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April 24, 2009

***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 1368 – PacifiCorp 2008R-1 Request for Proposals – Request for Acknowledgement

Enclosed for filing by PacifiCorp d/b/a Pacific Power in the above referenced matter are two separate versions of PacifiCorp's Request for Acknowledgement of Final Shortlist of Bidders in 2008R-1 Request for Proposal. One version has been redacted to remove confidential information.

The other version is not redacted and contains "Confidential Information" that falls within the scope General Protective Order No. 08-213. Therefore, PacifiCorp requests confidential treatment of the non-redacted version in accordance with the terms of Order No. 08-213 and submits the confidential version printed on yellow paper, separately bound and bearing the legend "CONFIDENTIAL - 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. 08-213 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 in UM-1368

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1368

In the Matter of PacifiCorp’s Request for
Approval of a 2008R-1 Solicitation
Process for New Renewable Resources

**REQUEST FOR ACKNOWLEDGMENT
OF FINAL SHORTLIST OF BIDDERS
IN 2008R-1 REQUEST FOR
PROPOSALS**

1 PacifiCorp d/b/a Pacific Power (“PacifiCorp” or “Company”) hereby requests that
2 the Public Utility Commission of Oregon (“Commission”) acknowledge the final shortlist
3 of bidders (“Final Shortlist”) in PacifiCorp’s Request for Proposals for Renewable
4 Electric Resources (“2008R-1 RFP”).

5 In support of this Request, PacifiCorp states as follows:

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

9 2. Communications regarding this filing should be addressed to:

10	Oregon Dockets	Jordan A. White
11	PacifiCorp	PacifiCorp
12	825 NE Multnomah, Suite 2000	825 NE Multnomah, Suite 1800
13	Portland, OR 97232	Portland, OR 97232
14	Phone: 503.813.5542	Phone: 503.813.5613
15	Email: oregondockets@pacificorp.com	Email: jordan.white@pacificorp.com

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

18 By email (preferred): datarequest@pacificorp.com

19 By Fax: 503.813.6060

1 By regular mail: Data Request Response Center
2 PacifiCorp
3 825 NE Multnomah, Suite 2000
4 Portland, OR, 97232

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

7 **2008R-1 RFP Introduction and Background**

8 3. On March 4, 2008, PacifiCorp filed an application requesting the
9 Commission to (1) open a docket for approval of a solicitation process for the 2008R-1
10 RFP; and (2) allow PacifiCorp to request and receive comments on a draft request for
11 proposal for appointment of an independent evaluator.

12 4. The Commission thereafter selected Boston Pacific Company to serve as
13 the Oregon independent evaluator (“Oregon IE”) for the 2008R-1 RFP. *See* Order No.
14 08-248.

15 5. As explained in PacifiCorp’s initial application, the purpose of the 2008R-
16 1 RFP is to prescribe the process by which PacifiCorp would request and evaluate
17 proposals from bidders to acquire a portion of the renewable resource generation
18 identified in the Company’s 2007 Integrated Resource Plan (“2007 IRP”).

19 6. To that end, the 2008R-1 RFP solicits system-wide (east and west)
20 renewable resources new to the Company’s portfolio which are capable of delivery,
21 within the prescribed period of time, in or into PacifiCorp’s network transmission system
22 or to another Company prescribed point(s) that would enable the Company to meet its
23 obligations. The targeted acquisition of the 2008R-1 RFP is up to 500 MW of renewable
24 resources with commercial operation dates prior to December 31, 2011, with a limit of
25 300 MW per resource.

1 7. The Commission focuses its consideration of RFP approval on three
2 criteria: “1) The alignment of the utility’s RFP with its acknowledged Integrated
3 Resource Plan; 2) Whether the RFP satisfies the Commission’s competitive bidding
4 guidelines; and 3) the overall fairness of the utility’s proposed bidding process.” *See*
5 Order 08-476 at p.1. Having applied these criteria, the Commission approved the 2008R-
6 1 RFP on September 23, 2008 with certain conditions. *Id.* at p. 2. The Company has
7 addressed all the conditions set forth in Order No. 08-476, as outlined in the attached
8 Appendix A.

9 8. The 2008R-1 RFP was subsequently issued to the market on October 6,
10 2008. Bids were due December 22, 2008.

11 9. Because the acquisition of a successful resource under the 2008R-1 RFP
12 would not occur until 2009, PacifiCorp was required to amend and re-issue the 2008R-1
13 to accommodate Utah resource procurement law. *See* Utah Code Ann. § 54-17-
14 502(2)(a)(i).

15 10. The amended 2008R-1 RFP was altered in the following ways only: (1) it
16 allowed bidders whose bids were received on December 22, 2008 to update their bids; (2)
17 it provided new bidders the opportunity to bid into the amended 2008R-1 RFP; and (3) it
18 modified the schedule to allow for updated and new bids.

19 11. PacifiCorp issued the amended 2008R-1 RFP to the market on January 26,
20 2009, after obtaining approval from the Commission on January 21, 2009. *See* Order No.
21 09-017. Bids to the amended 2008R-1 RFP were due on February 27, 2009.

Final Shortlist Selection Process

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12. PacifiCorp received [REDACTED] in response to the 2008R-1 RFP. Of those proposals, [REDACTED] were found responsive to the terms of the 2008R-1 RFP. The responsive proposals were comprised of [REDACTED].

13. PacifiCorp’s analysis of the proposals focused on determining which resources would provide the best value to customers on a system-wide planning basis to meet customer requirements at the least-cost, a risk-adjusted. To achieve these objectives, PacifiCorp evaluated the proposals in a two-step process. First, the Company selected three Initial Shortlists: (a) west wind; (b) east wind; and (3) all other renewable resources. The purpose of first selecting three separate Initial shortlists was to capture location resource diversity and the different sources of renewable resources.

14. The three Initial Shortlists were comprised of the highest scoring proposals in each of the three respective segments, based on price and non-price factors. The price factor was derived by using the PacifiCorp Structuring and Pricing RFP Base Model (“RFP Base Model”), which determines the top-performing proposals on the basis of the net present value revenue requirement (“Net PVRR”) per kilowatt month (“Net PVRR/kW-mo”). The Net PVRR component views the value of the energy and capacity as a positive and the offsetting costs of the proposal as a negative. The more positive the Net PVRR, the more valuable a given resource is to PacifiCorp’s customers.

15. The Company evaluated the non-price factors as negative or positive based on the following criteria (a) conformity with 2008R-1 RFP bid requirements; (b) conformity with the *pro forma* power purchase agreements (“PPA”) or build-own-

1 transfer (“BOT”) documents and/or Asset Acquisition and Sale Agreement (“AASA”)
2 attached as exhibits to the 2008R-1 RFP; (c) feasibility of the proposal; (d) site control or
3 permitting of the proposal; and (e) operational viability of the proposal.

4 16. Based on the application of these factors, PacifiCorp selected [REDACTED]
5 [REDACTED] for the east wind Initial Shortlist.
6 PacifiCorp selected [REDACTED] for the west wind Initial
7 Shortlist. PacifiCorp selected [REDACTED] for the other
8 renewable resource Initial Shortlist.

9 17. PacifiCorp has in its possession work papers supporting the selection of
10 the Initial Shortlists. Due to the highly-confidential nature of the Initial Shortlist work
11 papers, the Company intends to file them with the Commission after seeking additional
12 protective measures beyond those contained in General Protective Order No. 08-213.

13 18. After PacifiCorp selected the three Initial Shortlists, it moved to step two
14 of the evaluation process; selection of the Final Shortlist. To select the Final Shortlist,
15 the Company applied its next highest alternative cost for compliance (“ACC”) analysis
16 methodology for renewable resources to each of the three Initial Shortlists. This resource-
17 specific analysis allows the Company to compare a resource against the potential next
18 highest alternative cost for renewable resource compliance. In essence, the result of the
19 ACC analysis shows how the resource compares to the undifferentiated power market.
20 The ACC analysis also incorporates a resource’s risk-adjusted system benefit, using
21 PacifiCorp’s integrated resource planning stochastic production cost model. A negative
22 ACC indicates that the resource is valued below the undifferentiated market whereas a
23 positive ACC indicates that the resource is valued above the undifferentiated market.

1 19. With this Request, PacifiCorp provides white papers discussing the
2 following components of the ACC analysis: wind system benefit, capacity contribution,
3 wind integration and terminal value. The white papers are attached as Appendices B, C,
4 D and E, respectively.

5 20. Upon completion of the ACC analysis, and after consultation with the
6 Oregon IE and Utah consultant, PacifiCorp selected [REDACTED]
7 as the Final Shortlist. These proposals included: [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 21. PacifiCorp has in its possession work papers supporting the selection of
13 the Final Shortlist. Due to the highly-confidential nature of the Final Shortlist work
14 papers, the Company intends to file them with the Commission after seeking additional
15 protective measures beyond those contained in General Protective Order No. 08-213.

16 22. The Company intends to refine its analysis of the Final Shortlist bids to
17 address localized issues, to include third party expert review of bids' [REDACTED]
18 and proposed technology, to assess bid-specific transmission impacts, and to negotiate
19 with Final Shortlist bidders for the lowest price and acceptable terms before selecting a
20 potential resource from the Final Shortlist.

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

22 23. On August 10, 2006, the Commission issued competitive bidding
23 requirements for new supply-side resource acquisitions applicable to Oregon's investor-

1 owned utilities. *See* Order No. 06-446 (“RFP Order”).

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

7 25. On May 30, 2007, PacifiCorp filed its 2007 Integrated Resource Plan
8 (“2007 IRP”) with the Commission in Docket No. LC 42. The Commission later
9 acknowledged the 2007 IRP with exceptions and requirements for the next planning
10 cycle. *See* Order No. 08-232.

11 26. PacifiCorp filed a 2007 IRP Update with the Commission on June 11,
12 2008.

13 27. Action Item 1 of the 2007 IRP identifies 2,000 MW of renewable
14 resources to be acquired by 2013, including 1,400 MW of renewable resources outlined
15 in PacifiCorp’s Renewable Energy Action Plan. Under this plan, the Company seeks to
16 acquire 1,400 MW of new renewable resources by 2010, with an additional 600 MW in
17 place by 2013. Although the Company used wind for modeling purposes in the IRP
18 process, renewable generation can include other fuel sources such as biomass and solar.

19 28. The 2007 IRP Update does not revise Action Item 1, other than to indicate
20 that “PacifiCorp has initiated two RFPs in 2008 to support this acquisition plan.”

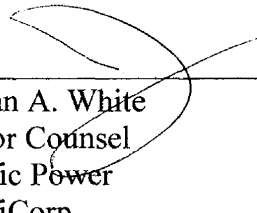
21 29. As earlier indicated, the 2007 IRP was acknowledged by the Commission
22 in Order No. 08-232. Although certain of the Action Items contained in the 2007 IRP
23 were excepted, Action Item 1 was acknowledged by the Commission.

1 30. PacifiCorp is currently in the final drafting stages of its 2008 IRP, which is
2 anticipated to be filed with the Commission for approval in May of 2009. Action Item 1
3 of the 2008 IRP is also consistent with PacifiCorp's selection of the Final Shortlist and is
4 amended only by calling for the procurement of up to 500 MW of cost-effective
5 renewable resources starting in the 2012 to 2018 time frame. PacifiCorp anticipates
6 procuring such renewable resources by utilizing RFPs similar to the 2008R and 2008R-1
7 RFPs.

8 31. PacifiCorp's Final Shortlist is fully consistent with Action Item 1 of the
9 acknowledged 2007 IRP, 2007 IRP Update and draft 2008 IRP.

10 For the reasons stated above, PacifiCorp respectfully requests that the
11 Commission acknowledge its Final Shortlist of bidders to the 2008R-1 RFP.

DATED: April 24, 2009.



Jordan A. White
Senior Counsel
Pacific Power
PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket No. UM 1368 on the following named person(s) below by e-mail and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below:

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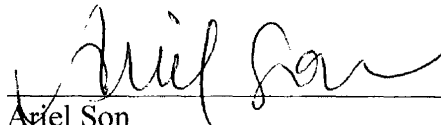
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DATED: April 24, 2009.



Ariel Son

Coordinator, Regulatory Operations

Appendix A

Appendix A to Request for Acknowledgment

Compliance with Order No. 06-446 Conditions

1. Pacific Power must remove the provision in the pro forma power purchase agreement giving Pacific Power the right to acquire the facility at the end of the contract term or upon termination.

Compliance Status: The Company removed the provision and bidders had the right to provide a purchase option at fair market value at the end of the contract.

2. Pacific Power's Benchmark Resources must be subject to the same standard as bids for demonstrating a contract to purchase major equipment and a process to adequately acquire other equipment with a long lead-time.

Compliance Status: The Company removed the Benchmark Resource from the 2008R-1 RFP, thus making this requirement no longer applicable.

3. Unless the federal production tax credit for renewable resources is extended through 2011 prior to RFP issuance, Pacific Power must require bidders to provide two sets of prices—one assuming the federal production tax credit will continue and another assuming it will not. Pacific Power must submit estimated costs for its Benchmark Resources in the same manner and evaluate bids and Benchmark Resources under both assumptions.

Compliance Status: The federal production tax credit has been extended through 2012.

4. If short-listed bids have positive Alternative Cost of Compliance values, Pacific Power must perform additional analysis to assess the market value of renewable energy credits, compliance with RPS requirements, and potential regulation of carbon dioxide emissions, consistent with the Company's acknowledged 2007 IRP.

Compliance Status: The requirement to further analyze any bids with positive Alternative Cost of Compliance (ACC) was to ensure that the company would not reject all positive ACCs and only consider the negative ACC in seeking the Final Shortlist. Rather than completing the above analysis, the Company has included one negative and four positive bids with Alternative Cost of Compliance values.

5. Pacific Power must reflect the incremental value of capacity in its evaluation. Incremental capacity value means the difference between: a) the capacity value reflected in the Avoided Cost of Compliance method based on the IRP proxy wind resources; and b) Bids that have a high capacity factor (geothermal and biomass), bids that are solar resources, and wind bids or Benchmark Resources that have higher capacity values due to locational advantages. The RFP must describe the methodology Pacific Power will use to determine the incremental capacity value. The Oregon IE should advise

the Commission whether the Company's methodology appropriately accounts for this value.

Compliance Status: The Company reviewed the incremental value of capacity with the Oregon Independent Evaluator. The Independent Evaluator advised the Company that its methodology appropriately accounts for the incremental value of capacity in the evaluation. The Company is unaware of whether the Independent Evaluator has informed the Commission.

6. Pacific Power must file for approval all requests for new bidders or substantive RFP amendments. Filings will be treated on an expedited basis upon request.

Compliance Status: Pacific Power issued the 2008R-1 RFP on October 6, 2008, with bids due on December 22, 2008. It reissued the 2008R-1 RFP on January 26, 2009, with bids due on February 27, 2009. In both cases, the Company sought and received approval from the Commission prior to issuing the RFPs.

7. Pacific Power must adjust the submitted capital costs of Benchmark Resources for risk in the following manner:

a. Establish with the Oregon IE the indexes and percentage split between the indexes.

b. Add to the expected mean escalation of the indexes the 95th percentile escalation adjusted for the probability of its occurrence.

c. Include the risk adjustment for the Benchmark Resources in the initial and final short-list evaluation, applying the agreed-upon escalator to 100 percent of the submitted capital costs—except to the extent the Company demonstrates it has purchased equipment at a fixed price and commits to using that equipment for the Benchmark Resources.

Compliance Status: The Company removed the Benchmark Resource from the 2008R-1 RFP, thus making this requirement no longer applicable.

8. Pacific Power must modify Section 9.6 of the pro forma power purchase agreement to remove the requirement that the Seller must be the Western Renewable Energy Generation Information System Qualified Reporting Entity unless Pacific Power opts to provide this service.

Compliance Status: Section 9.6 of the pro forma power purchase agreement was modified as directed by the Commission.

9. Pacific Power must reduce the success fee to an amount commensurate with its contract with the Oregon Independent Evaluator.

Compliance Status: The success fee was reduced commensurate with the contract with the Oregon IE at the time the 2008R-1 RFP was issued to market.

10. RFP approval does not imply endorsement of any of the Company's Benchmark Resources.

Compliance Status: No action by PacifiCorp is required.

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

Compliance Status: No action by PacifiCorp is required.

Appendix B

CONFIDENTIAL

**THIS APPENDIX IS CONFIDENTIAL
AND IS PROVIDED UNDER
SEPARATE COVER**

Appendix C

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Appendix D

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Appendix E

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