PacifiCorp
Draft RFP
Responses due May 2007

Request for Proposals
Base Load Resources

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SECTION 1. INTRODUCTION

A. **Purpose and Scope**

The purpose of this document is to prescribe the process by which PacifiCorp ("the Company") will request and evaluate proposals from third parties to fulfill a portion of the supply-side resource need identified in the Company's 2004 Integrated Resource Plan ("IRP"). The scope of this Request for Proposals ("RFP"), subject to the limitations described herein, is focused on all Base Load supply-side resources capable of delivering energy and capacity in or to the Company's Network Transmission system in the Company's Eastern Control Area ("PACE") (www.oasis.pacificorp.com) and that fulfills the requirements of being a Network Resource. A Base Load supply-side resource is defined as any resource with any type of fuel source that provides unit contingent or firm capacity and associated energy that are incremental to the Company's existing capacity and energy resources and are available for dispatch or scheduling by June 1, 2012, 2013 and/or June 1, 2014.

An Independent Evaluator ("IE") hired by the Utah Public Service Commission will be involved in all aspects of receiving, evaluating, and ranking bids in response to this RFP, and in ensuring fairness throughout the RFP process. A second IE has been retained for the Oregon process. The Oregon Commission has denied the Request for Proposal[1] however, has clarified that the company is not required to have Commission approval prior to issuing a Request for Proposal. The company does not have a regulatory out clause in any of the underlying contracts and the company will not be seeking to add such clause during subsequent negotiations. The company does retain the option of seeking regulatory acknowledgement of the shortlist consistent with Oregon Order No. 06-446 and rate recovery consistent with standard rate making practices. PacifiCorp will request the Utah Public Service Commission to approve the resources selected. As a condition of participation in the Request for Proposal process all Bidders will be required to indemnify and hold harmless the IEs for its actions associated with the Request for Proposal process. PacifiCorp will also request the Oregon Public Utility Commission to acknowledge the final shortlist of resources. Potential bidders are invited and encouraged to contact either of the IEs with questions or concerns. Contact information for the IEs is as follows:

Utah Independent Evaluator
Merrimack Energy Group, Inc.
c/o Utah Division of Public Utilities
160 E 300 S, 4th floor
Salt Lake City, Utah 84111
www.merrimackenergy.com

Oregon Independent Evaluator
Accion Group and Boston Pacific Company, Inc.
c/o Oregon Public Utility Commission
550 Capitol Street, N.E. Suite 215
Salem, Oregon 97301

[1] http://apps.puc.state.or.us/edockets/orders.asp?ordernumber=07-018.

As described in more detail below, the Company has adopted prudent safeguards to assure that no bias occurs. The Company seeks proposals from all potential suppliers who can meet the conditions of this RFP. Bidders should note that although from a planning basis the IRP uses specific types of resources in the base case and in the preferred portfolio this should not be considered by Bidders to be the only resource type or technology that the Company is willing to consider. **Any Bidder who has a question with respect to any resource characteristic it is considering to bid is instructed to contact the IEs after the final and approved issuance of the RFP.**

The Company may opt to contract for more or less power, depending among other things, on the quality of bids received in response to the RFP, updates to the Company's forecasts, regional transmission availability and timing, and changes in the wholesale energy market conditions.

This introductory section describes the type, timing and amount of Base Load resources sought for delivery in 2012, 2013 and 2014 ("the Term"). The company will only have two benchmark resources for the Term however, the Request for Proposal may solicit up to 1700 MW of cost effective resources over the Term which is explained in more detail in Section 5. Section 2 covers logistics such as where and when proposals must be submitted, bid fees and important policies and procedures. Section 3 provides information related to power delivery requirements, including RFP related requirements for those proposals involving interconnection of new generation facilities directly to the transmission system. Section 4 outlines the requirements to be included within each proposal. Section 5 outlines the evaluation process. Section 6 outlines the awarding and rejecting of proposals. All of the required Appendices, Attachments and Forms for each of the Eligible Resource Alternatives are included.

The resource need assessment for the Term is outlined below. The total resource need is a combination of supply-side resources required for PacifiCorp's system during the Term. The 2004 acknowledged IRP assumed a 15% planning margin. For purposes of this RFP the planning margin will evaluate proposals using both a 12% and 15% planning margin. The planned renewable targets set forth in the IRP are not included for purposes of calculating resource needs in the following table; however, the renewable targets will be inputs into the Capacity Expansion Model (which is discussed in more detail in Section 5) based on IRP forecasted price.

The issues of timing and requirements of resources in light of uncertain load growth, changes in technology, environmental requirements and costs (i.e. CO_2 and mercury impacts), market prices and resources availability and other factors are exacerbated by the trend toward long lead time coal based benchmark resources. To address such uncertainty the Company has included one benchmark option for 2012 and two benchmark options for 2014 that have different risk and cost profiles. While the Company has proposed an IGCC benchmark option for only 2014, this RFP invites Bidders to submit IGCC proposals for either 2012, 2013, or 2014 The Company will submit a detailed evaluation for each Benchmark Resource, with supporting cost information, to the Oregon Commission and the IEs prior to the opening of proposals submitted by the Bidders. If during the course of the RFP process, the Company, with input from the IEs, determines that a Bidder update is appropriate, the Company will then also be entitled to update the assumptions in the Benchmark Resource(s). The IEs will review the reasonableness of the Benchmark Resource(s).

As a result of the uncertainties identified above, PacifiCorp is interested in proposals which offer PacifiCorp flexibility in terms of the commencement date of delivery in the contract and which provide PacifiCorp the ability to defer or accelerate the in-service date of the contract or buy-out the contract at its option. If Bidders provide proposals which would include an option to extend the proposal beyond the original Term, Bidders are required to call out such option and the required terms, condition and price upon which the company would exercise such option. If the Bidder is not offering to extend the Term and no such option language is included in the Proposal, the company will not assume that the Eligible Resource extends beyond the Term provided by the Bidder. Bidders are encouraged to be creative in their proposals within the scope of the Request for Proposal. To the extent Bidders want to propose in-service date deferral or acceleration options, Bidders should provide a complete description of their proposed deferral or acceleration option as an attachment to **Form 2**. Bidders should provide a schedule that offers a one year in-service date deferral option and a one year acceleration option along with the strike price (in total dollars) for which PacifiCorp would compensate the Bidder for exercising the option at each milestone date identified in **Form 2**. The schedule should also include the milestone dates prior to the proposed in-service date at which PacifiCorp could decide to exercise the deferral or acceleration option. Bidders can also offer a price schedule associated with the option for PacifiCorp to buy-out the contract at different milestone dates prior to commercial operations. For the buyout option, Bidders should use **Form 2** as a component of their bids. Bidders can provide breakup fees for all the milestone dates listed in **Form 2**, or identify select milestones and submit breakup fees for those dates. The milestones may be modified by the Bidders to address the specific project and proposal. For each option, Bidders should identify the option proposed along with specific triggers (i.e., triggers associated with specific milestones) within the Bidder's proposal. Concerning deferral, acceleration, and breakup options, Bidders must complete **Form 2** with suggested milestones and strike price. For each resource and alternative proposed, **Forms 1** and **2** should be completed, if applicable.

Potential Bidders should note that pursuant to applicable law, this RFP process will be subject to the safeguards of review by, and involvement of, an IE consistent with the Utah Energy Resource Procurement Act Section 54-17-203 and Oregon Order No. 06-446 Guideline 5. An IE has been hired by the Utah Commission and a separate IE has been hired in Oregon.. More information concerning the role of the IEs is provided in **Attachment 4**.

B. **Eligible Resource Alternatives**

The Company is seeking Base Load resource(s) for delivery in 2012, 2013 and/or 2014 (See **Attachment 1** for a description of the engineering specifications, fuel type, technology, efficiency, location, projected life, transmission requirements and operation and dispatch characteristics of each Company Benchmark). Unless a resource qualifies for one of the exceptions outlined below, the minimum bid that will be accepted is for 100 MW or greater of dependable capacity and a minimum term of five (5) years. Any Base Load resource(s) bid must provide unit contingent or firm capacity and associated energy that are incremental to the Company's existing capacity and energy resources and are available for dispatch or scheduling by June 1, 2012, 2013 and/or June 1, 2014.

For each proposal submitted by a Bidder, the Bidder **must** submit its individual proposal under only one of the ten Eligible Resource Alternatives or one of the two exceptions contained in Section 1.C. The Company will not consider a proposal unless the Bidder has selected one of the nine alternatives **or** one of the two exceptions of Eligible Resource Alternatives listed in the Request for Qualifications (Appendices A and B).

PacifiCorp is interested in creative proposal options that add value to customers. As a result, PacifiCorp encourages bidders to offer several different alternatives under the same proposal. For each proposal, Bidders are allowed to submit a base proposal and up to two alternatives for the same bid fee. Bidders will also be allowed to offer up to three additional alternatives at a fee of $1,000 each. Alternatives will be limited to different bid sizes, contract term, pollution control technologies, water cooling technologies, carbon capture design components, in-service dates and/or pricing structure (including, with respect to bids in the IGCC proposals category, a federal loan guarantee or tax credit support). To the extent a Bidder's proposal is subject to a federal loan guarantee or tax credit support, the Company will analyze the proposal with and without the guarantee or tax credit. A Bidder may submit more than one proposal, but each proposal can be for only one Eligible Resource Alternative. A proposal for a different Eligible Resource Alternative at a different site or using a different combustion technology will be considered a separate proposal and will be subject to a separate bid fee. For example, if the Bidder submits the same Eligible Resource Alternative proposal but with three different bid sizes, the proposal will be considered one proposal with two alternatives and the Bidder will receive three separate bid numbers for the proposal and pay one bid fee. The Company's objective in offering Bidders the opportunity to propose multiple alternatives is to allow the Company to optimize the benefits from the solicitation by combining proposals of different sizes, terms and in-service dates.

The Company will not accept proposals where the Bidder retains the option to displace any resource for economic reasons and/or where the Bidder holds the unilateral option to select one or more alternate Point(s) of Delivery. In addition, the Company will not accept any proposal that provides for planned maintenance or planned derates (as defined by NERC) during the months of June through September or December through February in any year.

Qualifying Facilities ("QFs"), as defined under the regulations implementing the Public Utility Regulatory Policies Act of 1978 ("PURPA"), with 10 MW or greater of capacity are eligible to participate in this RFP. Firm QFs with 10 MW or greater of capacity and a minimum term of five (5) years or longer will fall under the Eligible Resource Alternative exception as outlined in Section C.11. Each QF Bidder must submit the required information in **Attachment 2** in order to be evaluated under this RFP. Any QF Bidder that has a question regarding these provisions is instructed to contact the IEs.

C. **Eligible Resource Alternatives**

The Company will consider bids that take one of the following forms: (1) Power Purchase Agreement; (2) Tolling Service Agreement (may include gas or coal); (3) Asset Purchase and Sale Agreement (PacifiCorp site and PacifiCorp's specifications); (4) Asset Purchase and Sale Agreement (Bidder site); (5) Engineering, Procurement and Construction Contract (Currant Creek site only); (6) purchase of an existing facility; (7) purchase of a portion of a facility jointly owned or operated by the Company; (8) restructuring of an existing Power Purchase Agreement or Exchange Agreement; (9) IGCC resource proposals (Power Purchase Agreement, Tolling Service Agreement or Asset Purchase and Sale Agreement on Bidder's site); (10) Geothermal and/or Biomass Power Purchase Agreements; or (11) Exceptions which include (a) Load Curtailment or (b) Qualifying Facilities. Descriptions of each of these Eligible Resource Alternatives are set out below.

Each bid proposal must be for only one of the Eligible Resource Alternatives, although a Bidder may submit separate bids for energy and capacity from a single resource for any of the Eligible Resource Alternatives. The fuel source type must be specified in the proposal. The chart outlines a summary of the eligible forms which are then discussed in more detail in Section C.1-C.11 below. The Company has attached Proforma Agreements to the RFP (see **Attachments 3, 5, 6, 16, 17 and 18**). There are ten Eligible Resource Alternatives, with two exceptions. Although there are more types of resource options than there are Proforma Agreements, these Proforma Agreements will be used to initiate the negotiations between the Company and those Bidders on the final shortlist. Bidders should contact the IEs if they are uncertain about the appropriate Proforma Agreement applicable to the Eligible Resource Alternative being proposed.

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
1) Power Purchase Agreements	Fixed term specified in the bid up to the life of the	Bidders can bid on their sites or on PacifiC	If the Bidder bids on one of the PPW sites the Bidder must bid a

Eligible Resource Alternatives	Term	Location	Requirements
	asset from a single resource located in or delivering to PACE under the PPA. Must be a minimum of 5 years and 100MW.	orp ("PPW") sites; however, PPW is not required to operate the facilities, and it can not impact PPW existing generation on the site.	minimum of 420 MW and 85% of the facility's dependable generation with no less than 420 MW nominal generating capacity a minimum of 20 years and a maximum of the life of the asset. Life of asset will be evaluated consistent with IRP Tables C.27 and C.28.
2) Tolling Service Agreements (Gas or Coal)	Same as #1 under the PPA	Same as #1	Same as #1
3) Asset Purchase and Sale Agreements on PPW sites	Life of asset will be evaluated consistent with	Currant Creek or Lake Side sites.	Bid to result in the development and construction of a facility that

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
	IRP Tables C.27 and C.28.		complies with the specifications in the APSA and the specification for each site set forth in the Appendices. Contractual privity between the ~~C~~company and the EPC contractor.
4) Asset Purchase and Sales Agreement on Bidder's Site (Gas or Coal)	Life of asset will be evaluated consistent with IRP Table C.27 and C.28.	Facility built on a Bidder's site which is a new facility. If it is an existing facility, it should be bid under #6.	Bid pursuant to the APSA; PPW will own and operate the facility following commercial operation. All Bidders must complete Appendix C-2. Contractual privity between the Company and the EPC contractor. The

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
			Company will require that the bidder enter into an Operating and Maintenance Agreement with specific performance guarantees and requirements over a 10-year term for a coal resource in order to ensure cost effectiveness, availability, and reliability of the resources prior to the Company's acceptance of the resource.

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
5) EPC Contract for Currant Creek	Life of asset will be evaluated consistent with IRP Table C.27.	Currant Creek site.	Bid pursuant to the EPC Contract with a fixed price bid in accordance with Attachment 18 and the specifications for Currant Creek. Must complete the information in Appendix C-3.
6) Purchase of an existing facility	Evaluation will be completed based on the remaining depreciated life of the asset. Life of the asset will be determined by the IRP Table C.27.	A single resource located in or delivering to PACE and integrated as a Network Resource.	Due diligence of facility that PPW deems appropriate (see Attachment 19). Must complete information in Appendix C-4. PPW would own and operate the facility.

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
7) Purchase of a portion of a facility jointly owned by and/or operated by PPW.	Same as #6	Same as #6	Same as #6
8) Restructuring of Existing Power Purchase Agreement or Exchange Agreement and/or Buyback of an Existing Sales Agreement	Fixed term specified in the bid up to the life of the PPA or Exchange Agreement must be a minimum of 5 years and 100MW.	Same as #6	Restructuring of the PPA or Exchange Agreement and/or buyback of an existing sales agreement must result in incremental capacity and energy.
9) IGCC Options Power Purchase Agreements, Tolling Agreements and/or Asset Purchase and Sales	Life of asset will be evaluated consistent with IRP Table C.27 or Bidder's expected	Facility built on a Bidder's site which is a new facility	Bid in the form of the APSA, PPW will own the facility bid. The Company will require that the bidder enter into an

Eligible Resource Alternatives	Term	Location	Requirements
Agreement on Bidder's Site for an IGCC	design life		Operating and Maintenance Agreement with specific performance guarantees and requirements over a 12-year term for an IGCC resource in order to ensure cost effectiveness, availability, and reliability of the resources prior to the Company's acceptance of the resource. All Bidders must complete Appendix C-5. To the extent that Bidders bid Power Purchase Agreements or Tolling

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
			Agreements, the specific performance guarantees and requirements will be addressed within those documents.
10) Geothermal and/or Biomass Power Purchase Agreements	Fixed term specified in the IRP up to the life of the asset from a single resource located in or delivering to PACE under the PPA. Must be a minimum of 5 years and 20 MW.	Bidders can bid on their own sites.	Life of asset will be evaluated consistent with IRP Tables C.27 and C.28.
Exceptions			
11 (a) Load	Fixed term	Existing	PPW will not

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
Curtailment	must be a minimum of 5 years and 25MW.	end use PPW customers with a load that can be physically curtailed and must be not less than 25MW. The load must respond within 30 minutes prior to the hour and remain curtailed for one continuous hour blocks.	accept proposals for financial curtailment nor will it accept proposals that result in PPW having a residual delivery obligation for the curtailment of load via any other contract, law or regulation or order.
11 (b) Qualifying Facility	Fixed term must be a minimum of 5 years	Same as #6	QFs are as defined under the regulations implementing PURPA.

Eligible Resource Alternatives	**Term**	**Location**	**Requirements**
	and 10MW.		Each QF Bidder must submit the required information in **Attachment 2** in order to be evaluated under this RFP.

1. Power Purchase Agreement

Power purchase bids must be for a fixed term at a stated price which may be indexed or vary in price by year from a single resource located in or into PACE, and must be in the form of the Power Purchase Agreement ("PPA"). A Proforma Agreement is attached as **Attachment 3**. The source of energy and capacity for the PPA should be (a) a generation facility located on a Bidder-supplied site, (b) a generation facility located on one of the PacifiCorp sites identified in this RFP, or (c) from the Bidder's electrical system. The fuel source type must be specified in the proposal. To the extent no fuel source is specified, the company will assume the fuel source type is gas. For purposes of this RFP, the PacifiCorp sites consist of real property currently owned by the Company immediately adjacent to the Company's Currant Creek and Lake Side facilities.

In the event a Bidder proposes to locate a facility on a PacifiCorp site, the Bidder must propose a PPA for quantity equal to no less than 85% of the facility's dependable generation capacity, with such amount being no less than 420 MW nominal generation capacity, and a minimum term equal to or greater than 20 years or a maximum consistent with the design plant life as contained in IRP Tables C. 27 and C.28. Design evaluation criteria that the Company will use for bid screening and evaluation purposes can be located in Appendix C (Tables C.27 and C.28) of the IRP. These minimums apply to PacifiCorp sites because both of these sites are capable of second units, and PacifiCorp must ensure the value of these assets are used in the best interest of customers.

The Bidder should assume that the Company will not own or operate any facility bid into this category. All Bidders in this category must complete the information requested in **Appendices C-1, D,** and **G.**

In the event a facility is proposed to be located on a PacifiCorp site, the Bidder must negotiate and enter into a lease or land purchase agreement acceptable to the Company, together with a Construction Coordination Agreement substantially in the form attached as **Appendix H**. These negotiations will occur if and when the Bidder is selected in the final shortlist. **THIS RFP IS NOT AN OFFER TO SELL A PACIFICORP SITE TO ANY BIDDER, AND IN NO EVENT WILL PACIFICORP BE OBLIGATED TO SELL A PACIFICORP SITE TO ANY BIDDER. ANY SALE OF A PACIFICORP SITE WILL BE SUBJECT TO THE NEGOTIATION, EXECUTION AND DELIVERY OF ALL AGREEMENTS AND OTHER DOCUMENTS NECESSARY AND PROPER FOR THE SALE OF PROPERTY, AND TO PACIFICORP'S SATISFACTION, IN ITS SOLE DISCRETION, THAT SUCH TRANSACTION WILL BE IN THE BEST INTERESTS OF PACIFICORP'S CUSTOMERS AND WILL NOT IMPAIR IN ANY MANNER PACIFICORP'S OPERATION OF ITS FACILITIES THEN LOCATED ON OR ADJACENT TO THE PACIFICORP SITES.**

At the Bidder's request, the Company may agree to provide certain facility connection points at a PacifiCorp site for facilities located at a PacifiCorp site. The estimated cost and description of these points are contained in **Attachments 7** through **10**; however, actual costs to the Bidder may vary.

Bidders should note that any proposal submitted in this category that proposes new construction of a generation facility must utilize the services of a single primary Contractor under a single engineer, procure, construct ("EPC") contract or an equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers. Any Contractor must be experienced with the type of facility being proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

2. Tolling Service Agreement

Tolling Service Agreement bids must be for a fixed term at a stated price from a single resource (coal or gas) which is located in or delivering to PACE, and must be in the form of the Tolling Service Agreement ("TSA"). The fuel source type must be specified in the proposal. A Proforma Agreement is attached as **Attachment 5**. The facility from which the TSA is bid can be located on (a) a Bidder-supplied site, or (b) a PacifiCorp site. In the event the Bidder proposes to locate a facility on a PacifiCorp site(s), the Bidder must propose a TSA for an amount equal to no less than 85% of the facility's dependable generating capacity, with such amount being no less than 420 MW nominal generating capacity, and a minimum term equal to or greater than 20 years or a maximum consistent with IRP Tables C. 27 and C.28 life of the asset. Design evaluation criteria that the Company will use for bid screening and evaluation purposes can be located in Appendix C (Tables C.27 and C.28) of the IRP.

The TSA Bidder should assume that the Company will not own or operate any facility bid into this category. All Bidders in this category must complete the information requested in **Appendices C-1, D** and **G**.

In the event a facility is proposed to be located on a PacifiCorp site, the Bidder must negotiate and enter into a land purchase agreement acceptable to the Company, together with a Construction Coordination Agreement substantially in the form attached as **Appendix H** if and when the Bidder has been advised that they are on the Final Shortlist. **THIS RFP IS NOT AN OFFER TO SELL A PACIFICORP SITE TO ANY BIDDER, AND IN NO EVENT WILL THE COMPANY BE OBLIGATED TO SELL A PACIFICORP SITE TO ANY BIDDER. ANY SALE OF A PACIFICORP SITE WILL BE SUBJECT TO THE NEGOTIATION, EXECUTION AND DELIVERY OF ALL AGREEMENTS AND OTHER DOCUMENTS NECESSARY AND PROPER FOR THE SALE OF PROPERTY, AND TO THE COMPANY'S SATISFACTION, IN ITS SOLE DISCRETION, THAT SUCH TRANSACTION WILL BE IN THE BEST INTERESTS OF THE COMPANY'S CUSTOMERS AND WILL NOT IMPAIR IN ANY MANNER THE COMPANY'S OPERATION OF ITS FACILITIES THEN LOCATED ON OR ADJACENT TO PACIFICORP'S SITES.**

At the Bidder's request, the Company may agree to provide certain facility connection points at a PacifiCorp site for facilities located at a PacifiCorp site. The estimated cost and description of these points are contained in **Attachments 7** through **10**; however, actual costs to the Bidder may vary.

The Bidder must specify in its bid whether the TSA will take the form of a financially settled physical TSA or physical TSA, if applicable. Provided the TSA is (1) a financially settled physical tolling arrangement, the Bidder will be responsible to purchase the fuel, transportation, fuel-related O&M, and start-up charges, if any, or (2) a physical tolling arrangement, the Company may supply the fuel.

If a TSA Bidder proposes to locate a facility on a PacifiCorp site, and the Bidder proposes the utilization of the existing natural gas lateral to the site, then the Company will accept only a physical tolling arrangement that does not adversely impact the Company's existing fuel resource deliveries and cost at a PacifiCorp site. PacifiCorp maintains contractual rights to 190,000 Dth/day of transportation capacity on each natural gas lateral connection to the Currant Creek and Lake Side sites. Assuming a capacity to burn natural gas at each plant of 95,000 Dth/day, PacifiCorp would release for such plant up to 95,000 Dth/day of transportation capacity on the respective laterals to each site.

Bidders are not limited to a physical tolling arrangement on a PacifiCorp site as the Bidder may make its own arrangements for delivery of natural gas to a PacifiCorp site.

Bidders should note that any proposal submitted in this category that proposes new construction of a generation facility must utilize the services of a single primary Contractor under a single EPC contract or an equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers. Any Contractor must be experienced with the type of facility being

proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

3. Asset Purchase and Sale Agreement on PacifiCorp Site

Bids for construction on a PacifiCorp site must take the form of an Asset Purchase and Sale Agreement ("APSA") to which the Company and the entity building the project must be ~~a~~ parties ~~y to the APSA~~. The Proforma Agreement is attached as **Attachment 6** and its Appendices which have the PacifiCorp site specifications set forth therein. The fuel source type must be specified in the proposal. Any APSA proposal for development and construction of a facility on a PacifiCorp site (Lake Side or Currant Creek) must be bid in compliance with the specifications in the APSA. Pricing for the purchase and sale of the facility can be structured to include progress payments with defined milestones, or as a single lump sum payment due upon achievement of commercial operation. The Company will in no event make progress payments to a Bidder unless each such payment results in the transfer of a tangible asset or a percentage ownership of an asset at the time each payment is made. Bidders must submit bids that comply with one of these two payment structures. All Bidders in this category must complete the information requested in **Appendix C-2**.

The Bidder will be required to enter into an APSA, and a Construction Coordination Agreement (**Appendix H**), which is also attached to the APSA as **Appendix S**. The Bidder shall be responsible for all aspects of the development and construction of the facility, including, but not limited to, permitting, engineering, procurement, construction and all related costs up to achieving commercial operation, with the exception of those costs to be borne by the Company to support start-up, testing, commissioning, and acceptance that are explicitly defined in the Bidder's proposal. Without limiting the foregoing, the Bidder shall be responsible for obtaining all rights and resources required to construct and provide an operational generation resource consistent with the Bidder's proposal. Such rights and facilities may include, without limitation, water, emissions reduction credits, wells, and pipelines.

The Company may, but will not be required to, make available for the successful Bidder's purchase those rights and facilities outlined in **Attachment 7** for Lake Side and **Attachment 8** for Currant Creek. Bidder costs related to such rights and facilities subsequent to commercial operation of the facility shall be as negotiated under the APSA.

In the event a facility is proposed to be located on a PacifiCorp site, the Bidder must negotiate and enter into a lease or land purchase agreement acceptable to the Company, together with a Construction Coordination Agreement substantially in the form attached as **Appendix H** after the Bidder has been notified that it is on the Final Shortlist. **THIS RFP IS NOT AN OFFER TO SELL A PACIFICORP SITE TO ANY BIDDER, AND IN NO EVENT WILL THE COMPANY BE OBLIGATED TO SELL A PACIFICORP SITE TO ANY BIDDER. ANY SALE OF A PACIFICORP SITE WILL BE SUBJECT TO THE NEGOTIATION, EXECUTION AND DELIVERY OF ALL AGREEMENTS AND OTHER DOCUMENTS NECESSARY AND PROPER FOR**

THE SALE OF PROPERTY, AND TO THE COMPANY'S SATISFACTION, IN ITS SOLE DISCRETION, THAT SUCH TRANSACTION WILL BE IN THE BEST INTERESTS OF THE COMPANY'S CUSTOMERS AND WILL NOT IMPAIR IN ANY MANNER THE COMPANY'S OPERATION OF ITS FACILITIES THEN LOCATED ON OR ADJACENT TO THE PACIFICORP SITES.

Bidders should note that any proposal submitted in this category that proposes new construction of a generation facility must utilize the services of a single primary Contractor, ~~under a single EPC contract~~ which must be a party to the APSA~~or an equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers.~~. To the extent the Bidder uses a Contractor or a separate legal entity other than the Bidder itself, this entity must be a party to the APSA and must be experienced with the type of facility being proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

The aggregate of the "all-in" capital cost for the APSA resource shall include all payments to be made to the Bidder under the APSA and all Owner's Development costs. A complete listing of categories of Owner's Development Cost Assumptions can be found in **Attachment 10**.

4. Asset Purchase and Sales Agreement on a Bidder's Site

Bids for construction on a Bidder-owned site must be in the form of an APSA, to which the Company and the entity building the project must be parties. A Proforma Agreement is attached as **Attachment 6**. The fuel source type must be specified in the proposal. A Bidder may propose an APSA for a facility located on a Bidder-owned site. Pursuant to the APSA, the Company will own and operate the facility following commercial operation. All Bidders in this category must complete the information requested in **Appendices C-2** and **G**. The Company will require that the Bidder enter into an Operating and Maintenance Agreement with specific performance guarantees and requirements over a 10-year term for a coal resource in order to ensure cost effectiveness, availability, and reliability of the resources prior to the Company's acceptance of the resource. Bidders should also submit a form O&M Agreement based on the terms and conditions set forth in **Attachment 23**.

Pricing for the purchase and sale of the facility can be structured to include progress payments, with defined milestones, or as a single lump sum payment due upon achievement of commercial operation. The Company will in no event make progress payments to a Bidder unless each such payment results in the transfer of a tangible asset or percentage ownership of an asset at the time each payment is made according to a schedule set forth in the associated bid and acceptable to the Company.

This bid category is only for facilities that have not reached commercial operation as of the bid response date. In the event the facility being proposed is existing and commercially operable as of the bid response date, then the Bidder should submit a bid pursuant to Eligible Resource Alternative #6 (Purchase of an Existing Facility). The Bidder shall be responsible for all aspects of the development and construction of the facility, including, but not limited to, permitting, engineering, procurement, construction and all related costs up to commercial operation with the exception of those costs to be borne by the Company to support start-up, testing, commissioning, and acceptance that shall be explicitly defined in the Bidder's proposal. The Company will require that the project be operated and maintained by Bidder for up to 10 years in order to ensure cost effectiveness, availability and reliability of the resources prior to the Company's acceptance of the resource. The parties agree to negotiate an O&M agreement after the final shortlist is selected.

Bidders should note that any proposal submitted in this category that proposes new construction of a generation facility must utilize the services of a single primary Contractor, ~~under a single EPC contract~~ which must be a party to the ~~or an equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers~~APSA. To the extent the Bidder uses a Contractor or a separate legal entity other than the Bidder itself, this entity must be a party to the APSA and must be experienced with the type of facility being proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

The Company will own and the Bidder will operate the facility following commercial operation for up to ten years. Any existing power supply obligations (if any) associated with the facility shall not be assigned to the Company unless the Company, in its sole discretion, accepts such assignment.

The aggregate of the "all-in" capital cost for the APSA resource shall include all payments to be made to the Bidder under the APSA and all Owner's costs. A complete listing of categories of Owner's costs can be found in **Attachments 9** and **10**.

5. Engineering, Procurement, and Construction Contract ("EPC Contract") for the Currant Creek Site

An EPC proposal can be bid at PacifiCorp's Currant Creek site only. The fuel source type must be specified in the proposal. The EPC Contract must be in the form of a fixed price bid, and may be structured to include progress payments or a single lump sum payment due upon achievement of commercial operation. The Company will, in no event, make progress payments to the Bidder unless each such payment results in the simultaneous transfer of a tangible asset or a percentage ownership of an asset at the time each such payment is made. Bidders must bid one of these two payment structures and shall take the form of an EPC Agreement and must comply with the specifications for Currant Creek. A Proforma Agreement is attached as **Attachment 18** which includes the specifications for Currant Creek. All Bidders in this category must complete the information requested in **Appendix C-3**.

The Company will be responsible for the development and permitting of the proposed facility at the Currant Creek site. The Company's assumptions for all aspects of development on the Currant Creek site are outlined in **Attachments 8** and **10**. The successful Bidder shall be responsible for all development and permitting and any other costs not identified in **Attachments 8** and **10**.

The aggregate of the "all-in" capital cost for the EPC resource and Owner's Cost in **Attachment 10** shall include all payments to be made to the Bidder and all Owner's costs. A complete listing of categories of Owner's costs can be found in **Attachment 10**.

Bidders should note that any proposal submitted in this category shall result in the Bidder directly performing the EPC services, as opposed to utilizing a sub-EPC contractor or an equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers. To the extent the Bidder uses a Contractor or a separate legal entity other than the Bidder itself, this entity must be experienced with the type of facility being proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

6. Purchase of an Existing Facility

In the event sale of an existing facility is proposed by a Bidder, and if the facility is interconnected to PACE and commercially operable as of the bid response date, the Company will consider purchasing, owning, and operating the facility. The fuel source type must be specified in the proposal. Any such purchase would be contingent on disclosure to the Company by the Bidder of all information regarding the facility that may be material to the Company's decision to make the purchase, including without limitation all potential or existing claims or liabilities, on the Company's completion of and satisfaction with the results of such due diligence inquiries that the Company may deem appropriate in its sole discretion, and on the transfer of good and marketable title to the Company by the Bidder, free and clear of any and all liens and encumbrances. Such inquiries may include, but will not be limited to, site inspections, interviews, audit of all applicable books, contracts, forecasts, and records, and/or an assessment of past, future, or potential environmental liabilities. In addition, any existing network or point-to-point transmission rights associated with the facility's output must be released and reassigned to the Company, at the Company's option.

Such due diligence will be performed by qualified generation experts, who may be third-party legal and environmental experts and consultants satisfactory to the Company in its sole discretion, in addition to Company personnel. The Company reserves the right to no longer consider the resource, if in its sole discretion; it determines that there are aspects of the resource not in the best interest of the Company and its customers. The Company will require the following information outlined in **Appendix C-4** to be provided by the Bidder in order to determine if the asset will be evaluated and the priorities of the evaluation.

Existing power supply obligations associated with the facility, if any, shall not be assigned to the Company unless the Company, in its sole discretion, accepts such assignment.

The Company's aggregate "all-in" capital cost for the EPC resource shall include all payments to be made to the Bidder.

7. Purchase of a Portion of a Facility Jointly Owned and/or Operated by PacifiCorp

A Bidder may propose that the Company purchase all or an additional portion of a facility in which the Company already has an existing ownership interest or one that the Company currently operates. The fuel source type must be specified in the proposal. Any such purchase by the Company would be contingent upon disclosure to the Company by the Bidder of all information regarding the facility and the Bidder's interest that may be material to the Company's decision to make the purchase, including without limitation, potential or existing claims or liabilities, on the Company's completion of and satisfaction with the results of such due diligence inquiries that the Company may deem appropriate in its sole discretion, and on the transfer of good and marketable title to the Company by the Bidder of the Bidder's interest, free and clear of any and all liens, claims and encumbrances. The Company's due diligence inquiries may include, but will not be limited to, an audit of all applicable books and records, and/or an assessment of past, future, or potential environmental liabilities. In addition, any existing network or point-to-point firm transmission rights associated with the facility's output owned or controlled by the Bidder must be released and reassigned to the Company, at the Company's option.

Such due diligence will be performed by qualified generation experts, which may be third-party legal and environmental experts and consultants, in addition to Company personnel. The Company reserves the right to no longer consider the resource, if in its sole discretion it determines that there are aspects of the resource that are not in the best interests of the Company and/or its customers. The Company will require the following information outlined in **Appendix C-4** to be provided by the Bidder, in order to determine if the asset will be evaluated and the priorities of the evaluation.

The Company would own and operate the prospective facility following closing on the sale. Existing power supply obligations associated with the facility, if any, shall not be assigned to the Company unless the Company, in its sole discretion, accepts such assignment.

8. Restructure of an Existing Power Purchase Agreement or an Exchange Agreement and/or Buyback of an Existing Sales Agreement.

The Company will accept proposals under this category of bids for one or more of (a) restructuring of an existing PPA between the Company and the Bidder; (b) an Exchange Agreement between the Company and the Bidder; and (c) the termination or buyback of an existing agreement for the sale of energy and capacity by the Company to the Bidder in PACE. The fuel source type must be specified in the proposal.

If the bid calls for the restructuring of an existing PPA between the Company and the Bidder, such restructuring must result in making available to the Company incremental dependable energy and capacity in an amount of not less than 100 MW within PACE during the summer season (June through September) for delivery as provided in this RFP starting June 1, 2012, 2013 and/or June 1, 2014 for a minimum term of five (5) years. The Bidder would assign any and all existing network or point-to-point firm transmission rights associated with the incremental energy and capacity to the Company at the Company's request at no additional cost should the Company select this bid.

If the bid calls for an exchange agreement, such agreement would provide for the delivery by the Bidder to the Company of dependable energy and capacity in an amount of not less than 100 MW for delivery of a minimum of a five (5) year term as described in this RFP, in exchange for power to be supplied by the Company to the Bidder at another location (other than PACE) and/or during another time period.

9. IGCC Proposals

Bidders may submit IGCC resource proposals as a PPA, a TSA, or an APSA for a facility located on a Bidder-owned site. The applicable Proforma Agreements are attached as **Attachment 6** (APSA), **Attachment 5** (TSA), and **Attachment 3** (PPA). The Company will require that the Bidder enter into an Operating and Maintenance Agreement with specific performance guarantees and requirements over a 12-year term for an IGCC resource. The Company will not own and/or operate the resources to the extent the Bidder submits a proposal for either a PPA or a TSA. All Bidders in this category must complete the information requested in **Appendices C-5** and **G**. Bidders should also submit a form O&M Agreement based on the terms and conditions set forth in **Attachment 24**.

Pricing for the purchase and sale of the facility can be structured to include progress payments or as a single lump sum payment due upon achievement of commercial operation. The Company will in no event make progress payments to a Bidder unless each such payment results in the transfer of a tangible asset or percentage ownership of an asset at the time each payment is made according to a schedule set forth in the associated bid and acceptable to the Company.

This bid category is only for facilities that have not reached commercial operation as of the bid response date. The Bidder shall be responsible for all aspects of the development and construction of the facility, including, but not limited to, permitting, engineering, procurement, construction and all related costs up to commercial operation with the exception of those costs to be borne by the Company to support start-up, testing, commissioning, and acceptance that shall be explicitly defined in the Bidder's proposal. The Company will require that the project be operated and maintained by Bidder for up to twelve (12) years in order to ensure cost effectiveness, availability and reliability of the resource prior to the Company's acceptance of the resource. The parties agree to negotiate an O&M agreement after the final shortlist is selected.

Bidders should note that any proposal submitted in this category that proposes new construction of a generation facility must utilize the services of a single primary Contractor, ~~under a single EPC contract~~ which must be a party to the APSA~~or equivalent structure which will not increase the risk of default by multiple contractors to the Company and its customers~~. To the extent the Bidder uses a Contractor or a separate legal entity other than the Bidder itself, this entity must be a party to the APSA and must be experienced with the type of facility being proposed and, in addition to any other credit provision described herein, this entity must have a Credit Rating that is BBB-/Baa3 or greater from S&P/Moody's or, if not publicly rated, an equivalent Credit Rating as determined by PacifiCorp Credit.

The Company will own and the Bidder will operate the facility following commercial operation for up to twelve (12) years.

10. Geothermal and/or Biomass Power Purchase Agreements

Bids for geothermal and/or biomass must be for a fixed term at a stated price which may be indexed or vary in price by year from a single resource located in or into PACE, and may be in the form of a PPA. The fuel source type must be specified in the proposal. A Proforma Agreement is attached as **Attachment 3**. The source of energy and capacity for the PPA should be (a) a generation facility located on a Bidder-supplied site or (b) from the Bidder's electrical system.

Design evaluation criteria that the Company will use for bid screening and evaluation purposes can be located in Appendix C (Tables C.27 and C.28) of the IRP.

The Bidders should assume the Company will not own or operate any facility bid into this category. All Bidders in this category must complete the information requested in **Appendices C-1, D** and **G**.

11. Eligible Resource Alternatives Exceptions

The following resources qualify for one of the two exceptions set forth below:

a) Load Curtailment

The Company has found that bilateral agreements with large end-use customers for the physical curtailment of load have proven to be effective in reducing the need for incremental energy and capacity at critical times. The fuel source type must be specified in the proposal. As a result, the Company invites end-use customers to bid physical load curtailment under this RFP. Any such bid must meet the following requirements: (a) the Bidder must be an existing end-use customer of the Company; (b) the load to be curtailed must be not less than 25 MW; (c) the curtailment must be a physical curtailment of the load; (d) the load to be curtailed must respond to the curtailment order 30 minutes prior to the hour within and remain curtailed for continuous one-hour blocks; (e) the Company must not have any residual delivery obligation for the curtailed load after exercising its curtailment rights hereunder under any other contract, law, regulation or order, and Bidder must waive any and all rights to assert any such contrary rights; and (f) the Bidder must provide the Company with reasonable contractual surety and credit assurances that such load curtailment will take place at times and in amounts required by this RFP. The level of required security will be negotiated by the Bidder, the Company and the IE, based upon the nature of the resource offered, the remedies or options available in the event of default, and other relevant factors. The Company will not accept proposals for financial curtailment of load. The Bidders should start with the Power Purchase Agreement (**Attachment 3**) as the underlying agreements.

b) Qualifying Facility

QFs as defined under the regulations implementing PURPA with 10 MW or greater of capacity are eligible to participate in this RFP. QFs must be 10 MW or greater of firm capacity and a minimum term of five (5) years or longer. The fuel source type must be specified in the proposal. All Bidders in this category must complete the information requested in **Appendices C-1, F,** and **G**. Each QF Bidder must also submit the required information in **Attachment 2** in order to be evaluated under this RFP.

SECTION 2. LOGISTICS

A. Schedule of RFP Actions

The anticipated schedule is:

Event	Anticipated Date
RFP issued	March 5, 2007
RFP bid conference	Issued + 20 days
RFQ form	Issued + 30 days
Responses due	Issued + 60 days
Evaluation complete	Issued + 120 days
Oregon Commission acknowledgement of final shortlist[1]	Issued + 200 days
Bidder negotiation	Issued + 240 days
PacifiCorp decision	Issued + 270 days
Utah Public Service Commission approval proceeding (180 days)	Issued + 450 days
Avoided cost filing[2]	Issued + 500 days
[1]The Oregon Commission may acknowledge the final shortlist. *See* Oregon Order No. 06-446 Guideline 13.	
[2]Updated avoided costs filing by state will be made to the extent required by law or regulatory order.	

Bidders should note that the above schedule is an anticipated schedule only and is subject to change. The Company accepts no liability to the extent the actual schedule is different from the anticipated schedule.

B. Prebid Conference

Time: 1:00 PPT/2:00 MST
Date: March 16, 2007
Location: Oregon - 825 NE Multnomah – Room TBA
Utah - North Temple Office – Room TBA

Interested parties and Bidders may submit questions prior to the RFP bid conference, so that such questions may be addressed in a more timely fashion. All information, including the pre-bid conference materials, questions and answers will be posted by PacifiCorp on the PacifiCorp website at www.pacificorp.com prior to the issuance of the final approved RFP. After the final approval of the RFP Merrimack will be responsible to maintain and post all material on a website established by the IEs at www.merrimackenergy.com/pacificorp2012rfp. The company will be responsible to maintain and post all materials on the Company's website at www.pacificorp.com. **Any questions on the RFP or related documents should be sent to Merrimack via email at www.merrimackenergy.com/pacificorp2012rfp.**

C. **Request for Qualification (RFQ) Bid Forms**

Bidders who intend to be considered as part of this RFP process **must** return the "RFQ Form" **(Appendices A and B)** to the IEs no later than close of business on the date indicated in Section 2. The RFQ is not blinded; however, PacifiCorp will identify a separate RFQ Team comprised of legal, credit and IRP who will work with the IEs to assess the Bidders' qualifications. The IEs will provide each Bidder who has met the qualifications under the RFQ (which will include creditworthiness, demonstrated capability, experience, performance references and qualifications to deliver the indicated Eligible Resource Alternative selected on the form) with a bid number.

Five (5) copies of the RFQs must be sent to each of the following addresses by the date indicated in Section 2:

Independent Evaluator Utah
Merrimack Energy Group, Inc.: PacifiCorp RFP
c/o Utah Division of Public Utilities
160 E 300 S, 4th floor
Salt Lake City, Utah 84111

and

Independent Evaluator Oregon
Accion Group and Boston Pacific: PacifiCorp RFP
c/o Oregon Public Utility Commission
550 Capitol Street, N.E. Suite 215
Salem, Oregon 97301

D. **Submission of Bids**

Each Bidder must submit its bids to the offices of the Utah Public Service Commission **and** the Oregon Public Utility Commission to the attention of the IEs. The Bidder will be required to submit its proposal(s) utilizing only the bid number provided, and with no other identifying information. Bidders are responsible to check all of their document headers and footers and the "properties" tab of the electronic copies that are submitted to ensure that no reference to their company is on the electronic copies. The bidders must submit the following to **both** the Utah Public Service Commission and the Oregon Public Utility Commission to the attention of the respective IEs:

1. a signed original and five (5) hard copies of each bid and any required forms, and
2. two (2) electronic copies of the bid and any required forms (on two (2) separate compact discs) that are in PDF format.

All bids must be submitted utilizing only the assigned bid number(s) and must be transmitted by express, certified or registered mail or hand delivered to both addresses:

PacifiCorp RFP
Independent Evaluator Utah
Merrimack Energy Group, Inc.
c/o Utah Division of Public Utilities
160 E 300 S, 4th floor
Salt Lake City, Utah 84111

and

PacifiCorp RFP
Independent Evaluator Oregon
Accion Group and Boston Pacific
c/o Oregon Public Utility Commission
550 Capitol Street, N.E. Suite 215
Salem, Oregon 97301

Bids will be accepted until 5 p.m. Pacific Prevailing Time on May 7, 2007. Any bids received after this time will be subject to return unopened to the Bidder following a decision based on consultation between the IEs and PacifiCorp.

All bids will be reviewed by both IEs to determine that they are adequately blinded and before they will be provided to the RFP Evaluation Team for further analysis. The IEs will provide an original copy (with a cross-reference table to Bidders) to the Company's credit, risk and legal departments who will have access to the non-blinded Bids and will not be allowed to discuss specific bids with the Blinded individuals in the Evaluation Team or with the Benchmark Team (See Code of Conduct in **Attachment 20**). To the extent the IEs determine that any proposal is not adequately blinded, the IEs will determine if the IEs can effectuate effective blinding itself or, as determined by the IEs, may request that the Bidder undertake the appropriate blinding. If the Bidder is nonresponsive to the IEs' requests, then the bid will be rejected by the IEs and returned to the Bidder.

E. **RFP Team**

A Bid Team will be established by the Company prior to the final approval of the RFP. The Bid Team shall consist of an Evaluation Team and a Benchmark Team which will be made up of various work groups within the Company. The composition of the Bid Evaluation Team and the Benchmark Team and their primary roles and responsibilities of each Team are shown below.

Additional protocols between the Teams are outlined in **Attachments 4** and **20** and specifically detail how access to blinded and non-blinded information will occur:

Work Group	Roles
Independent Evaluators (IEs)	The IEs will ensure a fair and reasonable process is used in the RFP. The IEs will provide oversight of the RFP process and will validate, audit and review all aspects of all proposals, providing an oversight to the process and validation on the models, inputs, assumption(s), risk assessment, and generation specifications for the PacifiCorp sites and the Benchmark resources. See **Attachment 4** for Role of the IEs.
Evaluation Team: Origination and generation engineer (not a part of the Benchmark Team) or Engineering Consultants as required. (Blinded prior to shortlist)	Overall coordinator of the process. Bid process management for all proposals and coordination with the IEs and all of the work groups. Evaluation of the non price components of the analysis. Specifying, evaluating and confirming conformity with design specifications; conducting, as needed, technological and operational due diligence, generation expertise, environmental due diligence on all resources.
Evaluation Team: Structuring and Pricing (S&P) and/or Third-Party Engineering Consultant as required. (Blinded prior to shortlist)	Economic analysis and modeling including the validation on the inputs to the risk assessment of the bid.
Evaluation Team: Commercial and Trading Regulated Transmission Manager (Blinded prior to shortlist)	Assist S&P and Origination with transmission requests and evaluations in determining the appropriate costs and/or agreements.
Evaluation Team: Environmental (Blinded prior to shortlist)	Air, water and discharge, emission credits, site permits and facilities.
Evaluation Team: Credit (Non-blinded)	Credit screening, evaluation and monitoring throughout the process.
Evaluation Team: Legal and Risk (Non-blinded)	Legal will confirm compliance of bids to requirements of RFP and its Forms, Attachments and Appendices; conduct of legal process; conducting due diligence inquiries; supervising any documentation entered into as part of the RFP process. Risk will validate the internal modeling of the proposals and the Company benchmark.
Benchmark Team: Generation	Development of the Benchmark Resources.
RFQ Team: Legal, Credit and IRP (Non-blinded)	Will work with the IEs to assess Bidder qualifications pursuant to the RFQ process. No blinded team members will participate in this process.

F. **Bid Fees**

To help defray the cost of the Utah IE, each Bidder shall submit with each of its bid proposals a nonrefundable "bid fee" of $10,000. Bidders submitting a bid in Eligible Resource Alternative category #11 (load curtailment or QFs) shall have a nonrefundable bid fee of $1,000. A bid in each Eligible Resource Alternative may consist of one base proposal in addition to two alternatives for the same bid fee. The alternatives may consist of a different bid size, contract term, pollution control technologies, water cooling technologies, carbon capture design components, in-service date and/or pricing structure for the same Eligible Resource Alternative (including, with respect to bids in the IGCC proposals category, federal loan guarantee or tax credit support). In addition, bidders will have the option of submitting up to three additional alternatives for a fee of $1,000 per alternative. A proposal for a different Eligible Resource Alternative, at a different site or using a different technology will be considered a separate proposal and will be subject to a separate bid fee. The bid fee(s) must be submitted with the proposals to Merrimack Energy Group, Inc. The Bidder must attach to its proposal a certified check written in the required amount payable to the order of PacifiCorp.

Bidders may submit multiple base bid proposals in response to this RFP. The Utah IE, in consultation with the Company shall confirm whether a Bidder's submission constitutes one or more proposals, for purposes of assessing bid fees. Any questions regarding bid fees should be directed to Merrimack Energy Group, Inc.

G. **Effectiveness of Bids**

Each bid proposal must remain open for acceptance by the Company from the date of submittal through May 7, 2008, unless earlier released in writing by the Company. Bidders may propose a fixed capacity price with a variable price that is indexed. Bidders must provide 60% of the capital cost as a fixed price. However, ~~b~~Bidders may index up to 40% of the total capital cost tied to the following two indices. A maximum of up to 25% of the capital costs may be indexed to the Consumer Price Index (CPI) and a maximum of up to 15% of the capital costs may be indexed to the Producer Price Index (PPI) – Metals and Metal Products. The ~~b~~Bidders will be allowed to index up to 40% of the capital costs from the time of executing the Contract with the Company until the earlier of the time the ~~b~~Bidder and the Company execute~~s~~ the Engineering, Procurement and Construction ("EPC") contract or the ~~b~~Bidder achieves project financing, provided that it is not longer than two (2) years after the Agreement has been executed with the Company. Indexing to capital costs is only available to new Eligible Resources under the following Eligible Resource Alternatives: 3, 4, 5, and 9, and Eligible Resource Alternatives 1 and 2 (to the extent such alternatives are asset backed by new construction). In addition, Bidders are allowed to index the variable components to publicly available indices (i.e. inflation rates). Bidders who request a specific index for indexing any components of their price structure that differ from the indices identified above should contact the IEs with a formal request for a specific index. All short listed bids may be asked to provide their "best and final" prices including the benchmark team prior to the evaluation of the final shortlist.

H. **Procedural Items**

1. Request for Qualification (RFQ) Bid Form

Each Bidder must complete and submit to the IEs the RFQ Bidders Form which consists of **Appendices A** and **B** for each Eligible Resource Alternative it intends to submit in its proposal to participate in the RFP by the date identified in Section 2. The Company will require each Bidder to meet the specific credit requirements and capability requirements outlined below.

Bidder's Qualification, Capability and Credit in the RFQ Bid Form (Appendices A and B)

Each Bidder must be able to demonstrate its credit capability and its capability, experience and qualification for each Eligible Resource Alternative bid. This should include, but not be limited to, its ability to perform its obligations that would arise upon execution and delivery of the documents associated with the Company's acceptance of the Bidder's proposal, and references to support its capability in each of the selected Eligible Resource Alternatives bid in this RFP.

Appendices A and **B** will be attached to the RFQ Bid Form and must be completed prior to the IE providing the Bidders a bid number for each Eligible Resource Alternative. In **Appendix A**, the Bidder must provide information that the Bidder's project development team has successfully completed the development and commissioning of at least one generation project with characteristics similar to the proposed project with the exception of an IGCC project. If the project being bid is an IGCC project, the Bidder's project development team should provide information sufficient to demonstrate it has the ability to develop an IGCC project. The proposal must pose an acceptable level of development and technology experience, as determined by PacifiCorp's bid evaluation team. In **Appendix B** the Bidder must be investment grade or demonstrate the ability to post the credit assurances identified in the credit matrix to qualify as an investment grade entity. Each Bidder must provide the requested financial and credit information and indicate, if it is not investment grade, what its ability will be to post any necessary credit assurances in order to be equivalent to an investment grade entity.

All Bidders must demonstrate their ability to provide the security requirements, including their plan for doing so (including the type of security proposed, sources of security and a description of its credit support provider) in the appropriate Proforma Agreement for the Eligible Resource Alternative they are proposing and how they intend to qualify. Bidders should also provide a demonstration of their ability to finance their project based on past experience and a sound financial plan identifying the proposed sources for debt and equity. If appropriate, the Bidder will be notified that it will not be eligible to submit a proposal. Eligible Bidders will then be permitted to submit proposal(s) into the RFP process. In the event that the Bidder's credit status changes at any time after submission of a bid into the RFP process, PacifiCorp Credit reserves the right to request updated information pursuant to the credit matrix in **Appendix B**, to reevaluate the Bidder and to request further credit assurances. In the event that the Bidder does not provide evidence of its ability to provide such further credit assurances, the Company reserves the right to reject the Bidder's proposal after consultation with the IEs and return the bid fee.

The Bidder will be required to demonstrate its ability to post credit assurance in the amounts outlined in the credit matrix in **Appendix B**. A credit methodology paper explaining the rationale behind the credit matrix is provided in **Attachment 21**. A Bidder must be able to demonstrate its ability to post any necessary credit assurances in the form of a commitment letter from a proposed guarantor or from a financial institution that would be issuing a letter of credit. A form of credit commitment letter is provided in

Attachment 22. The amount of any credit assurances to be provided will be determined based upon (a) the credit rating in the credit matrix of either the Bidder or the entity providing credit assurances on behalf of the Bidder, (b) the size of the project, and c) the type of Eligible Resource Alternative bid.

The credit rating will be the lower of: (x) the most recently published senior, unsecured long-term debt rating (or corporate rating if a debt rating is not available) from Standard & Poor's ("S&P") or (y) the most recently published senior, unsecured debt rating (or corporate rating if a debt rating is not available) from Moody's Investor Services. If option (x) or (y) is not available, the credit rating will be determined by PacifiCorp Credit through an internal process review and utilizing a proprietary credit scoring model developed in conjunction with a third party. All Bidders will receive a credit rating which will determine the amount of any credit assurances to be posted.

Please note that should a Bidder be an existing counterparty with PacifiCorp, PacifiCorp Credit reserves the right to protect itself from counterparty credit concentration risk and require credit assurance in addition to that outlined in the credit matrix.

In the event that the Bidder posts a letter of credit as collateral it must be issued by a bank acceptable to the Company in the Company's reasonable discretion, and be in form and substance consistent with the form of the letter of credit set out in **Attachment 11.**

2. Submission of Proposals by Bidders

All bid proposals must be received by the IEs no later than the date specified in Section 2. All bid proposals must be in the format set forth in the RFP Proposal Form for the specific Eligible Resource Alternative as indicated in Section 3 which outlines the requirements for each Eligible Resource Alternative. The RFP Proposal Form identifies all of the required Attachments and Forms for each Eligible Resource Alternative bid the Bidder intends to submit. Any bid proposal that does not contain <u>all</u> of the required information by the due date specified in Section 2 will be subject to rejection as nonresponsive following review and agreement by the IEs and the Company. It is each Bidder's responsibility to submit additional information related to its bid proposal if such information will materially improve the value of its bid proposal or the Company's understanding thereof.

Each bid proposal must be signed by an officer of the bidding company via an Officer Certification found in **Appendix E.** Each proposal must contain the following information:

a) Each bid must include a statement by the Bidder that the Terms and Conditions of the applicable Proforma Agreements, selected as part of the Eligible Resource Alternatives submitted by Bidder, are acceptable to the Bidder or identify any significant exceptions to the Proforma Agreements in the form of a redline agreement or through written comments which specifically identify the significant exceptions as part of the Bidder's proposal.

b) Proposals must clearly specify all pricing terms. Any and all index prices and/or price escalations must be fully explained consistent with Section 2.G above.

In addition, Bidders should describe any contract deferral and acceleration options proposed, as well as any contract buyout options proposed. Proposals with pricing that is subject to change prior to April X, 2008 must explain what triggers the change, what the change is tied to, and any information the Company will require to evaluate the pricing risks associated with the proposal. All pricing must be in terms of nominal dollars. Prices and dollar figures quoted will be assumed to be in nominal terms for the year in which they occur unless clearly stated otherwise. The Form Pricing Input Sheet (**Form 1**) contains the applicable pricing inputs which will be required to be completed by the Bidder for the bid to be evaluated. This Form Pricing Input Sheet includes inputs such as start/end date, point of interconnection, resource type, variable and fixed O&M, start-up costs, capacity payment or capital expenditures, PPA or TSA escalation rates, heat rates and capacity levels adjusted for both expected temperature, degradation per the manufacturer's recommended maintenance schedule, and a variety of other inputs, including specific published indices if applicable.

c) All bid proposals must be for a capacity greater than 100 MW except for: (i) Qualifying Facility which must have 10 MW or greater of installed capacity; and (ii) end-use customers of the Company with physical load curtailment proposals for a minimum of 25 MW each.

d) Bid proposal prices must include all costs that the Bidder expects the Company to pay associated with any of the Eligible Resource Alternatives, including, but not limited to, station service, test energy, fuel for testing, gas lateral construction, electrical interconnection, and all costs (including fuel) incurred as necessary to accomplish synchronization.

e) All bid proposals must indicate a present ability and commitment to abide by safety standards, no less stringent than PacifiCorp's, with respect to the operation, construction and maintenance of any physical resources, facilities, plant or equipment.

3. Minimum Eligibility Requirements for Bidders

Bidders may be disqualified for failure to comply with the RFP if any of the requirements are not met. To the extent proposals do not comply with these requirements they will be deemed ineligible and will not be considered for further evaluation. PacifiCorp, in consultation with the IEs, will return those proposals deemed ineligible together with the bid evaluation fee. Reasons for rejection of a Bidder or its bid include:

a) Receipt of Proposal and/or Request for Qualifications after the response deadline.

b) Failure to meet the requirements and provide all the information requested in Section 3 of the RFP.

c) Failure to permit disclosure of information contained in the proposal to PacifiCorp's agents, contractors or regulators.

d) Any attempt to influence PacifiCorp or the IEs in the evaluation of the proposals, outside the solicitation process.

e) Any failure to disclose the real parties of interest in the proposal submitted.

f) The Bidder is in current material litigation or has threatened material litigation against PacifiCorp. "Material litigation" for purposes of this provision includes an amount in dispute in excess of five million dollars under circumstances in which the Bidder has issued a demand letter to PacifiCorp, the Bidder and PacifiCorp are currently involved in dispute resolution, the Bidder and PacifiCorp have an unresolved dispute pending or the Bidder has noticed a pending law suit against PacifiCorp.

g) Proposal must include all applicable content requirements described in Section 3 for each Eligible Resource Alternative.

h) Proposal must include a certified check for the appropriate bid fee(s) payable to PacifiCorp.

i) Proposal must clearly specify all pricing terms.

j) Proposals must offer unit contingent or system firm capacity and energy, and include appropriate contract term lengths and commercial operation dates.

k) Proposal must not present any unacceptable level of development and technology risk. For IGCC proposals Bidder must demonstrate that its proposed IGCC is supported, with performance and availability guarantees from the respective gasifier technology supplier and constructors consistent with industry standards, as determined by PacifiCorp, in consultation with the IEs and a third-party IGCC expert.

l) Proposal must demonstrate that the Bidder project development team has successfully completed the developmental and commissioning of at least one generation project with characteristics similar to the proposed project. Developers of IGCC proposals should demonstrate that a member of their team has experience with IGCC technology and that the developer can demonstrate experience with other large coal-based resources or large gas-fired combined cycle resources.

m) Bidder must demonstrate, to PacifiCorp's satisfaction that they can meet the security requirements for each Eligible Resource Alternative they are proposing consistent with the requirements in the appropriate Proforma Agreements for that resource.

n) Bidders are put on notice that failure to address satisfactorily both the price and non-price factors can serve as grounds for rejection of a bid.

o) Bidders **must** include a statement in the proposal that the Bidder agrees to indemnify and hold harmless the Independent Evaluator for its actions associated with the Request for Proposal process.

p) Bidder's failure or inability to abide by the applicable safety standards.

q) The Bidder submits an unacceptable contract structure.

4. Company's Reservation of Rights and Disclaimer

The Company reserves the right, without qualification and in its sole discretion, to reject any or all bids, and to terminate this RFP in whole or in part at any time. Without limiting the foregoing, the Company reserves the right to reject as nonresponsive any or all bid proposals received for failure to meet any requirement of this RFP outlined in Section 3. The Company also reserves the right to request that the IEs contact any Bidder for additional information. The Company further reserves the right without qualification and in its sole discretion to decline to enter into any agreement with any Bidder for any reason, including, but not limited to, change in regulations or regulatory requirements that impact the Company and/or any collusive bidding or other anticompetitive behavior or conduct.

Bidders who submit bid proposals do so without recourse against the Company, its parent company, its affiliates and its subsidiaries, or against any director, officer, employee, agent or representative of any of them, for any modification or withdrawal of this RFP, rejection of any bid proposal, failure to enter into an agreement, or for any other reason relating to or arising out of this RFP. The Bid Fees submitted by any Bidder, once the bid is accepted, will not be refunded (unless otherwise determined by the Company in consultation with the IEs) in the event of any modification or withdrawal of this RFP, rejection of any bid proposal, or failure to execute an agreement.

5. Accounting

All contracts proposed to be entered into as a result of this RFP will be assessed by the Company for appropriate accounting and/or tax treatment. Bidders shall be required to supply the Company with any and all information that the Company reasonably requires in order to make such assessments.

Specifically, given the term lengths that PPA, TSA, and/or exchange proposals may cover in response to this RFP, accounting and tax rules may require either: (i) a contract be accounted for by PacifiCorp as a Capital Lease or Operating Lease[2] pursuant to SFAS No. 13, or (ii) the seller or assets owned by the seller, as a result of an applicable contract, be consolidated as a Variable Interest Entity[3] (VIE) onto PacifiCorp's balance sheet. To the extent a Bidder proposal results in an applicable contract, the following shall apply with respect to VIE treatment:

> The Company is unwilling to be subject to accounting or tax treatment that results from VIE treatment. As a result, all Bidders are required to certify, with supporting information sufficient to enable the Company to independently verify such certification, that none of their proposals will subject the Company to such VIE treatment. Bids that result in VIE treatment will be rejected after they are given an opportunity to provide an alternate structure that does not trigger a VIE, which will be subject to consultation with the IEs.
>
> Further, any applicable contract that the Company executes will require that: (i) the Seller covenant that the Company will not be subject to VIE treatment at any point during the term of the agreement, and (ii) in the event that the contract causes the Company to be subject to VIE treatment at any point during the term of the agreement, unless cured, such treatment will constitute a seller event of default.

Each Bidder must also agree to make available at any point in the bid evaluation process, any and all financial data associated with the Bidder, the Facility and/or the PPA, TSA or other contract that PacifiCorp requires to determine potential accounting impacts. Such information may include, but may not be limited to, data supporting the economic life (both initial and remaining), the fair market value, executory costs, nonexecutory costs, and investment tax credits or other costs (including debt specific to the asset being proposed) associated with the Bidder's proposal. Financial data contained in the Bidder's financial statements (e.g., income statements, balance sheets, etc.) may also be required to provide additional information.

To the extent PacifiCorp rejects a proposal submitted in this RFP because it triggers VIE treatment, PacifiCorp shall provide documentation to the IEs justifying the basis for its decision.

[2] "Capital Lease" and "Operating Lease" - shall have the meaning as set forth in the Statement of Financial Accounting Standards ("SFAS") No. 13 as issued and amended from time to time by the Financial Accounting Standards Board.

[3] "Variable Interest Entity" or "VIE" - shall have the meaning as set forth in Financial Accounting Standards Board ("FASB") Interpretation No. 46 (Revised December 2003) as issued and amended from time to time by the FASB.

Cost Associated with Direct or Inferred Debt

PacifiCorp will not take into account potential costs to the Company associated with direct or inferred debt (described below) as part of its economic analysis in the initial or final shortlist evaluation. However, after completing the final shortlist and before the final resource selections are submitted for approval by the Utah Commission or acknowledgement by the Oregon Commission, the Company may take into consideration, in seeking approval, cost recovery or acknowledgement with respect to selected resources, any projected costs of direct or inferred debt. The Company will bear the burden to demonstrate to the satisfaction of its regulators the validity, magnitude and impacts of any such projected costs. At the request of the Commission, PacifiCorp will be required to obtain a written advisory opinion from a rating agency to substantiate the utility's analysis and final decision regarding direct or inferred debt.

Direct debt results when a contract is deemed to be a Capital Lease pursuant to EITF 01-08 and SFAS No. 13 and the lower of the present value of the nonexecutory minimum lease payments or 100% of the fair market value of the asset must be added to PacifiCorp's balance sheet.

Inferred debt results when credit rating agencies infer an amount of debt associated with a power supply contract and, as a result, take the added debt into account when reviewing PacifiCorp's credit standing.

6. Confidentiality

The Company will attempt to maintain the confidentiality of all bids submitted, to the extent allowed by law or regulatory order, as long as such confidentiality does not adversely impact a regulatory proceeding.

It is the Bidder's responsibility to clearly indicate in its proposal what information it deems to be confidential. Bidders may not mark their entire proposal as confidential, but must mark specific information on individual pages to be confidential in order to receive confidential treatment for that information.

All information supplied to the Company or generated internally by the Company shall remain the property of the Company. Bidder shall maintain the confidentiality of such information and shall not be available to any entity before, during or after this RFP process unless required by law or regulatory order. The Bidder expressly acknowledges that the Company may retain information submitted by the Bidder in connection with this RFP.

Only those Company employees who are directly involved in this RFP process or with the need to know for business reasons will be afforded the opportunity to view submitted bids or Bidder information.

Bidders should be aware that information supplied by Bidders may be requested and supplied during docketed regulatory proceedings, subject to appropriate confidentiality provisions applicable to that particular proceeding. This means that parties to docketed proceedings may request to view confidential information. If such a request were to occur, the Company will attempt to prevent such confidential Bidder information from being supplied to intervening parties who are Bidders or who may be providing services to a Bidder, but the Company shall not be held liable for any information that it is ordered to be released or that is inadvertently released.

Lastly, the Company intends to utilize its internal, proprietary, forward price projections in its evaluation process. The resulting projections and evaluations will not be shared with entities external to the Company, including with Bidders, unless required by law or regulatory order.

7. Regulatory Process

Utah Code § 54-17-101, *et seq*. requires PacifiCorp to use a solicitation process to construct or acquire a significant energy resource, defined as 100 MW or more with a dependable life of ten (10) years or more. This law requires the participation of an independent evaluator, appointed by the Utah Public Service Commission, to actively monitor the solicitation process for fairness and compliance with state law. Prior to execution of contracts for any of the ten Eligible Resource Alternatives, or the two exceptions listed above, the Company will go through a preapproval process, consistent with the Utah Energy Resource Procurement Act[4] and acknowledgement of resources pursuant to Oregon Order No. 06-446.[5]

8. Subsequent Regulatory Action

The Company does not intend to include a contractual clause whereby the Company is allowed to adjust contract prices in the event a regulatory agency exercises jurisdiction over the Company, and does not fully recognize the contract prices in determining the Company's revenue requirement. As of the issuance date of this solicitation, PacifiCorp is unaware of any such actual or proposed law or regulatory order.

SECTION 3. RFP PROPOSAL CONTENT

The following outlines the content and format requirements for all proposals by Eligible Resource Alternative when responding to this RFP. Proposals that do not include the information requested in this form will be deemed ineligible for further evaluation unless the information is not relevant.

The Bidder is required to provide information in the following format to meet the criteria of this RFP. All sections must be completed and in compliance with the RFP in order for

[4] The Utah Energy Resource Procurement Act may be viewed at: http://www.le.state.ut.us/~2005/htmdoc/sbillhtm/SB0026S01.htm.
[5] Oregon Order No. 06-446 is located at: http://edocs.puc.state.or.us.

the bid to be accepted. Bidders must provide the appropriate bid fee(s) for the number of Eligible Resource Alternatives that are being provided.

Each Bidder must provide the following information: 1) All RFP Appendices, Form(s) and Attachments identified below for each Eligible Resource Alternative, as applicable; and 2) the Appendices, Form(s) and Attachment identified under each of the Eligible Resource Alternatives identified below.

Proposal Type	**Required Information**
All Bidders are required to submit the following	RFQ Bid Form: Appendix A and Appendix B Appendix D – Fuel Supply Form (may vary if Bidders offer fixed price) Appendix E – Officer Certificate Form Attachment 13 - PacifiCorp Costs Associated with Integration that will be used in the analysis Form 1 - Pricing and Input Sheet Form 2 - Permitting and Construction Milestones depending on the resource~~.~~

Proposal Type	Additional Required Information
1) Power Purchase Agreement:	Attachment 3 - Power Purchase Agreement Attachment 16 - Site Purchase Agreement for Lake Side (if applicable) Attachment 17 - Site Purchase Agreement for Currant Creek (if applicable) Appendix C-1 - PPA and TSA Information Request Appendix F - SFAS No. 13 Form Appendix G - Bidder Site Control Form Appendix H - Construction Coordination Agreement (if applicable)
2) Tolling Service Agreement:	Attachment 5 – Tolling Service Agreement Attachment 16 - Site Purchase Agreement for Lake Side (if applicable) Attachment 17 - Site Purchase Agreement for Currant Creek (if

	applicable) Appendix C-1 - PPA and TSA Information Request Appendix F - SFAS No. 13 Form Appendix G - Bidder Site Control Form Appendix H - Construction Coordination Agreement (if applicable)
3) APSA Bids at PacifiCorp Sites:	Attachment 6 - Asset Purchase and Sale Agreement (APSA) with Appendices – Lake Side (if applicable) Attachment 6- Asset Purchase and Sales Agreement (APSA) with Attachment 18 Currant Creek Engineering, Procurement and Constructing Contract (EPC) (if applicable) Attachment 16 or Attachment 17 – Site Purchase Agreement (if applicable). Appendix C-2 - APSA Information Request
4) APSA Bids at Bidder Sites:	Attachment 6 - Asset Purchase and Sale Agreement (APSA) with Appendices Attachment 23 – O&M Term Sheet Appendix C-2 - APSA Information Request Appendix G - Bidder Site Control Form Bidder's form of O&M Agreement
5) EPC Bids at Currant Creek Site only:	Attachment 18 - Currant Creek Engineering, Procurement and Construction Contract (EPC) Appendix C-3 - EPC Information Request
6) Sale of Existing Facilities Bids :	Attachment 19 – Due Diligence items for the Acquisition of an Existing Facility Appendix C-4 – Existing Asset Purchase Information Request
7) Sale of Portion of Jointly Owned or Operated Bids:	Attachment 19 - Due Diligence Items for the Acquisition of an Existing Facility Appendix C-4 - Existing Asset Purchase Information Request
8) Restructuring Bids of an Existing Power Purchase Agreement or an Exchange Agreement and/or Buyback of an Existing Sales Agreement:	Any other form deemed to be required based on the restructuring

9) IGCC Proposals:	Attachment 3 – Power Purchase Agreement Attachment 5 – Tolling Service Agreement Attachment 6 – Asset Purchase and Sales Agreement Attachment 24 – O&M Terms and Conditions Appendix C-5 – APSA Information Request Appendix G – Bidders Site Control Form Bidder's form of O&M Agreement
10) Geothermal and/or Biomass PPAs:	Attachment 3 – Power Purchase Agreement Appendix C-1 – PPA and TSA Information Request Appendix G – Bidder Site Control Form
11) Exceptions: **a) Load Curtailment:** **b) Qualifying Facilities:**	Attachment 3 - Power Purchase Agreement Appendix G - Bidder Site Control Form Attachment 2- QFs Bidder Information

SECTION 4. RESOURCE INFORMATION

A. **Price and Non-price Information**

The Company's IRP incorporated numerous price and non-price resource cost(s) and assumptions which resulted in the IRP Action Plan. Bidders should refer directly to the IRP for the Company's estimated cost and availability of new resource alternatives. Bidders are reminded that the IRP is a planning document and certain resource assumptions were used as a proxy for planning purposes. As such, the Company shall rely on the outcome from this RFP to ascertain the most prudent resource decision. Bidders should note that the IRP is a useful document for information purposes and **Bidders should not infer in any way that the IRP should prescriptively guide their specific proposal.** The Company intends to use then-current assumptions in its evaluation of bids.

With respect to air quality standards, it is PacifiCorp's intent to incorporate cost assumptions into all bids that are consistent with the "then current assumptions." The base case assumptions can be located in the 2004 IRP in Appendix C. This represents the best information currently available at this point in time to the Company via the IRP public input process and other information sources. The base case will be updated through the RFP process only if any new assumptions become available to the Company.

This RFP will incorporate assumptions regarding the future cost, if any, associated with future tax assessment(s) or other impositions based on the quantity of carbon dioxide (CO_2) emissions produced from the combustion of fuel by a facility selected and contracted through this RFP. If a Bidder proposes an arrangement wherein a specific facility is not identified (such as may be the case with a PPA), the resulting contract shall explicitly state that the buyer (PacifiCorp) shall not be liable for any CO_2-related expenses, and the Bidder will be required to enter into a CO_2 Indemnity Agreement. For bids with a specified facility, which would include an asset backed PPA, the potential CO_2-related expenses will be included in the Company's evaluation. The CO_2-related expenses will be consistent with the reference case assumptions utilized in the 2004 IRP or the then current assumptions if applicable. The bid evaluation process will incorporate the assumption that the Bidder does not contractually absorb the liability associated with potential future CO_2 expenses.

As such, even if the bid does not provide for the passing through of such costs, the bid evaluation process will incorporate the assumption that Bidders <u>will pass through to PacifiCorp any costs</u> associated with meeting future air quality requirements relating to specified facilities.

B. **Price Information**

Fixed & Variable cost for Capacity and Energy

1. Fixed Costs

The fixed resource costs will include, but are not limited to, the following components:

- The Bidder-specified capacity cost payment ($/kw-mo)
- The Bidder – capital cost purchase price (including Owner's cost) ($/kw-mo) plus ongoing capital estimates for the term of the resource.
    - Capital Cost may have a combination of fixed and indexed pricing for its capital costs provided that the following minimum and maximum percentages and indices are submitted:
      Minimum of 60% Fixed
      Maximum of 25% Indexed to "Consumer Price Index"
      Maximum of 15% Indexed to "Producer Price Index - Metals and Metal Products"
- The Bidder-specified fixed O&M payment ($/kw-mo).
- The Bidder-specified property tax, sales tax, and insurance payment, if not included in capacity cost or fixed O&M payment ($/kw-mo).

- Transport costs which may include: 1) Fuel pipeline costs for the estimated costs of adequate firm natural gas capacity or 2) railway and or other transportation, if applicable.
- Interconnection, integration and any other costs (e.g., applicable transmission wheeling expense) necessary to deliver the energy to load.
- Proposed fixed cost adjustment factor for availability.

2. Variable Costs

The variable generation costs will include, but are not limited to, the following components:

- The variable energy commodity price, which, depending on pricing structure, could take one of several forms. Energy commodity costs could (1) be based or indexed to a specified gas or coal index, (2) could be established as the product of a fuel index value times the contractual heat rate, or (3) in certain structures, the variable energy commodity price will be fixed, or potentially fixed with an annual escalation. Escalators must be a fixed annual percentage, CPI, or GDP.
- Variable O&M ($/MWh).
- Potential CO_2 costs ($/ton) ($/MWh based on a $/ton CO_2 basis)
- Transmission losses in those cases where the Company will incur third-party transmission losses (if applicable).
- Start costs (if applicable) per plant and per machine (if applicable). Bidders must define if this start cost is from initiation of start to minimum sustainable load or to full load. Start costs and variable O&M must be clearly separated. Cost presentation format provided by the Bidder should be in $/MWh terms, assuming both eight- and sixteen- hour run periods, for up to 365 starts per year at 100% availability.[6]

C. **Non-price Information**

1. Point(s) of Delivery

This RFP is requesting resources that are capable for delivery into or in the Company's network transmission system[7] in PACE. All proposals will be contingent on the

[6] The number of starts assumed per year should be adjusted down for expected mechanical availability. For example, if a resource has an expected mechanical availability of 90%, the number of assumed starts per year should equal 365 x 90% = 328.

[7] Any costs required to upgrade PacifiCorp's electrical infrastructure (integration costs) will be considered in the overall economics of the resource. See **Attachment 13** for cost assumptions for Integration costs. If

Company commercial and trading function's ability to designate the proposed resource (new, existing, imported, etc.) as a Network Resource under the network service contract between PacifiCorp Transmission (www.oasis.pacificorp.com) and PacifiCorp Commercial and Trading.

PacifiCorp is interested in resources that are capable of delivery into or in a portion of the Company's network transmission system in PACE. Specifically, the point(s) of delivery of primary interest to PacifiCorp are:

- Salt Lake Valley
- PacifiCorp Sites
  - Currant Creek
  - Lake Side
- Mona[8] 345 kV
- Glen Canyon 230 kV
- Nevada/Utah Border:
  - Gonder-Pavant 230 kV line known as "Gonder 230 kV"
  - Sigurd – Harry Allen 345 line known as "NUB" or Red Butte 345 kV
  - Crystal 500 kV[9] Located in Nevada—PacifiCorp is willing to purchase capacity and associated energy that is sourced from Nevada; provided, the selling entity is able to purchase firm transmission from the resource to either Gonder or NUB.
- West of Naughton

The Company is generally not interested in resources delivered to the following areas:

- Wyoming, unless the resource(s) electrically reside south of the Naughton-Monument 230 kV line and the cost of the upgrade is included.
- Borah, Brady or Kinport unless such resource is interconnected to the Company's Southwest Idaho electrical system near the Goshen area.

2. Proposals Requiring Third-Party Point-to-Point Transmission Service

For proposals that will require third-party transmission service to provide delivery of capacity and associated energy to the bid-specified Point of Delivery on PacifiCorp's

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the Bidder is proposing another site that is not stated in **Attachment 13**, PacifiCorp will use the best available information at the time of evaluation to determine the integration costs for the analysis.

[8] PacifiCorp's transmission function has broken Mona into three distinct delivery points. These three points are "MDWP" (IPP-Mona from LADWP control area), "MDGT" (Bonanza-Mona within the PACE control area), and "MPAC" (all other lines into Mona with the PACE control areas). In order for PacifiCorp to properly incorporate deliveries at Mona as a network generation resource, the respondent should indicate which point at Mona the deliveries will be made from. PacifiCorp Commercial and Trading requested a system impact study (SIS) from PacifiCorp Transmission, which will be available in September and will update the timing and costs to integrate resources at Mona, Nevada Utah Border, Gonder, Glen Canyon 230kV and Currant Creek.

[9] Crystal substation is currently not a valid network point of delivery on PacifiCorp's system. PacifiCorp is studying the expansion of facilities to Crystal 500 kV. Bidders are advised that the ability to accept proposals delivered to Crystal is highly contingent on the expansion of such facilities.

system, Bidders are responsible for any interconnection, electric losses, transmission and ancillary service arrangements required to deliver the proposed capacity and associated energy to the bid specified Point(s) of Delivery. Such proposals must identify all third-party interconnection, electric losses, transmission and ancillary service products, provide a complete description of those service agreements, and provide documentation that such service(s) will be available to Bidder during the full term of offer(s) proposed. Bidders who propose unit contingent arrangements or system portfolio bids and rely on third-party transmission should be aware that the use of nonfirm transmission in any segments of the schedule from the source to the Point(s) of Delivery will result in the Company's evaluating the need to carry 100% reserves against the import schedule. The third-party transmission service is NOT a transmission service agreement with the Company's commercial and trading function; rather it is with the Company's Transmission function, which must maintain strict functional and informational separation.

3. Interpretation with Interconnection Agreement

Each Bidder responding to this RFP must conduct its operations in compliance with FERC Order No. 2004, Standards of Conduct for Transmission Providers, requiring the separation of its transmission and merchant functions. This RFP requires that all Bidders responding must enter into a separate Interconnection Agreement or Transmission Service Agreement ("TSA") with PacifiCorp Transmission, in accordance with PacifiCorp's Open Access Transmission Tariff, if such agreements are necessary.

4. PacifiCorp Transmission Interconnection Service

Bidders requiring interconnection service from PacifiCorp Transmission must specify in their proposal if they have requested transmission service or not, and if so, what type of service (Energy Resource Interconnection Service ("ER") or Network Resources Interconnection Service ("NR")). Bidders must advise PacifiCorp Transmission that they are requesting the service as part of this RFP.

All proposals that will require a new electrical interconnection to the PacifiCorp Transmission system or an upgrade to an existing electrical interconnection to the PacifiCorp Transmission system must include (a) a statement of the cost of interconnection, together with a diagram of the interconnection facilities. The Bidder will be responsible for, and is required to include in its bid, all costs to interconnect to the PacifiCorp's Transmission system. The Bidder will be responsible for applying to PacifiCorp Transmission for a Large Generator Interconnection Agreement ("LGIA"), except in connection with the EPC Contract, in which case PacifiCorp Generation will apply for the LGIA. However, the interconnection costs will be included in the bid evaluation. PacifiCorp's Transmission function has the option of funding the interconnection upgrades or requiring the Bidder to fund such upgrades and then receive revenue credits. Any such refunds shall be assigned to PacifiCorp's commercial and trading function by the Bidder.

5. PacifiCorp Transmission Integration Service

PacifiCorp has preliminarily identified the potential costs to integrate resources in **Attachment 13**.

These costs will be used in the evaluation analysis. In the event that a Bidder proposes a facility, PPA or TSA that is not at one of the locations identified in **Attachment 13**, PacifiCorp will utilize the best information reasonably available at the time of evaluation to estimate the cost to integrate the resource. Both the cost to integrate and interconnection upgrades will be utilized in the economic evaluation to determine the least-cost resource. **Bidders are reminded that they shall bear 100% of the costs to interconnect to PacifiCorp's Transmission system**. Bidders are encouraged to contact PacifiCorp's Transmission function (at www.pacificorp.com) for information related to system interconnection.

6. Use of PacifiCorp's Sites

In the event a facility is proposed to be located on a PacifiCorp Site, the Bidder must negotiate and enter into a land purchase agreement acceptable to the Company (**Attachment 16** and/or **17),** together with a Construction Coordination Agreement substantially in the form attached as **Appendix S** to **Attachment 6** or **Appendix H** if and when the Bidder has been selected as a resource in the final shortlist. **THIS RFP IS NOT AN OFFER TO SELL PACIFICORP'S SITE TO ANY BIDDER, AND IN NO EVENT WILL THE COMPANY BE OBLIGATED TO SELL A PACIFICORP SITE TO ANY BIDDER. ANY SALE OF A PACIFICORP SITE WILL BE SUBJECT TO THE NEGOTIATION, EXECUTION AND DELIVERY OF ALL AGREEMENTS AND TO THE COMPANY'S SATISFACTION, IN ITS SOLE DISCRETION, THAT SUCH TRANSACTION WILL BE IN THE BEST INTERESTS OF THE COMPANY'S CUSTOMERS AND WILL NOT IMPAIR IN ANY MANNER THE COMPANY'S OPERATION OF ITS FACILITIES THEN LOCATED ON OR ADJACENT TO THE COMPANY SITES.**

SECTION 5. BID EVALUATION PROCESS OF THE PROPOSALS

The Bidders must submit their proposals on or before May X, 2007. The RFP Evaluation Team and the IEs will adhere to the following bid evaluation process.

A. **Overview of the Evaluation Process**

The analysis for the RFP will be focused on finding the best combination of resource opportunities to meet customer requirements at the least cost, on a risk adjusted basis. The evaluation process will utilize a screening process to derive an initial shortlist of bids (described in Step 1 below) which will then be placed in a system wide production cost model to determine the final shortlist (described in Step 2 and Step 3 below). The Company intends to utilize a "first price sealed bid format" in order to determine both the initial and final shortlist of proposals for each of the Eligible Resource Alternative categories.

The selection of an initial shortlist of bids will be based on price and non-price factors taking into account resource diversity of the term and fuel source. The price factor will be derived, in the initial shortlist analysis, using the PacifiCorp Structuring and Pricing RFP Base Model. The RFP Base Model will be used to establish the initial shortlist of the top performing proposals in each of the Eligible Resource Alternative categories specified in the RFP based on the projected net present value revenue requirement (net PVRR) per kilowatt month (Net PVRR/kW-mo) and fuel type. The non-price factors will evaluate the proposed resource characteristics, including development feasibility and risk, site control and permitting, and operational viability and risk impacts. The underlying criteria within each category are explained in more detail in Section 5.B.

Bids which qualify for the initial shortlist will be run through a production cost model to establish a preferred portfolio and subsequently a final shortlist. After the final shortlist is determined, post-bid negotiations will take place. Under this format, contract payments will be based on the price contained in each winning bid proposal. The "first price sealed bid format" means that the Company will utilize the initial prices and/or pricing structure submitted by the Bidders in order to determine the initial short-listed entities. Bidders who make the initial shortlist may be offered the option to refresh or update their pricing at the discretion of PacifiCorp, in consultation with the IE.

In selecting the RFP bids for contract negotiations, an optimization model will be used to pick the least cost portfolio of resource options from the initial shortlist under a given set of assumptions (prices, emission expenses, etc.) about the future. The optimization procedure will be applied under a set of future scenarios to develop a set of optimal resource portfolios. Additional deterministic and stochastic analyses will be performed to determine the expected present value revenue requirement (PVRR) and selected risk measures for each of the optimal portfolios determined by the optimization model.

After selecting the final shortlist, in selecting resources to be submitted for approval or acknowledgement, the Company will take into consideration, in consultation with the IEs, certain other factors not expressly included in the formal evaluation process, but required to be considered by applicable law or Commission order.

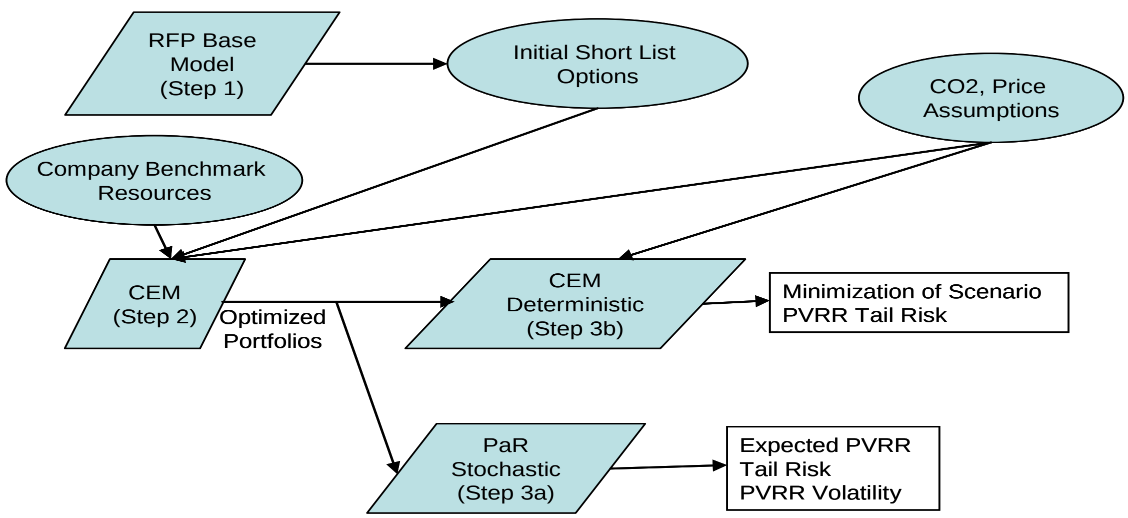
The evaluation process described below is consistent with that used in the Company's Integrated Resource Planning process and applicable laws and orders, and is expected to provide sufficient analytical basis from which to make resource choices. The evaluation will lead to the resources in the highest performing (least cost, adjusted for risk, and including consideration of statutory public interest factors) portfolios as the RFP "winners" that will then advance to contract negotiations. The Company will not ask for, or accept, updated pricing from Bidders during this evaluation period. It is the Company's intent to negotiate both price and non-price issues during the post-bid negotiations. Selection for the initial shortlist, final shortlist, and/or post-bid negotiation does not constitute a "winning bid proposal." For the purpose of the RFP, only execution of the definitive agreement by both the Company and the Bidder that is specific to the

Bidder's proposal, as the same may be amended pursuant to any post-bid negotiations, will constitute a "winning bid proposal."

Bidders should also be aware that operational separation exists, pursuant to FERC's Standards of Conduct, between the merchant and transmission functions of PacifiCorp (See **Attachment 20**). As a result, PacifiCorp will require the Bidder to be responsible for the negotiation, execution and cost of interconnection and integration with the interconnection control area. The Bidder will be responsible for all incremental transmission expenses associated with delivery to PacifiCorp's network transmission system (inclusive of any third-party system upgrade needed to deliver such energy to PACE). Any anticipated transmission cost which is not included in **Attachment 13** or otherwise that is not disclosed in the Bidder's response will be added by PacifiCorp using information reasonable and readily available during the economic evaluation phase.

Transmission integration costs will be used on a prorated basis in the development of the initial shortlist in Step 1. In the system wide production cost models utilized in Step 2 and Step 3, the transmission costs and system benefits (i.e. additional economic transactions, etc.) will be evaluated.

Below is an overview of the evaluation process.



The Company will not make any of the evaluation models - the RFP Base Model, the Capacity Expansion Model, the Planning and Risk Model - available to Bidders. The IEs will have full access to the necessary inputs (including the Company's forward price projections) and all models used in the evaluation process.

B. **The Evaluation Process**

Bids submitted in this RFP will be evaluated in three steps:

1. Step 1—Price and Non-price Evaluation to Determine the Initial Shortlist

The Company intends to evaluate each bid received in a consistent manner by separately evaluating the non-price characteristics of the resource and the price characteristics. Each component will be evaluated separately and recombined to determine the bundled price and non-price score. The price factor will be weighted up to 70%, while the non-price factor will be weighted up to 30%. No proposal will receive a total weighting in excess of 100%. The price and non-price evaluation will be added together and used to determine the initial shortlist. The initial shortlist will be made up of the highest scoring proposals for each of the ten Eligible Resource Alternative categories and the two exceptions.

a. Price Factor Evaluation (Up to 70%)

The Company will utilize the RFP Base Model to screen the proposals and to evaluate and determine the price ranking for the eligible bids received. The RFP Base Model is contained in a Microsoft Excel workbook that includes a number of proprietary Visual Basic macros, custom add-ins, and computational code written in C++.

RFP Base Model Inputs:

- Market Quote Date: The model will pull corresponding forward price, volatilities, and correlation projections for electricity and fuel commodities. Treasury discount curves are also included. The same Market Quote Date will be used for all bids during each evaluation phase.
- Term: Start and End date
- Transmission Cost assumptions (Transmission Integration costs will be used on a prorated basis)
- Emission Inputs,
- Rate Base Inputs: if applicable
- Point of Delivery (POD) and Point of Receipt (POR)
- Dispatch Pattern
- Limitation of Duct Firing or Power Augmentation Capability (hours per day, hours per year, etc.)
- Firm/Unit Contingent
- Resource Type
- Product Source
- Temperature-adjusted undegraded (new and clean) Capacity Curve
- Temperature – adjusted undegraded (new and clean) Heat rate Curve

- Capacity (MW) Degradation Schedule (Expected and/or Guaranteed)
- Heat Rate Degradation Schedule (Expected and/or Guaranteed)
- Turbine Type
- Variable O&M Payment ($/MWh)
  - VOM costs ($MWH)
  - Start-Up Costs ($/MWh)
- Fixed O&M Payment ($/KW-mo)
- Gas Capacity (MMBtu/day)
- Gas Demand Charge ($/MMBtu-mo)
- Gas Transportation/Delivery Adder ($/MMBtu)
- Fixed Energy Payment ($/MWh, if applicable)
- Capacity Charge ($/KW-mo)
- Resource/POD Availability by Month
- Forward Price Curve Multiplier by Month
- Corporate Financial Inputs – Inflation Curve, WACC, etc.

Comparison Metric

The comparison metric will be the projected 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 as negative. The larger the net PVRR, the more valuable a given resource is to the Company's customers. The net PVRR/kW-mo metric is the annuity value which, when applied to the nominal kilowatts on a monthly basis and present-valued, will result in the same net PVRR as a straight NPV calculation.[10]

Bid Cost relative to adjusted price curves	Price Factor Weighting
Less than or equal to 80% of adjusted price projections	70%
Greater than 80% of adjusted price projections but less than 120% of adjusted price curves	Linearly interpolated
Equal to or greater than 120% of the adjusted price projection	0%

b. Non-price Factors (up to 30%)

The primary purpose of the non-price analysis is to help gauge the relative development, construction and operational characteristics and associated risks of each proposal. A matrix will be established for each non-price factor and will be used to compare the bids with one another.

Non-price factors will be weighted up to 30% (in combination with the price scores) in the determination of which proposals will be chosen for the initial shortlist.

[10]The term "straight NPV calculation" refers to the act of present-valuing the net of the nominal capacity and energy value, and costs, to derive a net present value of the net margin between value and costs. To the extent that all proposals are above 120% of adjusted price curves, they will be ranked by percentage.

The non-price factor weighting for operation issues shall consist of the following:

Non-price	Non-price Weighting Factor
Development Feasibility/Risk ▪ Critical Path Schedule 0-5% ▪ Engineering Design and Technology 0-2.5% ▪ Fuel Supply and Transportation Strategy 0-2.5%	up to 10% - each risk will be weighted to the following percentage. If Bidder provides none of the following they will receive 0%. If Bidder has provided some of the requirements they will receive 50% of each percentage and if they provide all the materials they will receive the full 2.5% or 5% in each category. All weighting determinations will be established by the company upon consultation with the Independent Evaluator.
Site Control and Permitting ▪ Permits Required 0-5% ▪ Access to Water Supply 0-2.5% ▪ Rights of Ways 0-2.5%	up to 10% - each risk will be weighted to the following percentage. If Bidder provides none of the following they will receive 0%. If Bidder has provided some of the requirements they will receive 50% of each percentage and if they provide all the materials they will receive the full 2.5% or 5% in each category. All weighting determinations will be established by the company upon consultation with the Independent Evaluator.
Operational Viability/Risk Impacts ▪ Environmental Compliance/Strategy 0-5% ▪ Environmental Impact 0-2.5% ▪ O&M Plan 0-2.5%	up to 10% - each risk will be weighted to the following percentage. If Bidder provides none of the following they will receive 0%. If Bidder has provided some of the requirements they will receive 50% of each percentage and if they provide all the materials they will receive the full 2.5% or 5% in each category. All weighting determinations will be established by the company upon consultation with the Independent Evaluator.

Development Feasibility/Risk

This category is intended to assess the likelihood the project can be successfully developed as proposed based on a number of factors which influence project development feasibility and risk of development. Factors influencing the status of project development as well as the likelihood the project will be developed on schedule will be assessed. For this category, PacifiCorp will evaluate the Critical Path schedule provided by the Bidders, the engineering design and technology maturity for the project proposed, the status of fuel supply arrangements and the strategy of the Bidder for securing fuel for the project.

Bidders shall provide a detailed project schedule with critical path milestones for the project that includes activities from the period of selection as the winning bidder to the commercial operation date. PacifiCorp will review and evaluate the project schedule to ensure there is a high likelihood the project can reach commercial operations as proposed. This review will include the risks of delays in securing the necessary environmental permits.

Bidders should also provide information about specific technology and equipment proposed for the project, including a description of the track record of the technology and equipment. The Bidder should provide a detailed description and specifications for the proposed equipment (including the turbine, steam generator, gasifier, cooling equipment and environmental control equipment proposed). The Bidder should also identify any flexibility to change equipment design if environmental requirements or projected environmental compliance costs change significantly during project development. PacifiCorp reserves the right to conduct further due diligence on the equipment. PacifiCorp prefers proposals that demonstrate that the generation design and equipment proposed is technologically mature and the Bidder has included a reasonable plan to address how the project will conform to change in environmental requirements in the future (i.e. whether the project will be designed to be carbon capture ready and whether the facilities will be sited with ready access to sequestration opportunities).

Bidders should disclose the project design elements that have been included for the separation, capture and storage of carbon emissions, as well as any guarantees of cost and performance they are willing to provide with respect to these design elements. Bidders are also encouraged, but not required at this time, to identify the projected costs of additional design elements that would be required for carbon separation and capture. Bidders should discuss and provide documentation for any work they have done on whether the proposed site for the project would enable cost-effective access to geologic sequestration opportunities, including potential future revenue streams associated with the provision of compressed CO_2 to enhanced oil recovery fields. If a Bidder does not address these issues fully in its initial project proposal, it should identify what additional information it will be prepared to provide in the event its bid moves from the initial shortlist to the final shortlist.

Bidders should provide a detailed strategy for securing and delivering fuel to the plant site. If the project is in the early stages of development, PacifiCorp requires a fuel supply and transportation plan that demonstrates that the fuel supply arrangements adequately conform to the type of project/technology proposed (*e.g.* gas-fired combined or coal). PacifiCorp prefers proposals that can demonstrate a secure and reliable fuel supply or strategy which demonstrates the ability of the bidder to secure a reliable supply for the project.

Site Control and Permits

Bidders must be able to 1) document they have obtained site control and necessary permits (maximum points in this category) or 2) demonstrate how site control and permits will be obtained. To meet the site control requirement, Bidders shall have identified a site and must provide a copy of documentation establishing that the seller has and/or will have control over the site for the entire term of the contract. Eligible documentation includes a demonstration of site ownership, an option to purchase the site, or a binding letter of intent from the landowners for the full term of the contract.

For Bidders to demonstrate how they will obtain site control, they must submit documentation which supports the site control requirements. Bidders should also provide a list of all required permits that must be obtained. In addition, Bidders should identify any rights-of-ways that need to be acquired for the construction of supporting facilities (i.e. water pipelines, fuel lines, transmission lines, rail spurs, etc.) and provide a plan and schedule for securing the rights-of-ways.

Finally, PacifiCorp is particularly interested in the plan proposed by the Bidder for securing necessary water rights for the project, including the sources of water and status of any agreements in place to secure and deliver the water to the project site.

Operational Viability/Risk Impacts

This category addresses key viability and risk factors associated with project operations. The three key factors of importance are the Bidder's environmental management and compliance plan, the proposal's environmental impacts and the O&M plan. The environmental management and compliance criterion addresses the ability of the generation facilities supporting the PPA to anticipate and remain in compliance with existing and future environmental regulatory requirements and to reduce environmental impacts. Bidders should, to the extent practicable, explain and justify their choices of pollution control and water cooling technologies. PacifiCorp is interested in proposals that can demonstrate, through a credible plan, the ability to manage and reduce environmental costs and impacts. Options to meet the requirements of developing regulations for control of currently regulated air emissions and mercury, along with emerging issues such as greenhouse gas emissions and ways to mitigate future CO_2 impositions, should be included in the Bidder's strategy for meeting the necessary requirements.

An important criterion for evaluating proposals will be the project's environmental impacts. The proposal's overall plan to minimize air emissions will be an important aspect of this review. In addition, site impacts such as water usage, land use, waste disposal, etc. will be considered. Proposals should include a description of the Bidder's plan to address site-specific areas of environmental sensitivity. Bidders are encouraged to identify areas where incremental improvements in environmental performance and water use and efficiency can be made through more advanced pollution control and water cooling technologies, if applicable, and to provide projected cost analysis for such incremental improvements, and tradeoffs with other factors like fuel use and air emissions. If a Bidder it not able to address this issue fully in its initial bid submission, it should identify what additional information it will be prepared to provide in the event its bid moves from the initial shortlist to the final shortlist.

The Bidder is also required to provide an O&M plan for the proposal. The O&M plan should include any plans for the Bidder to execute a long-term contract with a reputable operations and maintenance provider, a description of the funding levels/mechanism and contractual arrangements, and a description of the previous experience of the Bidder in operating and maintaining similar facilities.

The initial shortlist will be established using the combined price and non-price results. The initial shortlist will include the top bids in each Eligible Resource Alternative category, up to two times the approximate megawatt needs for each year during the Term. In addition, PacifiCorp may utilize the information provided by Bidders in their proposals associated with the non-price criteria listed above in the risk assessment of various resource alternatives.

The Final Shortlist will be comprised of Step 2 and Step 3.

2. Step 2—Capacity Expansion Model - Production Cost Run

Based on the initial shortlist, Global Energy Decision's Capacity Expansion Model (CEM®) will be used to develop optimized portfolios under various assumptions for future emission expense levels and market prices. CEM® will develop a corresponding number of optimized portfolios—one for each combination of emission and wholesale market and natural gas price assumptions—drawing from resource options in the initial shortlist (described above) along with the Company's benchmark resources. These assumptions will be conceptually consistent with the 2006 Integrated Resource Plan high, medium, and low cases, but may reflect more recent data at the time the analysis is conducted. An optimal portfolio will be established for each combination of emission and wholesale market and natural gas price assumptions.

Each portfolio from the CEM® scenarios will be a candidate for the optimum combination of resources to be selected through the RFP process and will therefore be advanced to the stochastic/deterministic analysis step described below. Resources bid into the RFP that are not included in any of the portfolios resulting from this step will no longer be considered candidates for acquisition by the Company.

3. Step 3—Risk Analysis

In order to identify the resources in the highest performing (least cost, adjusted for risk) portfolios, stochastic and deterministic analyses will be performed on each optimized portfolio. Consistent with the IRP, the Company will use the Planning and Risk Model and the Capacity Expansion Model to assess the risks to each Eligible Resource Alternative. The Planning and Risk Model will model hydro conditions, thermal outages, gas prices, electricity prices and load on a stochastic basis. The Capacity Expansion Model will model CO_2, fuel prices (natural gas and coal) and electricity prices on a scenario basis.

a. Stochastic Analysis

Global Energy Decision's Planning and Risk (PaR®) model will be used in stochastic mode to develop expected PVRR and PVRR volatility parameters. PaR® is an hourly dispatch model that varies loads, wholesale gas prices, wholesale electric prices, hydro variations, and thermal unit performance. The model dispatches resources to meet load with given markets and transmission access to minimize PVRR using linear programming techniques. The resulting distribution of PVRR, typically over 100 draws of the variables, can be evaluated for the expected PVRR, tail risk PVRR, and PVRR volatility.

b. Deterministic Scenario Analysis

As an additional risk analysis step, the optimal portfolios will be subjected to a more in depth deterministic dispatch model using CEM ®, with each portfolio being assessed for each of the future scenarios described in Step 2 above. For example, Portfolio 1 will have been optimized for Scenario 1, but in this step Portfolio 1 will be reevaluated under scenarios 2 through *N* in order to assess the consequences of choosing a portfolio under non-optimal futures. This step is intended to identify portfolios with especially poor performance under certain future scenarios and used to inform the selection of final resource options.

Inputs used in CEM® and PaR® include:

Operational Costs

For each portfolio, the operational information for each added proposal will be entered into the production cost simulation (CEM® and PaR®). In addition, the Company will include any changes to the system topology to reflect transmission upgrades required by the added proposals. The operational information used in the production cost simulations includes:

1. Maximum capacity of each unit
2. Minimum capacity of each unit
3. Dependable per-unit capacity
4. Peaking capacity, for use under specified conditions
5. Actual pre-specified commitment and/or unit dispatch
6. Daily charge for operating a unit for at least one hour in the day
7. Variable O&M cost of each unit

8. The heat rate curve for a unit
9. Pre-scheduled maintenance, number of units and duration
10. Maintenance rate, for distributed maintenance per unit
11. Mean, maximum, and minimum time to repair, for outages scheduled by Convergent Monte Carlo
12. Minimum up- and downtimes of a unit
13. Per-hour operating cost, exclusive of fuel and variable O&M costs
14. Pumped storage pumping capacity and pumping minimum
15. Unit ramp and run-up rates
16. Unit start-up O&M and fuel costs and corresponding hours
17. Emission rates/costs

Bidders should ensure that they provide the information necessary to undertake the evaluation in their proposal. The production-cost model simulations (CEM® and PaR®) will provide information on net system costs for fuel, variable plant O&M, unit start-up, market contracts and spot market purchases and sales.

Fixed Costs

As mentioned above, the revenue requirement costs associated with additional investments required by the bid—investment in new resources and/or transmission—will be added to the variable operating costs. The information required for new resources in order to calculate the fixed costs include:

1. Capital Costs—generation and transmission
2. Fixed O&M
3. Incremental Transmission Asset Life
4. Incremental Resource Asset Life

4. Step 4 – Final Selections; Other Factors

The first three steps described above constitute the formal evaluation process and will lead to the compilation of the final shortlist of resources for further negotiation. After completing the formal evaluation process described above, but before making the final resource selections to be submitted for approval or acknowledgement, the Company will take into consideration, in consultation with the IEs, certain other factors that are not expressly or adequately factored into the formal evaluation process, but that are required by applicable law or Commission order to be considered.

The Utah Energy Resource Procurement Act requires consideration of at least the following factors in determining whether a resource selected by the Company should be approved as in the public interest:

- whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers of an affected electrical utility located in this state;

- long-term and short-term impacts;
- risk;
- reliability;
- financial impacts on the affected electrical utility; and
- other factors determined by the Commission to be relevant.

Oregon Order No. 06-446, Guideline 10(d), requires that the IE evaluate the unique risks and advantages associated with the Benchmark Resources, including the regulatory treatment of costs or benefits related to actual construction cost and plant operation differing from what was projected for the RFP.

SECTION 6. AWARDING OF CONTRACTS

A. **Invitation**

This RFP is merely an invitation to make proposals to the Company. No proposal in and of itself is a binding contract. The Company may, in its sole and absolute discretion, perform any one or more of the following:

- Determine, in consultation with the IEs, which proposals are eligible for consideration as proposals in response to this RFP.
- Issue additional subsequent solicitations for information and conduct investigations with respect to the qualifications of each respondent.
- Disqualify proposals contemplating resources that do not meet this RFP's definition of Base Load resources.
- Supplement, amend, or otherwise modify this RFP, or cancel this RFP with or without the substitution of another RFP.
- Negotiate and request Bidders to amend any proposals.
- Select and enter into agreements with the respondents who, in the Company's sole judgment, are most responsive to the RFP and whose proposals best satisfy the interest of the Company, its customers, and state legal and regulatory requirements, and not necessarily on the basis of any single factor alone.
- Issue additional subsequent solicitations for proposals.
- Reject any or all proposals in whole or in part.
- Vary any timetable.
- Conduct any briefing session or further RFP process on any terms and conditions.
- Withdraw any invitation to submit a response.

B. **Post-Bid Negotiation**

The Company will further negotiate both price and non-price factors during post-bid negotiations. The Company will continually update its economic and risk evaluation until a definitive agreement acceptable to the Company in its sole and absolute discretion is executed by both parties. The Company will allow Bidders to negotiate final contract terms that are different from the Proforma Agreements including, but not limited to, CO_2 risk. **The Company shall have no obligation to enter into any agreement with any Bidder to this RFP and the Company may terminate or modify this RFP at any time without liability or obligation to any Bidder.** Any changes to contract pricing based on CO_2 compliance costs will be subject to review and approval by the Utah Commission prior to passing through to customers.

C. **Confidentiality Agreement**

All parties will be required to sign Confidentiality Agreements if they are short-listed **(Attachment 14)** prior to entering into negotiations with the Company.

D. **Nonreliance Letter**

All parties will be required to sign a nonreliance letter if they are short-listed **(Attachment 15)** prior to entering into negotiations with PacifiCorp.