



825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

December 4, 2008

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

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

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


**RE: UM 1208 – PacifiCorp 2012 Request for Proposals – Request for Acknowledgement**

Enclosed for filing in the above referenced matter are two separate versions of PacifiCorp's Request for Acknowledgement of Final Shortlist of Bidders in 2012 Request for Proposal. The first version has been redacted to remove confidential information.

The second version is not redacted and contains "Confidential Information" that falls within the scope General Protective Order No. 06-444. Therefore, PacifiCorp requests confidential treatment of the non-redacted version in accordance with the terms of Order No. 06-444 and submits the confidential version printed on yellow paper, separately bound and bearing the legend "CONFIDENTIAL INFORMATION - SUBJECT TO GENERAL PROTECTIVE ORDER." An original and five copies of the confidential version, each separately sealed, are submitted in envelopes bearing the following legend:

THIS ENVELOPE IS SEALED PURSUANT TO ORDER NO. 06-444 AND CONTAINS CONFIDENTIAL INFORMATION. THE INFORMATION MAY BE SHOWN ONLY TO QUALIFIED PERSONS AS DEFINED IN THE ORDER.

Sincerely,

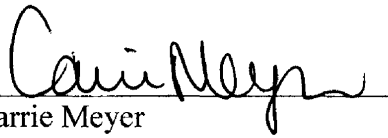
  
Andrea L. Kelly  
Vice President, Regulation

Enclosures

Cc: Service List UM-1208

## CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing document in OPUC Docket No. UM 1208 by electronic mail and first class mail to the parties on the attached service list unless paper service has been waived.  
DATED this 4<sup>th</sup> day of December 2008.

  
Carrie Meyer  
Coordinator, Administrative Services

### Service List UM-1208

ANN ENGLISH GRAVATT (C) RENEWABLE NORTHWEST PROJECT 917 SW OAK STE 303 PORTLAND OR 97205 <a href="mailto:ann@rnp.org">ann@rnp.org</a>	SUSAN K ACKERMAN 9883 NW NOTTAGE DR PORTLAND OR 97229 <a href="mailto:susan.k.ackerman@comcast.net">susan.k.ackerman@comcast.net</a>
MICHELLE R. MISHOE (W) PACIFIC POWER & LIGHT 825 NE MULTNOMAH STE 800 PORTLAND OR 97232 <a href="mailto:michelle.mishoe@pacificcorp.com">michelle.mishoe@pacificcorp.com</a>	PHILIP H CARVER (W) (C) OREGON DEPARTMENT OF ENERGY 625 MARION ST NE STE 1 SALEM OR 97301-3742 <a href="mailto:philip.h.carver@state.or.us">philip.h.carver@state.or.us</a>
MELINDA J DAVISON (C) DAVISON VAN CLEVE PC 333 SW TAYLOR, STE. 400 PORTLAND OR 97204 <a href="mailto:mail@dvclaw.com">mail@dvclaw.com</a>	JASON EISDORFER (C) (HC) (W) CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 <a href="mailto:jason@oregoncub.org">jason@oregoncub.org</a>
OPUC DOCKETS (W) CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 <a href="mailto:dockets@oregoncub.org">dockets@oregoncub.org</a>	RANDALL J FALKENBERG (C) (HC) RFI CONSULTING INC PMB 362 8351 ROSWELL RD ATLANTA GA 30350 <a href="mailto:consultrfi@aol.com">consultrfi@aol.com</a>
NATALIE HOCKEN (HC) PACIFICORP 825 NE MULTNOMAH #2000 PORTLAND OR 97232 <a href="mailto:natalie.hocken@pacificcorp.com">natalie.hocken@pacificcorp.com</a>	ROBERT D KAHN (HC) NW INDEPENDENT POWER PRODUCERS 1117 MINOR AVE, SUITE 300 SEATTLE WA 98101 <a href="mailto:rkahn@nippc.org">rkahn@nippc.org</a>
JANET L PREWITT (W) (C) DEPARTMENT OF JUSTICE 1162 COURT ST NE SALEM OR 97301-4096 <a href="mailto:janet.prewitt@doj.state.or.us">janet.prewitt@doj.state.or.us</a>	LISA C SCHWARTZ (C) (HC) OREGON PUBLIC UTILITY COMMISSION PO BOX 2148 SALEM OR 97308-2148 <a href="mailto:lisa.c.schwartz@state.or.us">lisa.c.schwartz@state.or.us</a>

<p>OREGON DOCKETS (W)  PACIFIC POWER  825 NE MULTNOMAH STREET, SUITE 2000  PORTLAND, OR 97232  <a href="mailto:oregondockets@pacificcorp.com">oregondockets@pacificcorp.com</a></p>	<p>MICHAEL T WEIRICH (C) (HC) (W)  DEPARTMENT OF JUSTICE  REGULATED UTILITY &amp; BUSINESS SECTION  1162 COURT ST NE  SALEM OR 97301-4096  <a href="mailto:michael.weirich@doj.state.or.us">michael.weirich@doj.state.or.us</a></p>
<p>STEVEN WEISS (W)  NORTHWEST ENERGY COALITION  4422 OREGON TRAIL CT NE  SALEM OR 97305  <a href="mailto:steve@nwenergy.org">steve@nwenergy.org</a></p>	<p>JAMES EDELSON (W) (HC)  ECUMENICAL MINISTRIES OF OREGON  415 NE MIRIMAR PL  PORTLAND, OR 97232  <a href="mailto:Edelson8@comcast.net">Edelson8@comcast.net</a></p>
<p>JEREMIAH BAUMANN (W)  OREGON STATE PUBLIC INTEREST RESEARCH  GROUP  CLEAN ENERGY ADVOCATE  1536 SE 11<sup>TH</sup> AVE  PORTLAND, OR 97214  <a href="mailto:Jeremiah@ospirg.org">Jeremiah@ospirg.org</a></p>	<p>ALAN KESSLER  ACCION GROUP INC  244 NORTH MAIN STREET  CONCORD, NH 03001  <a href="mailto:akessler@acciongroup.com">akessler@acciongroup.com</a></p>
<p>HAROLD T. JUDD  ACCION GROUP INC  244 NORTH MAIN STREET  CONCORD, NH 03001  <a href="mailto:hjudd@acciongroup.com">hjudd@acciongroup.com</a></p>	<p>ANDREW LUDWIG  BOSTON PACIFIC COMPANY INC  1100 NEW YORK AVENUE NW, SUITE 490 EAST  WASHINGTON DC 20005  <a href="mailto:aludwig@bostonpacific.com">aludwig@bostonpacific.com</a></p>
<p>CRAIG ROACH  BOSTON PACIFIC COMPANY INC  1100 NEW YORK AVENUE NW, SUITE 490 EAST  WASHINGTON DC 20005  <a href="mailto:croach@bostonpacific.com">croach@bostonpacific.com</a></p>	

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1208**

In the Matter of PacifiCorp's Draft 2012  
Request for Proposals

**REQUEST FOR ACKNOWLEDGMENT  
OF FINAL SHORTLIST OF BIDDERS  
IN 2012 REQUEST FOR PROPOSAL**

PacifiCorp d/b/a Pacific Power ("PacifiCorp" or "Company") hereby requests that the Public Utility Commission of Oregon ("Commission") acknowledge the final shortlist of bidders in PacifiCorp's 2012 Request for Proposals for Base Load Resources ("2012 RFP").

In support of this Request, PacifiCorp states as follows:

1. This Request is filed pursuant to Order No. 06-446, which allows a utility the opportunity to request the Commission to acknowledge the utility's selection of its final shortlist of RFP resources. *See* Order No. 06-446 at p. 14.

2. Communications regarding this filing should be addressed to:

Oregon Dockets  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232  
Phone: 503.813.5542  
Email: [oregondockets@pacificorp.com](mailto:oregondockets@pacificorp.com)

Jordan A. White  
PacifiCorp  
825 NE Multnomah, Suite 1800  
Portland, OR 97232  
Phone: 503.813.5613  
Email: [jordan.white@pacificorp.com](mailto:jordan.white@pacificorp.com)

In addition, PacifiCorp requests that all data requests regarding this application be sent to the following:

By email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)  
By Fax: 503.813.6060  
By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR, 97232

Informal questions may be directed to Joelle Steward, Oregon Regulatory Affairs Manager at 503.813.5542.

### **Procedural Background**

3. On January 23, 2006, the Commission issued Order No. 06-029 (Docket No. LC 39), acknowledging PacifiCorp's 2004 Integrated Resource Plan ("2004 IRP") with certain exceptions, agreed upon modifications and requirements for the next planning cycle.

4. On July 11, 2006, PacifiCorp filed a draft of its 2012 RFP. One month later, the Commission issued competitive bidding requirements for new supply-side resource acquisitions applicable to Oregon's investor-owned utilities. *See* Order No. 06-446 ("RFP Order"). Pursuant to the RFP Order, PacifiCorp filed a series of revised drafts of its 2012 RFP on August 30, October 4 and November 1 of 2006, respectively. Although approval of the 2012 RFP was denied in Order No. 07-018, the Commission indicated that the Company may still seek acknowledgment of its final shortlist of bidders. *See* Order No. 07-018 at p. 10 and Order No. 06-676 at pp. 3-4.

5. Guideline 5 of the RFP Order requires the use of an independent evaluator to oversee the RFP process and to ensure that it is conducted fairly and properly. *See* RFP Order at p. 6. To meet this requirement, the Commission adopted Staff's proposed selection process for an Oregon independent evaluator, and ultimately selected Boston Pacific and Accion Group to jointly serve as the Oregon independent evaluator ("IE"). *See* Order No. 05-050.

6. PacifiCorp issued its 2012 RFP to the market on April 5, 2007.

7. On May 30, 2007, PacifiCorp filed its 2007 IRP with the Commission in Docket No. LC 42.

8. On April 24, 2008, the Commission acknowledged PacifiCorp's modified 2007 IRP with exceptions and requirements for the next planning cycle. *See* Order No. 08-232.

9. Because the Commission did not approve the 2012 RFP, PacifiCorp wanted to ensure that any request for acknowledgement of the final shortlist of RFP resources ("Final Shortlist") was brought at a time where it was very likely that PacifiCorp would proceed with a resource selection from the 2012 RFP. Given the significant volume of RFP activity and the waiver proceeding on the Chehalis power plant over the past few months, PacifiCorp sought to judiciously use its request for acknowledgement.

#### **Final Shortlist Selection Process**

10. In developing the 2007 IRP, PacifiCorp went through the process of selecting a preferred portfolio of near-term resource acquisitions to meet a forecast of its customers' needs for electric capacity and energy. The preferred portfolio was selected by applying the following modeling analysis to resources: (1) define portfolios; (2) assess stochastic risk; and (3) assess scenario risk. As discussed below, this modeling analysis is one in the same with that utilized to develop the Final Shortlist that is the subject of this Request.

11. In selecting the Final Shortlist of bidders, PacifiCorp began by removing the three east-side resources from its 2007 IRP preferred portfolio: (a) a 340 MW pulverized coal-fired resource in Utah set for operation in 2012; (b) a 548 MW gas-fired combine cycle plant in the east side set for operation in 2012; and (c) a 527 MW pulverized coal-fired plant

in Wyoming set for operation in 2014. [REDACTED] bids and three benchmarks were then allowed to compete for the replacement of those resources.

12. In line with the 2007 IRP selection process, PacifiCorp next applied the Capacity Expansion Model (“CEM”) to the remaining [REDACTED] resources to define the lowest cost mix of future resources based on a range of assumptions about future market prices for fuel, electricity, carbon dioxide (“CO<sub>2</sub>”) emission compliance costs, and required reserve margins (“Optimized Portfolios”).

13. The Planning and Risk Model (“PaR”) was then applied to the Optimized Portfolios in order to quantify the expected cost and risk of each resource. The PaR evaluates each resource under a varying range of assumptions for factors including electric demand, outages and fuel price. The best performing resources under the PaR were analyzed once again under the CEM to estimate costs. In other words, the CEM was applied to determine how the cost of those resources varied with different assumptions about fuel price, CO<sub>2</sub> compliance costs and electric demand.

14. Upon completion of the analysis above, and after consultation with the Oregon and Utah Independent Evaluators, PacifiCorp selected a two tier Final Shortlist. The top tier contained [REDACTED] submitted in the 2012 RFP, which were so ranked because they were found to be the most “robust” in the PaR analysis. These [REDACTED] bids

included: [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[REDACTED]

[REDACTED] Based on the PaR analysis, these three top-ranked bids were those which delivered the lowest risk cost when tested across a wide range of assumptions.

15. The second tier of bids selected by PacifiCorp for potential further consideration was comprised of bids that, while not as “robust” as the top tier, demonstrated a level of robustness in the PaR analysis. These bids included: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

16. [REDACTED]

[REDACTED]

[REDACTED]

17. [REDACTED]

[REDACTED]

18. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

19. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Competitive Bidding Guidelines (RFP Order)**

21. In Guideline 7 of the RFP Order, the Commission adopted a three-part RFP approval standard: (1) alignment of the utility’s RFP with its acknowledged IRP; (2) the RFP’s adherence to the Commission’s competitive bidding guidelines; and (3) the overall fairness of the bidding process. *See* RFP Order at pp. 9-10.

22. Significant to this Request, Guideline 13 of the RFP Order allows a utility to seek Commission acknowledgment of the Final Shortlist. *See* RFP Order at p. 14. In making such a request, Guideline 13 directs utilities to discuss the consistency of the Final Shortlist with its acknowledged IRP Action Plan and to explain whether the Final Shortlist is consistent with the near-term resource acquisitions identified in its acknowledged IRP. *Id.*

23. In Order No. 06-676, the Commission further indicated that to obtain acknowledgment, a utility must demonstrate that it has overcome the previously identified

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<sup>1</sup> [REDACTED]

deficiencies that prevented Commission approval of the RFP. *See* Order No. 06-676 at pp. 3-4.

**PacifiCorp's Acknowledged IRP Action Plan is Consistent with Final Shortlist**

24. In PacifiCorp's 2004 IRP, the Action Plan provided for the procurement of a flexible resource in or delivered to Utah by the summer of 2009 (550 MW-natural gas fired combined cycle combustion turbine) and procurement of a high capacity factor resource in or delivered to Utah by the summer of 2011 (600 MW-pulverized coal plant). In the 2004 IRP acknowledgement order, the Commission stated: "[w]e cannot dismiss the need for one such plant on the East side of PacifiCorp's system in the near future. Given the deficiencies identified in the IRP analysis, however, we cannot tell when such a plant might be needed. Therefore, we decline to acknowledge either the 550 MW flexible resource (modeled as a gas-fired CCCT) or a 600 MW high capacity factor resource (modeled as a pulverized coal plant) in, or delivered to, Utah by CY 2011." Order No. 06-029 at p. 50.

25. In PacifiCorp's 2007 IRP, the Action Plan provided for the procurement of a diverse mix of base load/intermediate load resources, including: a 550 MW natural gas fired combined cycle combustion turbine plant in the east side of PacifiCorp's system by the summer of 2012 (Action Item 7); a 350 MW supercritical pulverized coal plant in the east side of PacifiCorp's system by the summer of 2012 (Action Item 8); a 350 MW supercritical pulverized coal plant in the east side of PacifiCorp's system by the summer of 2014 (Action Item 9); and a 600 MW natural gas fired combined cycle combustion turbine plant in the west side of PacifiCorp's system by the summer of 2011-2012 (Action Item 11).

26. Pursuant to Order No. 08-232, the Commission acknowledged PacifiCorp's 2007 IRP with exceptions and requirements for the next planning cycle. In its recommendations to the Commission, Staff opposed the inclusion of coal resources, but acknowledged the need for additional thermal resources on the east side of PacifiCorp's system. *See* Order 08-232 at p. 30. For example, Staff recommended that in lieu of Action Items 7 and 8, the Action Plan be modified to allow for the procurement of flexible resources in the east (other than coal plants) by the summer of 2012. *See* Order 08-232 at p. 32-34. Staff also recommended that PacifiCorp's Action Item 9 be modified to allow for the procurement of resources in the east by the summer of 2014 other than pulverized coal plants. *Id.*

27. PacifiCorp did not object to Staff's proposal, except for the explicit exclusion of coal plants from consideration. *See* Order 08-232 at p. 34. Ultimately, the Commission adopted Staff's recommendation to except Action Items 7, 8, 9 and 11. The Commission noted, however, that it would have acknowledged those Actions Items with Staff's proposed modifications. *Id.*

28. PacifiCorp's Final Shortlist (comprised of [REDACTED]) is consistent with Staff's proposed modifications to the 2007 IRP. Also as recommended by Staff, the size and type of the resources comprising the Final Shortlist were selected after updating DSM and renewable resource analyses, accounting for changes in resources, and refining load forecasts. *See* Order 08-232 at pp. 10-11.

### **The Final Shortlist Overcomes RFP Deficiencies Identified by Commission**

29. At the time the Commission considered PacifiCorp's draft 2012 RFP it was evaluated against the 2004 acknowledged IRP (Order No. 06-029). The Commission determined at that time that PacifiCorp's draft 2012 RFP was not aligned with its acknowledged 2004 IRP. As indicated by the Commission, however, the Company was in the process of developing a revised IRP at the time the Draft RFP was being considered. *See* Order No. 07-018 at p. 4. Although the Draft RFP was being evaluated against an outdated IRP, the Commission was limited to conduct its analysis based on the latest acknowledged 2004 IRP. *Id.* at p. 3.

30. Unlike the 2004 IRP, the IRP being developed at the time accounted for changes in load forecasts, resource acquisitions and revised assumptions. These changes were the driving force behind the 2007 IRP and its accompanying Action Plan, which was later modified and acknowledged with exceptions by the Commission. *See* Order No. 08-232. Thus, the deficiencies identified in the Draft RFP were primarily the product of unfortunate timing and have since been made moot with the acknowledgement of the 2007 IRP.

31. For example, in developing the 2007 IRP, the Company conducted analyses aimed at satisfying the Commission's direction to explore other resources, including testing a portfolio that excluded pulverized coal plants and a portfolio that delayed pulverized coal plants until 2015. As noted above, the preferred portfolio from the 2007 RFP was utilized as the starting point for the Final Shortlist.

### IE Report Supports Final Shortlist


32. On April 8, 2008, the IE submitted its Final Closing Report on PacifiCorp's 2012 RFP (IE Report), which did not fully agree with PacifiCorp's later decision to [REDACTED], thereby removing it from the Final Shortlist. Although the IE Report has not been updated, it would seem rational that, with PacifiCorp's further analysis and consideration of [REDACTED] (the IE's one criticism), the IE would now fully concur with the Final Shortlist ([REDACTED]).

### Request for Commission Decision by February 13, 2009

33. [REDACTED]

[REDACTED] For these same reasons, PacifiCorp respectfully requests that the Commission acknowledge its Final Shortlist for its 2012 Request for Proposals for Base Load Resources by February 13, 2009.

DATED: December 4, 2008.

  
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Jordan A. White  
Legal Counsel  
Pacific Power  
PacifiCorp