Subscriber Solar Resource Acquisition

The underlying solar resources that will provide the energy for customers of Rocky Mountain Power's subscriber solar program will be acquired through a Request for Proposal (RFP) process. This process will be issued and managed through the Company's energy supply management department.

Solar photovoltaic (PV) resources are proposed to serve customers under the proposed subscriber solar program. The resources must be located in Utah and must either interconnect directly with RMP's transmission or distribution system or be delivered into RMP's service territory. Based on the proposed sizes of these PV resources, it is expected they will be ground mounted and will be either fixed tilt or employ single axis tracking systems.

Although the Company would prefer the underlying resources be highly visible to the public in order to showcase the program, the cost and benefits will be the overarching consideration in selecting resources that are bid into the RFP.

In order to secure the solar resources, the Company has issued a competitive request for proposal process. Three different types of structures are available, which are: 1) Power Purchase Agreements (PPA) with 15, 20 or 25 year terms, 2) Asset Purchase and Sale Agreements (APSA), also known as Build-Own-Transfer (BOT) arrangements, and 3) Engineer-Procure-Construct (EPC) arrangements. In each case, the Company will take ownership of the environmental attributes associated with the underlying resource. The final mix of resources may be a combination of any or all of these types of structures depending on cost and benefits.

Power Purchase Agreements

PPAs will be for terms of 15, 20 or 25 years. Bidders will have the option to either submit fixed prices over the term of the agreement or to submit pricing subject to a fixed escalation rate. During the term of the PPA, the Bidder will be responsible for operating and maintaining the resource. The Bidder will be responsible for project development, design, construction and all activities associated with interconnecting to the point of interconnection and any contracting requirements for transmission service through any non-RMP transmission system for delivery into the RMP system. Bidders will have the option to provide pricing for future sale of the underlying generation asset to the Company at dates specified by the Bidder if they so choose. In the event Bidders propose to sell the underlying generation asset to the Company, Bidders are required to materially comply with the Company's technical specification.

Asset Purchase and Sale Agreements

Under the Asset Purchase and Sale Agreement (APSA) structure, Bidders would sell to the Company the underlying resource once it has been constructed, commissioned and is capable of safely and reliably delivering power and energy to the grid. The Bidder will be responsible for all project development, design, construction and all activities associated with interconnecting to the point of interconnection and any contracting requirements for transmission service through any non-RMP transmission system for delivery into the RMP system. The Bidder will be responsible for all project development, design, construction and all activities associated with interconnecting to the point of interconnection and any contracting requirements for transmission service through any non-RMP transmission system for delivery into the RMP system. The Bidder would also be responsible for conveying any title, leases or royalty agreements for property or rights-of-way. Bidders are expected to submit operating and maintenance (O&M) services for the resource for a period of no less than five years. The underlying resource would need to be constructed to PacifiCorp's technical specification and the associated interconnection agreement.

Upon closing of an APSA, it is expected that the resource will be temporarily sold into a sale-leaseback structure. The purpose of this arrangement is to lower the effective cost of energy from the project so that the underlying financing entity can monetize the 30% federal investment tax credit faster than through utility normalization rules that apply to the ITC. During the period of the sale-leaseback, the Company would be responsible for O&M, insurance and property taxes.

EPC Agreements

Under the EPC structure, Bidders provide a firm fixed price bid to design, provide equipment, construct and commission the solar resource at any or all of the following sites owned by PacifiCorp: Cleveland (located just east of the town of Huntington, Utah), Ferron South (located near the town of Ferron, Utah) and Nebo View (adjacent to the Currant Creek Plant located just west of the town of Mona, Utah). These properties are owned by the Company, are located in RMP's service territory and are suitable for locating solar PV resources.

In the case of the EPC structure, the Company has completed all of the necessary development efforts including entering into the interconnection agreements. Bidders would be responsible for the design, construction and commissioning of the resource compliant with the Company's EPC contract terms, technical specification and associated interconnection agreement. Similar to the APSA structure, Bidders would be expected to submit a proposal for operating and maintenance (O&M) services for the resource for a period of no less than five years.

Similar to the APSA structure, it is expected that the resource will be temporarily sold into a sale-leaseback structure. The purpose of this arrangement is to lower the effective cost of energy from the project so that the underlying financing entity can monetize the 30% federal investment tax credit faster than through utility normalization rules that apply to the ITC. During the period of the sale-leaseback, the Company would be responsible for O&M, insurance and property taxes.

Bidders that propose to sell the resource under a PPA, or that submit either APSA or EPC proposals, must build the resource compliant with the Company's technical specification. Bidders may submit proposals using any recognized "bankable" PV module type and may propose either fixed tilt racking or single axis tracking. The Cleveland site, however, is limited to single axis tracking. "Smart inverters" are specified. There are requirements for clearances, transformers, access, fencing and security. Warranty periods for inverters and PV modules should be no less than 5 and 25 years, respectively. The design life basis for civil and structural components is 30 years.

All resources must be capable of being in service no later than December 1, 2016.

Resource Selection Process

Proposals will be selected on the basis of an evaluation of the benefit, cost and non-price factors. Factors included in the selection will include the value of the energy produced based on the expected generation profile and the cost of the resource. In the case of APSA and EPC proposals, the cost of the resource will include the capital cost as well as ongoing costs of the resource including operations and maintenance costs, future repairs, monitoring, insurance, property taxes and administration. Initial capital costs will include, as applicable, costs for development, interconnection, capitalized property taxes, and allowance for funds during construction. In the case of PPA proposals, an evaluation will be made on the value of the energy produced based on the expected generation profile and the cost of energy from the resource. All evaluations will be done on the basis of present value of revenue requirements.

Non-price factors include the following: Conformity to the technical specifications, RFP bid requirements, development and feasibility of the proposal, documentation and demonstration of site control and permitting, and documentation and demonstration of generation interconnection and firm transmission service.

The RFP is for solar resources 2 MW (alternating current basis) in size or greater, with an aggregate combined total of 15 MW. The number of resources selected will depend on prices, sizes, and locations of resources submitted by Bidders as well any available funding allowed through this order that may be required. A larger resource (or group of resources) may be selected if the Subscriber Solar Program is finalized at a larger size than 15 MW.

A minimum size of 2 MW has been selected because that is the minimum size of a renewable resource eligible for a Utah State sales tax waiver. However, bidders can combined multiple smaller projects as long as the aggregate output is at least 2 MW, though projects of this size may not be able receive the Utah State sale tax waiver.

The RFP and all associated documents are posted on the PacifiCorp website, at http://www.pacificorp.com/sup/rfps.html under the "2015 Solar RFP" link.

Schedule

It is the Company's intention to issue notices to proceed as soon as possible after receiving an order from this Commission and the RFP process is complete assuming such order is favorable for approving this application for a Utah subscriber solar program. It is important to issue notice to proceed to successful proposals as quickly as possible in order to meet an in-service date before the end of 2016 in order to realize the 30% federal investment tax credit.