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December 16, 2008

Ms. Julie Orchard
Secretary, Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, Utah 84114

Re: Docket No. 07-035-94: In the Matter of the Application of PacifiCorp for Approval of a Solicitation Process for a Flexible Resource for 2012-2017 Time Period, and for Approval of a Significant Energy Resource Decision

Dear Julie:

Upon providing due notice to all interested parties, representatives of PacifiCorp Energy convened a workshop on December 11, 2008 from 10:00-12:30 in Salt Lake City, Utah at the Heber M. Wells Building, 4th Floor, Room 401 to review and make recommendations regarding (1) the mechanism to be used to compare alternative portfolios; and (2) the criteria to be used for selecting final shortlist resources from the highest performing portfolios (both with respect to Docket No. 07-035-94), in compliance with the Commission's Suggested Modifications and Order, dated May 23, 2008 and Rocky Mountain Power's commitment contained in its August 5, 2008 letter to the Public Service Commission of Utah.

After a thorough discussion on the matter, PacifiCorp Energy invited all parties to submit to PacifiCorp any recommendations regarding the methodology used by it to (i) compare alternative portfolios and the criteria and (ii) select the final shortlist resources. It was decided by the workgroup that PacifiCorp Energy initially submit its Step Once process, attached as Exhibit A, hereto. Since Step 1 is a screening process to determine the initial shortlist and does not compare alternative portfolio or derive the criteria used in the selection of the final shortlist, the workgroup and the Independent Evaluators agreed to proceed with the request for proposal and receive the proposals on December 16, 2008 and start Step 1 of the evaluation process. Step 1 will take approximately three weeks. During the three week period, PacifiCorp Energy will receive comments and recommendations from the workgroup and the Independent Evaluator regarding Steps 2 and 3 and will file its recommendation prior to January 2, 2009 or the commencement of Steps 2 or 3 of the evaluation process.

Informal inquiries regarding the foregoing may be addressed to Stacey Kusters at (503) 813-5351.

Sincerely,

Yvonne R. Hogle

ROCKY MOUNTAIN POWER
A MIDAMERICAN ENERGY HOLDINGS COMPANY

EXHIBIT A

1. STEP 1—PRICE AND NON-PRICE SCREEN WILL BE USED TO DETERMINE A LIST WHICH WILL BE DEEMED AN 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. At least one day prior to the date bids are due, the Company will submit the detailed initial shortlist scoring and weighting criteria on the Benchmark Resources to the Oregon Public Utility Commission for review by the Oregon Staff and IEs. The Company will provide the methodology for translating each bid's initial price score into a score that can be blended with the non-price score. The detailed scoring will indicated how points are awarded for each category of non-price factors. The initial shortlist will be made up of the highest scoring proposals in three separate categories, the Base Load resource, the Intermediate Load resource and the Summer Peak resource.

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 in the three categories, the Base Load resource, the Intermediate Load resource and the Summer Peak load resource.

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.[1]

Bid Cost relative to adjusted price curves	**Price Factor Weighting**
Less than or equal to 60% of adjusted price projections	70%
Greater than 60% of adjusted price projections but less than 140% of adjusted price curves	Linearly interpolated
Equal to or greater than 140% of the adjusted price projection	0%

[1]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 the price scores are not consistent with the pre-specified price ranges listed above, the Company, in consultation with the IEs, will revise the price ranges to ensure the intended price factor weightings are maintained**.**

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 from a screening basis. 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 The non-price factor criteria are identified in Chart 5 below. Bids will be evaluated and scored in three discrete categories: (1) 100% of the percentage weight; (2) 50% of the percentage weight; or (3) 0% of the percentage weight. Bids will be evaluated based on their ability to demonstrate the proposal is thorough, comprehensive and provides limited risk to the buyer prior to the company performing due diligence on any given Bid. Bids which have a demonstrated track record or are mature proposals will be more highly evaluated. Chart 5 lists the key non-price criteria and the basis for weighting for each criterion.

CHART 5

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% Bids will be evaluated based on the quality of their proposal, their responsiveness to the information requested and their ability to demonstrate that the project can be reasonably developed within the appropriate timeframe to meet the proposed in service date and with limited risk to the buyer. Bids which have achieved commercial operation will be awarded percentage weight consistent with the risk associated with each non-price category. For example, an existing project will be awarded 100% of the percentage weight associated with the Critical Path Schedule criteria.
Site Control and Permitting ▪ Permits Required 0-5% ▪ Access to Water Supply 0-2.5% ▪ Rights of Ways 0-2.5%	Up to 10% Bids will be evaluated based on the quality of their proposal, their responsiveness to the information requested and demonstration of sufficient detail on the status of permitting, access to available water supply and site control. Bids which can demonstrate little or no risk associated with these criteria will be more highly evaluated.
Operational Viability/Risk Impacts ▪ Environmental Compliance/Strategy 0-5%	Up to 10% Bids will be evaluated based on the quality of their proposal, their responsiveness to

Non-price	Non-price Weighting Factor
▪ Environmental Impact 0-2.5% ▪ O&M Plan 0-2.5%	the information requested and demonstration of sufficient detail regarding the quality of their environmental compliance plan and O&M plan as well as the environmental impact of each proposal consistent with the proposed technology.

I) 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, cooling equipment and environmental control equipment proposed). 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

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). 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.

II) 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. The Bidder must be able to obtain site control prior to signing a contract with the Company.

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.

III) 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 the three categories, Base Load resource, Intermediate Load and Summer Peak resource. 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.