, and near the Company's Wyoming-based wind projects.

1 the Company has acquired rights for the active development permits at the Lake Side site in  
2 connection with its termination of the Master Development, Engineering, Procurement and  
3 Construction Agreement for the proposed Lake Side 2 plant.

#### 4 IV. PROPOSED SCHEDULE

5 To assist parties in understanding the proposed timelines, the Company includes the  
6 proposed schedule below for resumption of the 2008 RFP.

<b>Event</b>	<b>Estimated Timeline</b>
Commission Public Meeting	November 24, 2009
Issue notice of resumption of 2008 RFP to bidders	November 25, 2009
Reissue 2008 IRP to market	December 2, 2009
Bidders submit a notice of intent to bid	December 17, 2009
Benchmark submit indicative proposals	February 15, 2010
Bidders submit indicative proposals	March 1, 2010
Evaluation of Initial Shortlist completed	May 28, 2010
Benchmark submits Firm proposals	July 1, 2010
Initial Shortlist provides Firm proposals	July 15, 2010
Final evaluation of bids completed	September 10, 2010
Final Shortlist acknowledgment	September 12, 2010
Negotiation of bids on Final Shortlist completed	January 10, 2011

7 The proposed schedule is based largely on the Company's experience and lessons  
8 learned in the 2012 Request for Base Load Resources ("2012 RFP"), which sought proposals  
9 for resources to meet an anticipated need by June 2012. Under the 2012 RFP, bidders  
10 submitted their proposals 75 days after the release of the RFP; however, the original pricing  
11 bidders provided in their RFP proposals for new construction were solely indicative  
12 estimates. Once the initial shortlist and the final shortlist were determined, the final  
13 remaining bidder was not prepared to execute an agreement using the pricing it submitted.  
14 The bidder required an additional five months to "firm up" their pricing by going to the  
15 market to obtain firm bids from equipment suppliers. As such, the final remaining bidder's  
16 resulting firm price for the resource was materially different from its indicative bid.

1           During that process, the Company concluded that submission of bids within 75 days  
2 of issuance of the 2012 RFP was not particularly helpful, as it merely resulted in a rigorous  
3 evaluation using potentially inaccurate indicative price estimates to screen bidders (with  
4 bidders unwilling to commit to the pricing they originally submitted). Furthermore, the  
5 Company believes that the quick submission of indicative bids followed by time to wait for  
6 submission of more firm bids and complete negotiations caused the process to take longer  
7 than would have been the case had more time been given at the front end to allow bidders to  
8 develop firm bids consistent with the 2012 RFP requirements.<sup>3</sup> To achieve the benefits of  
9 suspension of the 2008 RFP, the Company and bidders must negotiate with a variety of third  
10 party equipment providers in order to receive firm proposals from the market based on  
11 current economic conditions. Therefore, although bidders may have previously developed  
12 initial proposals, in a 75-day bid submission period it is reasonable to expect that bidders will  
13 only be able to submit updated initial proposals for new construction resources based on  
14 indicative price estimates which, as seen in the 2012 RFP, may not be accurate and result in,  
15 at best, limited, and, at worst, inappropriate relative resource pricing assessments among  
16 bidders. The Company's proposed schedule addresses this issue and makes the rigorous  
17 price evaluation process useful by allowing the Company and bidders adequate time to  
18 submit firm proposals based on current market quotes, which will take approximately four to  
19 five months.

20           As seen above, the proposed schedule requires bidders to provide their proposals  
21 within 75 days and the benchmark in 60 days. Recognizing, however, that the proposals for  
22 the most part will only be indicative in nature, the proposed schedule also requires bidders on

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<sup>3</sup> The Company is not suggesting that the provisions allowing 40 percent of the bid price to change based on specified indexes following an award of contract be eliminated.

1 the initial shortlist to provide firm prices at a later specified date. The Company will  
2 complete the initial shortlist and then request firm pricing from only those on the initial  
3 shortlist which will also include a request for a firm price from the benchmark.

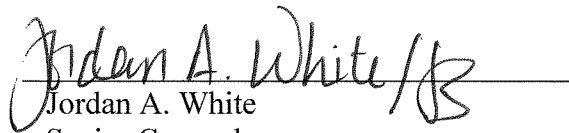
4 **V. NOTICE TO BIDDERS**

5 The Company intends to resume the 2008 RFP by providing notice of resumption to  
6 bidders as noted in the proposed schedule and pending Commission approval. Following  
7 such approval and notice, the Company will reissue the 2008 RFP to the market. The  
8 Company will request refreshed bids from bidders that did not withdraw their bids  
9 subsequent to the Notice of Suspension. These bidders will not be charged a fee to submit  
10 refreshed bids. New bids may also be submitted according to the guidelines and  
11 requirements set forth in the 2008 RFP.

12 **VI. CONCLUSION**

13 Based on the foregoing, PacifiCorp respectfully requests the Commission to approve  
14 the resumption and re-issuance of the 2008 RFP. The Company does not propose any  
15 material change to the 2008 RFP, but simply updates it to cover the currently applicable time  
16 frame and to limit the benchmark resource consistent with the Company's 2008 IRP and its  
17 acquisition of development permit assets at Lake Side. PacifiCorp further requests expedited  
18 treatment of this filing and asks that it be placed on the Commission's November 24, 2009  
19 public meeting.

DATED: November 2, 2009.

  
Jordan A. White  
Senior Counsel  
Pacific Power  
PacifiCorp

## CERTIFICATE OF SERVICE

I hereby certify that on this 2<sup>nd</sup> day of November, 2009, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

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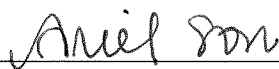
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