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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp)
for Approval of a 2009 Request for Proposals) DOCKET NO. 05-035-____
for Flexible Resource)
)

Pursuant to Utah Code Ann. §§54-17 101, *et. seq.*, PacifiCorp, doing business as Utah Power & Light (“PacifiCorp” or the “Company”), hereby applies to the Utah Public Service Commission (“Commission”) for approval of its 2009 Request for Proposals for a Flexible Resource (“RFP 2009”), attached hereto as Attachment A. In support of this application, PacifiCorp states as follows:

1. PacifiCorp is an electrical corporation and public utility subject to the jurisdiction of the Commission. In addition to providing retail electric service in the state of Utah, PacifiCorp provides retail electric service in California, Idaho, Oregon, Washington and Wyoming.

2. Communications regarding this filing should be addressed to:

Jeff Larsen
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Salt Lake City, Utah 84111

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The Company also requests that in addition, all formal correspondence and data requests regarding this filing be sent to:

By e-mail (**preferred**) to: datarequest@pacificorp.com

By regular mail to: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, Oregon, 97232

By fax to: (503) 813-6060

3. In order to acquire the needed resource(s) discussed in more detail below and identified in PacifiCorp 2004 Integrated Resource Plan (“2004 IRP”), Utah Code § 54-17-201 requires PacifiCorp to conduct a Commission-approved solicitation process. While the Commission has yet to adopt rules required or permitted under the provisions of the Energy Resource Procurement Act (“Procurement Act”), the terms of the Procurement Act specifically empower the Commission to take actions, including approval of a solicitation process under the Procurement Act, before such time as rules are adopted. *See* Utah Code § 54-17-103(2)(a). Therefore, pursuant to the provisions of Utah Code § 54-17-201(2)(b), the Company hereby files this application containing a description of the solicitation process, submits a copy of the proposed solicitation, RFP 2009, and seeks Commission approval of its solicitation process.

4. As described in the Company's 2004 IRP and Action Plan ("2004 IRP"), filed with the Commission in January 2005, PacifiCorp has identified a need for a supply-side resource by the summer of calendar year 2009. Rising retail demand in Utah has been a principal factor contributing to an increasing gap between load and resources. The increasing demand, in conjunction with declining resources, is projected to lead to a resource deficit in fiscal year 2010 (12 months ending March 31, 2010). *See* 2004 IRP, Appendix F. To close that gap, Chapter 9 of the IRP lists ten recommended actions to implement the plan (the "Action Plan"). The purpose of RFP 2009 is to implement Action Item #7. Action Item #7 identifies the need for the Company to acquire flexible, supply-side resource(s) up to an aggregate amount of 525MW capable of delivery into or in the Company's network transmission system in PacifiCorp's Eastern Control area by the summer of 2009. *See* 2004 IRP, Table 9.1, page 178. The term for the identified resource is up to 35 years or the life of an asset.

5. While the 2004 IRP identifies the need for and timing of resources with considerable specificity, it does not predetermine the specific resource(s) to procure or whether the asset(s) will be built and/or owned by the Company or acquired through power purchase or other contractual agreements. Instead, the Company's RFP specifies the characteristics of the solicited resource(s) that bidders must satisfy in order to have their bids evaluated in the bidding process. Although the proxy resource in the RFP evaluated for CY 2009 was a flexible, Combined Cycle Combustion Turbine Generator ("CCCT"), PacifiCorp's RFP 2009 does not intend to only solicit CCCT resources. Instead, a resource will be deemed a "flexible" resource as per RFP requirement if the resource can be prescheduled (a) the day before delivery (up to sixteen hours during HE 0700 through HE 2200, Pacific Prevailing Time or (b) within the day of delivery, to a point of delivery as described in the 2009 RFP. Attachment 1 to the RFP

describes in greater detail the minimum requirements for a flexible resource to be accepted and evaluated as a bid in the RFP.

6. The RFP allows bidders to bid proposals into eight (8) eligible resource categories with two (2) exceptions. Bids in the eight eligible resource categories must be a minimum of 100MW for a minimum of 10 years and subject to a \$750/kW cap. The cap is based upon the costs assumed for the proxy resource in the IRP while providing bidders with some flexibility. The eligible resource categories are: (1) Power Purchase Agreement; (2) Tolling Service Agreement; (3) Asset Purchase and Sale Agreement (at Currant Creek or Lakeside (“PacifiCorp Sites”)); (4) Asset Purchase and Sale Agreement (at Bidder Site); (5) Engineering, Procurement and Construction Contract (at Currant Creek Site Only); (6) purchase of an existing facility; (7) purchase of a portion of a facility jointly-owned or operated by PacifiCorp; or (8) restructuring of an existing Power Purchase Agreement or Exchange Agreement. A detailed description of each of the categories is set forth in the RFP. For the first two categories, bidders may submit bids for the PacifiCorp Sites with some restrictions on size and term to ensure ratepayers receive adequate development of these sites in which they have already invested. Design evaluation criteria associated with the PacifiCorp Sites is also disclosed in the RFP for bidders to evaluate. In submitting a proposal, the bidder must select one bid category for each bid, although a bidder may submit separate bids for energy and capacity from a single resource under each of two or more categories. The two exceptions to the eligible resource categories are for distributed generation (combined heat and power) and load curtailment which have 3MW and 25MW minimums respectively. The acceptable points of delivery and preliminary associated transmission costs for the eligible resource bids are also specified in Attachment 13 of the RFP.

7. Each bidder who elects to participate in 2009 RFP is required to respond to a Request For Qualifications (“RFQ”), which is attached to the RFP as Appendix A, prior to the time that bids are due. In the RFQ, the bidder must (1) indicate the Eligible Resource category(ies) they propose to bid into the RFP and (2) provide information regarding their capability and experience and satisfaction of credit requirements based on the Eligible Resource(s) they are submitting. The Bidders will also be asked whether they are willing to accept change of law risk, whether their bids will be subject to financing and what accounting treatment they anticipate based on the Eligible Resource(s) they are submitting. Bidders must pass this initial qualification in order to participate in the RFP. The Independent Evaluator (IE) will be involved in the RFQ evaluation process.

8. PacifiCorp will utilize a “first-price sealed bid format” in order to determine an initial short-list. Under this format, the Company will use the initial prices and/or pricing structures submitted by the Bidders in order to determine the initial short-list. The Company will not ask for, or accept, updated pricing during this phase of the evaluation period. Both price and non-price factors will be used to determine the initial short-list with weightings of 60% and 40% respectively. For the 60% pricing score, PacifiCorp will use a spread sheet model (“RFP Base Model”) to screen proposals. A description of the RFP Base Model is included in the RFP. Bidders will be required to validate the key data points from their bid(s) that will be entered into the RFP Base Model using the Bidder Pricing Input Sheet attached to the RFP as Bidder Supplied Form 1. The Company will include all relevant Carbon Dioxide (“CO₂”) expense (consistent with IRP assumptions or the then-current assumptions if applicable), transmission costs to integrate and/or third party transmission costs, and inferred and/or direct debt costs in this stage of the evaluation in order to arrive at a short-list that represents the actual least cost

resource options available to customers taking into account all known costs. The benchmark comparison metric will be the projected Net Present Value revenue requirement (“Net PVRR”) per kilowatt month (“Net PVRR/kw-mo”). The value of the energy and capacity is a positive, and offsetting costs are a negative, with the result that the larger the Net PVRR, the more valuable the resource to customers.

Non-price factors include (1) the flexibility of the resource (level of dispatch, up to 20%); (2) exceptions to the pro forma agreements (10%); and (3) environmental attributes relative to the resource, if applicable (up to 10%). A more detailed description of these factors and their scoring is included in the RFP.

Once a short-list has been determined, the Company will use a production cost model to determine the final shortlist and the least cost/risk resource(s). The production cost computer simulation of each proposal is required to estimate the operational savings associated with each of the proposals, and/or combination of proposals, when operated with the system dispatch. PacifiCorp will negotiate both price and non-price factors during post-bid negotiations.

9. The Company proposes the following schedule for 2009 RFP:

Event	Anticipated Date
2009 RFP Issued	September
RFP bid Conference	October 2005
Intent to bid forum	October 2005
Responses Due	December 1, 2005
Evaluation complete	January 2006
Bidder negotiation	February-June 2006
PacifiCorp decision	July 2006
Utah Commission Approval Proceeding -180 days	August 06-January 07

10. In order to provide sufficient time for the solicitation process, any approval proceeding required under Utah Code § 54-17-302, and any permitting, development and/or construction time that may be required by the winning bidder, PacifiCorp requests that the Commission issue an order approving 2009 RFP no later than 90 days after the filing date, as outlined in Utah Code § 54-17-201(2)(f), or by September 26, 2005. PacifiCorp has previously provided information to Utah regulators and stakeholders regarding the content of 2009 RFP through a workshop with Utah regulators and stakeholders on June 6, 2005. This workshop was attended by the Division, Committee, UAE and other interested stakeholders. A similar workshop was held in Portland, Oregon on June 14, 2005 with participants from Idaho, Washington and Wyoming participating by telephone conference. In addition, PacifiCorp solicited input and comments from bidders in a workshop on June 13, 2005. PacifiCorp will hold another pre-bid conference for bidders with the Independent Evaluator after Commission approval of RFP 2009. PacifiCorp submits, based on the information previously provided to parties and the clear directions regarding the solicitation process included in the Procurement Act, that a 90-day proceeding with opportunity for public comment is sufficient time within which to resolve any questions or concerns regarding 2009 RFP.

Conclusion

WHEREFORE, PacifiCorp respectfully requests that the Commission enter an order on or before September 26, 2005, approving PacifiCorp's 2009 Request for Proposals.

Respectfully submitted this ____ day of June, 2005.

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CERTIFICATE OF SERVICE

I hereby certify that on this 27th day of June, 2005, I caused to be served, via hand delivery, a true and correct copy of the foregoing **Application** to the following:

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