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March 2, 2010

Julie P. Orchard, Commission Secretary
Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 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 the 2012-2017 Time Period, and for Approval of a Significant Energy Resource Decision*

Dear Commissioners:

The purpose of this letter is to respond to the comments that were filed by the Division of Public Utilities (Division) following the request by the Public Service Commission of Utah (Commission) on the proposed change in the Company's 2008 All Source Request for Proposals (All Source RFP). The Company responds as follows:

1. PacifiCorp file at least quarterly progress reports on the All Source RFP with the Commission detailing its progress, milestones reached or achieved, and any issues that affect the outcome or success of the RFP.
1. **RESPONSE.** PacifiCorp has routinely contacted, and exchanged a great deal of valuable information with, the Independent Evaluator (IE) throughout the All Source RFP process. For example, even though the All-Source RFP was suspended, PacifiCorp estimates that in 2009 and 2010, PacifiCorp communicated with the IE approximately 15 times about the All Source RFP; about many topics including progress, milestones achieved and a multitude of issues that could affect the outcome or success of the All-Source RFP. PacifiCorp proposes that, instead of assuming the responsibility of preparing and filing quarterly reports, the Division and PacifiCorp request that the Commission enforce Utah R746-420(6)(4) ("Rule"). The Rule requires the IE to prepare and file with the Commission, and provide copies to PacifiCorp and the Division, monthly progress reports on all aspects of the solicitation process, including progress, milestones achieved and issues that could affect the outcome or success of the All Source RFP. Although it is possible for PacifiCorp to prepare and file a report on a quarterly basis with the Commission, PacifiCorp views this additional reporting obligation to be an inefficient use of resources and duplicative of communication that should take place between the IE and the Commission, with copies of any IE reports also provided simultaneously to PacifiCorp and the Division. The Company also does not object and encourages the Division to monitor any meeting and discussion, along with the IE, as we go forward in 2010 with the All Source RFP.

2. PacifiCorp inform the Commission immediately in writing of any delays extending beyond three days in the approved All Source RFP schedule detailing the reasons for the delay, the impact to the schedule, the impact on the All Source RFP, and the likelihood of meeting the online date.
2. **RESPONSE.** PacifiCorp has no objection to this recommendation. PacifiCorp agrees to immediately inform the Commission in writing of any delays extending beyond three days in the approved All Source RFP schedule detailing the reasons for the delay, the impact to the schedule, the impact of the All Source RFP, and the likelihood of meeting the online date.
3. PacifiCorp immediately file a letter certifying whether the All Source RFP was issued on December 2, 2009.
3. **RESPONSE.** PacifiCorp has no objection to this recommendation. PacifiCorp hereby certifies that the All Source RFP was issued to the market on December 2, 2009.
4. PacifiCorp immediately file with the Commission both a redline and final versions of the All Source RFP as issued on December 2, 2009 and an explanation of and supporting reasons or documentation for all changes from the approved RFP issued on October 2, 2008. Documents should be in Word format.
4. **RESPONSE.** PacifiCorp has no objection to this recommendation. Simultaneous with the filing of this response, PacifiCorp has filed with the Commission redline and final versions of the All Source RFP as issued on December 2, 2009.
5. PacifiCorp immediately file with the Commission a final version of the All Source RFP as issued on October 2, 2008. Documents should be in Word format.
5. **RESPONSE.** PacifiCorp has no objection to this recommendation. PacifiCorp filed with the Commission on October 2, 2008 a final version of the All Source RFP as issued on October 2, 2008.
6. PacifiCorp immediately file a detailed explanation of how bids in the intermediate class will be evaluated without a proposed benchmark.
6. **RESPONSE.** PacifiCorp has no objection to this recommendation. Bids in the intermediate class will be evaluated consistent with the methodology in the All Source RFP. The IRP preferred portfolio has two resources which will be removed and replaced with the options in the All Source RFP. The first resource is a combined cycle facility in 2014 and the second resource is a simple cycle facility in 2016. In addition, RFP bids for third quarter summer resources can replace the IRP preferred portfolio front office transactions. If a bidder provides a resource in the intermediate category in the form of a power purchase agreement or asset purchase and sale agreement, then the IRP models will have the ability to pick either of these resources.
7. PacifiCorp immediately file a detailed explanation of its bridging strategy to meet its retail loads in Utah for the years 2010 through 2014 and an explanation of why it is considering lowering the total megawatts sought under the All Source RFP.
7. **RESPONSE.** PacifiCorp continues to acquire resources through its bridging strategy as opportunities arise. Due to the short term nature of these transactions, the Company has been able

to issue mini requests for proposals and transact in the market for these short term resources. The Company lowered the total megawatts in the approved All Source RFP as a result of the acquisition of Chehalis. In the All Source RFP it was explicit that in the event Chehalis was acquired, then the megawatts associated with the acquisition would be removed from the total megawatts in the All Source RFP. See footnote 5 page 8 of the All Source RFP issued on October 2, 2008.

8. PacifiCorp immediately explain the language changes in the Evaluation Section of the 2008 RFP to the satisfaction of the Commission or remove the language from the RFP document.

8. **RESPONSE.** The language has not been changed. Please see final version of the All Source RFP that was issued to the market.

9. PacifiCorp amend the All-Source RFP to indicate it is seeking up to 2,000 megawatts.

RESPONSE. PacifiCorp does not agree with the foregoing recommendation. As the Division may recall, the All Source RFP included up to 2,000 megawatts *with Chehalis*. Because the Company acquired Chehalis, it has appropriately subtracted the *output from* that plant from the All Source RFP. In the All Source RFP filed with the Commission October 2, 2008, PacifiCorp stated “[t]he Company may opt to contract for more or less power depending, among other things, upon bids received in response to the ongoing 2012 RFP, purchases, quality of bids received in response to this RFP, updates to the Company’s forecasts, regional transmission availability and timing, procurement of shorter term resources or intermittent resources, and changes in the wholesale energy market conditions. In the event the Company receives necessary approvals from regulators and acquires the resource, the total resource need will be adjusted to account for the generating facility that is the subject of Oregon Docket UM 1374. In addition, the Company will include as planned resources in the final shortlist modeling, any resources on the final shortlist under consideration in UM 1208 and Chehalis project (520 MW) unless the subject resources are no longer viable at that time.” (Pg. 9-10). Further, PacifiCorp stated, [t]he Company is seeking up to 2,000 MW of cost-effective resource(s) consisting of Base Load, Intermediate Load and Summer Peak resources to meet the Company’s System Position during calendar years 2012 to 2016.” (pg. 10-11). In the footnote immediately following the sentence, the Company explained, “[t]o the extent resource acquisitions are made outside of the 2008 RFP, the total resource levels will be adjusted accordingly.” Consequently, the Company does not agree with the Division’s recommendation that the All Source RFP should indicate that the Company is seeking up to 2,000 megawatts because the intent was that Chehalis was to be included as part of the 2,000 megawatts. Because the Company successfully acquired Chehalis, the Company will seek up to the difference between 2,000 megawatts and the output of Chehalis, or approximately 1,500 megawatts, as part of the All-Source RFP.

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

Sincerely,

Yvonne R. Hogle