

RFP Unresolved Issues

ISSUE	PARTIES' POSITIONS	COMPANY'S POSITION	PROPOSAL	RESOLUTION
Effectiveness of Bids/ Pricing Index	<p>UAE: The IE suggested several changes to the Effectiveness of Bids, particularly to clarify coal pricing flexibility options. UAE supports the IE's comments and invites the IE to provided specific proposed language.</p> <p>IE proposes indexing of prices.</p> <p>CCS: Does not agree with the recommendation to index capacity costs. Shifting the risk of cost increases from developers to ratepayers deviates from the principle that risk should follow reward and is at odds with the intent behind competitive bidding – ratepayer benefits.</p>	<p>PacifiCorp believes that flexibility of pricing is inconsistent with SB 26. The company adopted language that allows for indexing the variable component and introduces a best and final price update after the shortlist and prior to the final shortlist.</p> <p>PacifiCorp disagrees that inclusion of an indexing pricing mechanism to the capacity is appropriate for this RFP.</p>	Parties discussed further at the October 24 settlement conference.	Parties were unable to resolve
Flexibility Options and Pricing Adjustment Mechanism	UAE: The IE suggested that the RFP should be more explicit in describing the	PacifiCorp incorporated flexibility options into the latest draft of the RFP and	IE proposed specific language and requested PacifiCorp to revise Forms	Issue not resolved. See CCS comments at left.

	<p>value of flexible options (contract buy out, in service date deferral, in service date acceleration), in encouraging flexible options. The revised RFP does not appear to adequately incorporate these suggestions. UAE encourages the IE to propose specific language changes or additions to achieve these purposes.</p> <p>CCS: Does not agree with the recommendation to index costs. Shifting the risk of cost increases from developers to ratepayers deviates from the principle that risk should follow reward and is at odds with the intent behind competitive bidding – ratepayer benefit.</p> <p>The Committee agrees with the second paragraph of the Company’s position and wonders why this issue is in the resolved category. The pages referenced are blank, and the Committee can not evaluate whether we agree or disagree.</p>	<p>will review the IE’s specific language for incorporation as appropriate.</p> <p>Note: Price flexibility options and price indexing are two different issues. This issue is addressed in Effectiveness of Bids/Price Index.</p>	<p>1 and 2 to implement the contract flexibility provisions. PacifiCorp incorporated this language into the RFP and the Forms 1 and 2.</p> <p>Parties agreed to further discuss the pricing adjustment mechanism concepts at the October 24 settlement conference.</p>	<p>Page 7 of the RFP</p> <p>Forms 1 and 2 of the RFP</p>
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	<p>IE: Proposes revisions to Forms 1 and 2 to incorporate the contract flexibility provisions.</p> <p>Parties should consider the alternative bid pricing mechanism proposed by the IE in its June 2006 and August 20 reports on the RFP and included as Attachment A to its October 13 comments. IE proposes indexing of prices.</p>			
<p>Comparability of Bids</p>	<p>UAE: The RFP fails to make competitive bids and benchmarks options comparable in terms of costs and risks for scoring and evaluation purposes. RFP fails to identify and quantify increased risk of the benchmark options (e.g. risks relating to construction costs, increased debt or equity costs, increased operation and maintenance costs, capital additions, fuel costs, equipment failure). If the regulated utility builds the resource on a cost of service basis the return may be set lower than the target rate that the</p>	<p>PacifiCorp agrees that materially different risks are presented by the various resource choices. PacifiCorp believes that it will model and analyze the appropriate cost/risk balance in this RFP process. However, PacifiCorp does not agree with the basic assumptions made by the IE. The IE assumes that PacifiCorp will receive rate recovery for additional costs incurred under traditional cost of service principles. PacifiCorp disagrees with this assumption, recovery of these costs is not guaranteed based on PacifiCorp's past</p>	<p>Parties discussed further at October 24 settlement conference.</p>	<p>Parties were unable to resolve this issue. The issues associated with the underlying contracts were however resolved by eliminating the conformance with the Agreements as a scoring criteria and allowing parties to modify the agreements.</p>

	<p>competitive participant would expect because many risks have been shifted to the utility ratepayers. For the evaluation process to be fair and reasonable from a ratepayer perspective that portion of the risk premium that will be shifted to rate payers under a utility benchmark option (particularly given preapproval) must somehow be quantified and incorporated into the evaluation process, whether as an additional cost to the Benchmark option or a reduced cost to PPA bidders willing to accept such risk, or by making the products more comparable as the IE has suggested. UAE encourages the Commission to ensure the RFP process is changed adequately to incorporate and reflect these risk differences in the evaluation process. Commission should require incorporation of one or more of the IE's suggestions to reduce the lack of comparability between benchmarks and</p>	experience.		
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	<p>bids.</p> <p>IE: Clarify the intent of the revised RFP and whether PacifiCorp intends to draw a distinction between carbon dioxide based taxes and other assessments and other environmental requirements intended to accomplish similar objectives. PacifiCorp needs to explain the basis for any distinction it may draw in this regard.</p> <p>Milestone & Development Risk: Differences in risk levels and treatment of required project documentation between PPA sellers and APSA sellers still exist. Benchmark options are not subject to milestone or commercial operation deadlines. Ratepayers will experience full impact of delay costs when a benchmark project cannot be finished on time; delay costs incurred by PPA and APSA sellers will be absorbed by those sellers.</p>			
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	<p>Delay Damages: Delay damages collected from sellers will offset losses incurred by PacifiCorp due to delay. For benchmark options, delays outside the utility's control will be paid for by ratepayers under cost of service principles.</p> <p>Cost Increases due to Force Majeure & Change in Law: Under APSA, PacifiCorp is exposed to risk that costs may increase due to force majeure or change in law; under PPA no comparable risk exists for PacifiCorp. For benchmark resources, costs will be passed on to ratepayers under cost of service principles.</p> <p>Capital Cost Increases for Other Reasons: APSA buyers are exposed to risks before and after the commercial operation date which are not applicable to PPA buyers. For benchmark resources, ratepayers are expected to absorb the risk of prudent capital cost increases.</p>			
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	<p>Unavailability and Replacement Power Costs: After commercial operation date, PPA sellers are exposed to risk. Payment reductions flow to the benefit of PPA buyers to fund the costs of replacement power. PPA sellers are exposed to cover damages. For benchmark resources, ratepayers are expected to absorb the risk of prudently incurred replacement power costs.</p> <p>Common risk principles do not exist between the PPA resource and the APSA and Benchmark resources.</p> <p>CCS: Disagrees with the recommendation of UAE and the IE to shift risk from developers to ratepayers in an attempt to create a level playing field. The recommendation deviates from the principle that risk should follow reward and is at odds with the intent behind competitive bidding – ratepayer benefits.</p>			
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<p>Need-Size and timing of resources</p>	<p>DPU: The lower number of benchmark offerings as well as the decrease in the size of the RFP request is of significant concern. Given that these changes were seen by Utah stakeholders less than a week prior to the scheduled hearing, more time is required to examine whether the changes preclude a finding of public interest based on risk and reliability as required under Utah Code 54-17-201(2)(c)(ii)(C) and (D). Therefore the Division requests more time for examination prior to a Commission decision.</p>			<p>Issue remains unresolved</p>
<p>Need – Benchmark Resources</p>	<p>UAE: Questions whether the changes go far enough to create an even playing field for a meaningful diversity of coal based resource options. UAE supports the IE comments in this regard and urges the IE to make specific wording recommendations for inclusion in the final, approved RFP.</p>	<p>PacifiCorp proposed limiting the RFP to the 2012-2013 time periods. Company will offer one benchmark resource for 2012 (IPP3). Company will offer two alternative benchmark resources for 2013 (IGCC and pulverized coal project). Company will seek to fill the gap between resources and need with front office</p>	<p>Parties agreed to consider the company’s proposal and further discussion was held at the October 24 settlement conference.</p>	<p>Parties were unable to resolve this issue.</p>

	<p>CCS: The Committee is concerned with the recent changes to the RFP benchmark resources. The Company's current proposal appears inconsistent with the need identified in the IRP 2004, the IRP 2004 Update and preliminary results of current IRP Planning Activity.</p> <p>WRA: Selection of two 2012 benchmark options is a departure from the IRP and therefore the 2012 RFP should be rejected. The 2004 and 2004 IRP update never evaluated two pulverized coal benchmarks. Rather the 2004 IRP update treats the company participation in IPP3 as an alternative to Hunter.</p> <p>Impacts of water use demonstrating water rights as a part of due diligence phase and indicate the availability within the basin where the project is located. Bidders should be required to explain its choice of water cooling technology,</p>	transactions.		
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	<p>identify incremental improvements and tradeoff with other factors like fuel use and air emissions.</p> <p>WRA objects to the Company's selection of IPP3 as the 2012 benchmark on policy grounds and recommends that the Company continue to evaluate IGCC at Hunter 4 for 2013.</p>			
<p>Need- Bridge Resources/Front Office Transaction</p>	<p>UAE: Bridge resources should be allowed, specifically front office transactions</p> <p>CCS: Supercritical coal plants may be a necessary component of a bridge to span the large resource need until preferable technology becomes commercially viable.</p> <p>.</p> <p>WRA: WRA believes that it is preferable to rely on bridging options until projects capable of managing long-term CO2 risk can be deployed. WRA questions whether base load resource with anticipated</p>	<p>The Company has proposed to include Front Office transactions and renewable resources as a planned resource in the CEM model prior to evaluating the shortlisted resources.</p>	<p>Parties discussed further at the October 24 settlement conference.</p>	<p>Issue was not resolved</p>

	capacity factors of 90% provide the appropriate benchmark for meeting Utah's demand growth driven primarily by summer peaking need.			
Credit	<p>UAE: It is not clear that the proposed credit requirements are fair and reasonable. UAE encourages further input on this issue by the IE and bidders.</p> <p>DPU: Recommend that the company be prepared to discuss any stakeholder comments on the credit matrix and the methodology during the settlement conference scheduled for October 19, 2006.</p> <p>IE: Identified two outstanding issues on credit. (1) PacifiCorp needs to provide support for its estimate of the price of power for the replacement period of \$155.49/MWh. (2) Load Curtailment bidders should only be required to post security as the product of the project size times a fixed level of</p>	<p>PacifiCorp Credit attended the settlement conference and responded to the IE's comments and the comments filed by LS Power and AES Corporation. PacifiCorp supplemented the verbal discussions with a written response to the IE's, LS Power's and AES's comments.</p> <p>PacifiCorp has not received further comments from AES.</p> <p>PacifiCorp added language to support the calculation of the replacement price of power to the credit methodology paper in Attachment 21 of the RFP.</p> <p>PacifiCorp clarified that the credit matrix already provided for a range and assessment of security on a pro rata basis based on the</p>	<p>PacifiCorp modified Attachment 21 of the RFP and Appendix B to address the concerns of the IE and AES.</p>	<p>Parties were unable to resolve this issue.</p>

	<p>security on a specified \$/kw basis. There is insufficient justification for PacifiCorp's required level of security for Load Curtailment. The proposed level of security appears very high for this unique resource.</p> <p>LS Power: Credit approach is still too stringent. Should allow bidders to propose their own credit support requirements.</p> <p>AES: Requested PacifiCorp to provide additional clarification related to the credit methodology used to develop the credit matrix for asset-backed agreements. Credit methodology should properly evaluate the true exposure in the event of a default.</p>	<p>size of the project.</p> <p>PacifiCorp made modifications to the load curtailment credit notes.</p> <p>PacifiCorp made additional refinements to clarify the credit language in the RFP and Appendices B and Attachment 21.</p>		
FEED Study	<p>WRA recommends that the Company clarify its intent with respect to beginning work on FEED studies for one or more IGCC units. The amendment to the</p>			<p>Issue remains unresolved. WRA requests that the Company address its plans for initiating IGCC FEED studies at the hearing.</p>

	stipulation states that parties agree to support recovery over a reasonable period, of prudent costs incurred with the IGCC studies in Commitment U16 consistent with Utah law and regulatory practice.			
Innovative Bid Proposals	WRA recommends that the Company accept nonconforming bids within the IGCC eligibility category for bidders to propose development of an IGCC unit, with the bidder owning syngas unit and selling syngas to the company, and with the company owning the balance of plant.			Issue remains unresolved. WRA requests that the Company address at the hearing whether it would be receptive to such a proposal, if one is received. WRA is not requesting the addition of a new eligible category or specific changes to the RFP at this time.
IPP3 as Benchmark	WRA objects to the Company's selection of IPP3 as the 2012 benchmark on policy grounds under ERPA and recommends that the Company continue to evaluate IGCC at Hunter 4 for 2013.			Issue is unresolved

RFP Resolved Issues

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Request for Proposal Title and Flexibility	<p>UAE: Title places undue emphasis on 2012 which is an unrealistic online date for nearly any new major coal resources. Proposes change to RFP or RFP 2012-2014.</p>	<p>PacifiCorp agreed to modify the title.</p>	<p>Modify title of the Request for Proposal document.</p>	<p>Title modified to "Request for Proposals Base Load Resources" and references throughout the document eliminate the 2012 language as part of the title.</p>
Debt	<p>UAE: Strongly opposes, even in the final screening process. Acceptable for Company to consider impacts in final selection but only to the extent that it can establish before the Commission that such costs are legitimate.</p> <p>DPU: Recommends that the Commission should take testimony on this issue for the purpose of making a final decision as to the appropriateness of imputed debt as a screening tool and for deciding the proper method for determining the magnitude of the imputation.</p> <p>IE: Originally requested that the Commission address the issue of debt</p>	<p>PacifiCorp proposed that to the extent PacifiCorp demonstrates that by adding a specific resource, the company incurred costs due to a change in its debt/equity structure, in the SB 26 hearing; recovery of this cost would be requested. This would apply equally to a company project or a bidder's project. PacifiCorp would remove debt from the selection/evaluation process.</p>	<p>Parties agreed to consider PacifiCorp's proposal and discuss further at the October 24 settlement conference.</p> <p>PacifiCorp agreed to modify RFP language.</p> <p>UAE and the IE provided language changes.</p>	<p>UAE proposed deleting most of the debt provision language. PacifiCorp accepted these changes and clarified what role debt would play in the process.</p> <p>Page 33 of the RFP</p>

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	<p>imputation in this Docket to provide perspective bidders with pertinent information about the bid evaluation process. The IE subsequently indicated it could support PacifiCorp's proposed decision to consider debt during only the final shortlist evaluation, but would require a written opinion from a rating agency to address this issue. The IE believes PacifiCorp's suggested approach of not accounting for direct or inferred debt as part of the economic analysis but reserving the option for considering debt as a factor in approving or acknowledging resources is a reasonable solution, particularly given the fact that PacifiCorp will be required to obtain a written advisory opinion from a rating agency to substantiate the Company's analysis.</p> <p>LS Power: PacifiCorp's approach results in an unjustified imputed debt</p>			

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	<p>penalty on third party bids. Would support an approach which includes an opinion from the rating agency (S&P or Moody or Fitch) regarding the impact of the proposed PPA on PacifiCorp's credit. PacifiCorp's revisions have sufficiently addressed this issue.</p> <p>AES: Commission should consider a more definitive discussions and debate regarding this issue rather than deferring the issue of the use of the inferred debt penalty until later in the process.</p>			
<p>10-year O&M agreements on the APSA for gas and coal 12- year O&M agreements for IGCC</p>	<p>UAE: Questions whether it is reasonable to expect a bidder who proposed to build on a PacifiCorp site or an EPC bidder to operate and maintain the unit for up to 10 years.</p> <p>DPU: further information is needed to determine the purpose and general reasonableness of the</p>	<p>PacifiCorp added this provision in order to treat gas and coal comparably under an asset purchase scenario. PacifiCorp must have certain O&M guarantees for coal plants where it is not able to ensure quality of construction.</p> <p>PacifiCorp agreed to</p>	<p>Parties considered this issue further at the October 24 settlement conference.</p> <p>PacifiCorp agreed to develop a term sheet for the O&M agreement.</p>	<p>Parties agreed that this would only be required for Coal and IGCC and Gas to the extent it was on a Bidders site.</p> <p>Pages 10-12 of the RFP</p>

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	<p>proposed requirements.</p> <p>IE: Needs further information to assess this change. Recommends that PacifiCorp include a proposed term sheet for the major provisions of the O&M agreement.</p>	<p>develop a term sheet for the O&M agreement. Bidders will be invited to submit a form O&M agreement with their proposals.</p>		
Load Curtailment/QF	<p>UAE: Application of the same terms and conditions to load curtailment and QFs as other supply side resources is both ambiguous and unreasonable. The utility should be encouraging customers to work with it to implement load curtailment and cogeneration arrangements rather than imposing onerous requirements.</p> <p>IE: comments on load curtailment credit requirements are included under the credit category.</p>	<p>PacifiCorp will allow bidders to provide mark-ups of the proforma agreements and will review language and try to clarify intent so that barriers are not erected to load curtailment participation.</p>	<p>Revise RFP to allow load curtailment bidders to provide redlined markups of proforma agreements. Company to clean-up language at page 13 of the RFP.</p>	<p>UAE proposed language changes to the load curtailment section and chart which PacifiCorp has accepted.</p> <p>Page 12-13 and 22-23 of the RFP</p>
Price and Non price	<p>UAE: Supports elimination of 10% weighting for proforma contracts terms however, questions whether the 10% be added to price.</p>	<p>PacifiCorp supports the addition of other non-price factors but is seeking input from the parties on what those factors should be.</p>	<p>Parties were requested to consider the allocation of non-price factors and consider whether the split of 80/20 or 70/30 is more</p>	<p>The split has been modified to 70/30 and the IE's proposed non- price factors have been added, along with proposed revisions</p>

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	<p>Invites the IE and other bidders to comment. UAE supports the IE's recommendations from their October 13 comments.</p> <p>WRA: 8/26 and 10/4 Draft RPF insufficient to capture nonprice factors as required by Energy Resources Procurement Act concerning risks and long-term and short-term impacts, especially regarding climate change, but also water use and availability, environmental impacts, permitting risks, and multi-state approval risks. WRA concurs with resolution of issue</p> <p>IE: Non-price criteria should be expanded to include more factors. Recommends modification to pre-qualification information based on the bidder requirements and non-price information based on the specific project underlying the proposal. This will enable the bidder</p>	<p>PacifiCorp will review the IE's specific revisions for potential incorporation into the RFP.</p>	<p>appropriate for further discussion at the October 24 settlement conference.</p> <p>The IE and WRA proposed language modifications which PacifiCorp has accepted.</p>	<p>from WRA. In addition a minimum requirement of providing a proposal was added to ensure the environmental material is provided by bidders. Section 5, Page 47 of the RFP</p> <p>Appendices A and B</p>

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	<p>pre-qualification process to focus on the bidder and the non-price factors to focus on the proposed project (e.g., flexibility, development feasibility, project operational viability, quality of output). Recommends specific changes to Appendices A and B. Recommends specific changes to non-price criteria on pages 37-38 of the RFP.</p>			
<p>Role of the Independent Evaluator</p>	<p>UAE: First page should emphasize and explain the role of IE and the Commission. UAE proposed specific language for inclusion. UAE recommends additional IE involvement in late bid, bid rejection, bid ineligible, bid fees return, validate and verify all forward price projections and models.</p>	<p>PacifiCorp accepts UAE's proposal and will incorporate language into the RFP to reflect the role of the IE and the additional involvement requested.</p>	<p>Modify RFP language and the Code of Conduct (Attachment 4).</p>	<p>Attachment 4, Page 113 of the RFP</p>
<p>Bid Fees</p>	<p>UAE: The RFP provides for one bid and up to two alternatives under the same bid fee. UAE suggests that additional bid alternatives</p>	<p>While agreeable to allowing additional flexibility of bid options under the bid fee arrangement, a limit on the</p>	<p>IE, DPU and UAE agreed to provide language for PacifiCorp's consideration. PacifiCorp will modify RFP language to clearly</p>	<p>PacifiCorp accepted language from the IE, DPU and UAE on bid fees. Page 8 of the RFP</p>

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	<p>be accepted for \$1000 per alternative.</p> <p>IE, DPU and UAE to propose language to incorporate this proposal. Parties agreed that a limit on the number of alternatives was appropriate. UAE acknowledged that providing this flexibility could decrease the bid fees collected which are intended to offset the costs of the IE.</p> <p>WRA supports language on bid fees.</p>	<p>number of alternatives to be accepted is necessary in order to manage the process. PacifiCorp is agreeable to modifying the bid fee with the parties' recognition that this may result in collection of decreased bid fees which are intended to offset the cost of the IE.</p>	<p>define this proposal.</p>	
Blinded Teams	<p>UAE: The RFP should be more explicit in ensuring bidders that non blinded personnel will not be permitted to have any contact or share any information with blinded personnel.</p> <p>UAE invites comments from IE and bidders on whether the self imposed Code of Conduct will adequately assure bidders of the integrity process.</p>	<p>PacifiCorp will review the Code of Conduct to ensure that this issue is clarified and addressed.</p>	<p>Revise Code of Conduct (Attachment 20) to reflect these clarifications.</p>	<p>Attachment 20 of the RFP</p>

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Bidder Qualifications	<p>UAE: Language should be changed to require a demonstration of adequate experience and competence without specifically requiring development of any specific type of technology.</p> <p>IE: Recommends changes to Appendices A and B to focus the assessment on the bidder's qualifications during the RFQ stage.</p>	PacifiCorp will modify the bidder qualifications to ensure assessment is on the evaluation of the qualifications of the bid team.	Modify RFP language	<p>IE provided language which PacifiCorp has accepted</p> <p>Appendices A and B of the RFP</p>
Minimum Eligibility Requirements	<p>UAE: Grounds for rejecting a bidder are unreasonable, including a bidder who is in or has threatened litigation. Litigation should be material or have some impact on PacifiCorp's ability to negotiate with the counterparty. Requirement that IGCC proposal be "fully backed" by supply is ambiguous and potentially unreasonable. WRA agrees with UAE's proposed wording re IGCC.</p>	<p>PacifiCorp agreed to modify litigation language to include materiality language.</p> <p>PacifiCorp agreed to modify language of "fully backed" to reflect what the industry standard is consistent with what PacifiCorp can obtain in the market.</p>	Modify RFP language.	<p>UAE and WRA provided language which PacifiCorp has accepted.</p> <p>Page 31 of the RFP</p>
Reservations of Rights	UAE: Bidder should not be expected to waive claims for any other reason as	PacifiCorp agreed to limit the waiver of claims to issues arising out of or	Modify RFP language.	Pages 31-32 of the RFP

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	<p>suggested in the second paragraph only claims related to the evaluation and selection process should be waived. The IE should be included in the list of entities against which bidders have no recourse.</p> <p>IE: The IE will propose that the Commission include this provision in the final order. PacifiCorp would then modify the RFP document to reference any provisions contained in the final order.</p>	<p>relating to the RFP.</p>		
<p>Allocation of CO2 Costs</p>	<p>UAE: Questions whether it is reasonable and in the ratepayers best interest to require the utility and its ratepayers to bear the risk of CO2 in all circumstances. Bidders should be allowed to submit proposals in which they would agree to bear the CO2 risk.</p> <p>WRA: The revised RFP shows improvement however requires more information on how the</p>	<p>PacifiCorp does not believe that the bidders will submit proposals in which they will agree to bear the CO2 risk, or if such proposals are received, PacifiCorp believes that bidders will not enter into adequate CO2 indemnity agreements. The company does not believe we should adjust the evaluation of the proposals, however, to the extent the bidder wants to negotiate this aspect of the</p>	<p>Parties considered this issue and discussed further at the October 24 settlement conference.</p> <p>Modify RFP document (in section on post-bid negotiations).</p>	<p>Page 38 of the RFP</p>

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	<p>range of CO2 values will be used to reflect the option value of IGCC to capture and store its CO2 emissions is needed.</p> <p>WRA recommends that the company identify the price point and timing at which it would make economic sense to capture and store CO2 from a generating unit rather than continue to acquire emission offsets.</p> <p>WRA submits that project developers and utilities are in a better position to manage CO2 regulatory risk than electricity ratepayers.</p> <p>Points to example of Deseret contract where CO2 risk was allocated to project developer.</p> <p>WRA finds acceptable CCS/PacifiCorp resolution of issue to leave open issue of CO2 risk allocation as part of final contract negotiations but to assume pass through for purposes of bid evaluation. Supports UAE's 10/31 language revisions at pp.36-37 to its redlined RFP.</p>	<p>transactions the company has indicated it is open to this.</p>		

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<p>CO2 Risk analysis in modeling analysis.</p>	<p>WRA believes that \$8 per ton base case CO2 adder is too low.</p> <p>WRA believes that the 8/16 draft RFP's use of a single point estimate for reflecting CO2 risk was insufficient to reflect magnitude and uncertainty of CO2 risk. WRA agrees that the 10/4 revised RFP shows significant improvement by using range of CO2 risk sensitivities. WRA is still concerned that CO2 risk sensitivities, by themselves, do not capture optionality of facilities designed and sited to be capable of CO2 sequestration because the modeling analysis does not allow for exercising that option to capture and store CO2.</p>			<p>WRA still believes that \$8 per ton base case CO2 adder is too low. However, WRA recognizes that the RFP makes substantial improvements in other areas in factoring in CO2 risk. The modeling analysis still does not reflect the optionality of CO2 capture and storage, but it does solicit important information from bidders on the siting and design of their facilities hopefully to enable an informed decision on the cost/risk tradeoffs of competing project proposals.</p>
<p>Editing the RFP</p>	<p>DPU: Company should continue to work with the IE and the Division to ensure that the final RFP is cleanly and clearly written with all requirements clearly articulated.</p>	<p>PacifiCorp agrees to work with the IE and all parties to ensure the RFP is cleanly and clearly drafted.</p> <p>PacifiCorp is willing to entertain bids for IGCC</p>	<p>Revised draft RFP was circulated to parties on October 23, 2006. PacifiCorp invited redlined edits on the document from all parties to accomplish this task.</p>	<p>Received edits from IE, UAE and WRA. The Company has made formatting and other edits throughout the document.</p>

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	<p>WRA: Make clear in the RFP that IGCC can be bid anytime – it is not limited to 2014.</p>	<p>projects at anytime during 2012-2014. PacifiCorp is not comfortable in added IGCC benchmark resource prior to 2013, but is open to bidders proposing IGCC projects at anytime. PacifiCorp has added an APSA for IGCC for both 2012 and 2013.</p>	<p>PacifiCorp added language to the RFP to clarify that a bidder may propose an IGCC project prior to 2014.</p>	
<p>Code of Conduct</p>	<p>IE: Clarify that the IRP workgroup cannot share information at any time during the RFP process.</p> <p>Concerned that the statement “the Benchmark Team may utilize the IRP work group to model benchmark portfolios” gives PacifiCorp a benefit not available to other bidders.</p>	<p>PacifiCorp will modify the Code of Conduct (Attachment 20) to reflect that information will not be shared by the IRP workgroup.</p> <p>PacifiCorp clarified that the Benchmark Team will not be engaging in an iterative process of optimizing the benchmark portfolios. The intent of this statement was to indicate that the Benchmark Team will submit its inputs to the IRP work group to allow the IRP work group to model the benchmark portfolios – but the intent is not to allow optimization through an iterative process.</p>	<p>Modify language in the Code of Conduct (Attachment 20) to clarify the intent.</p>	<p>Attachment 20 of the RFP.</p>

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<p>Variable Interest Entity (VIE) – Disqualification Process</p>	<p>IE: PacifiCorp's requirement that proposals that trigger VIE treatment be prohibited from the process is reasonable and consistent with industry standards. IE wants to clarify that if PacifiCorp rejects a proposal as triggering VIE treatment, that PacifiCorp provide documentation to the IE detailing the basis for its decision.</p> <p>Ensure that the IE is included in the evaluation of a VIE and that the Bidder is provided an opportunity to provide a different structure to the extent the bidder's proposed structure triggers a VIE.</p>	<p>The company will modify the RFP to ensure that the IE is included in the decision, that the decision is captured and provided to the IE in writing and the Bidder is provided an opportunity to modify.</p>	<p>Modify RFP language to ensure this provision is clear.</p> <p>IE proposed language changes which PacifiCorp accepted.</p>	<p>Page 32-33 of the RFP</p>
<p>Modeling and Access to Models</p>	<p>UAE: Wants to ensure the IE has access to the models. UAE is not interested in access, but wants to ensure proper parties have appropriate access.</p> <p>IE: It is not common industry practice for a utility to share its proprietary</p>	<p>PacifiCorp has provided and will continue to provide the IE with access to the models.</p>	<p>Clarify in the RFP document that PacifiCorp has provided access to the models to the IE. The DPU or Commission may request the IE to perform analysis.</p>	<p>Page 45 of the RFP</p>

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	models with bidders and could lead to chaos in the process. Proposed alternative whereby the Commission or DPU could identify a limited number of alternative scenarios to be considered in the evaluation process.			
RFQ – Blinded Information	DPU: Questions what information is provided to whom in order to ensure the blinding works in the RFP	PacifiCorp agrees that the blinded Evaluation Team should not participate in the non-blinded RFQ process.	Further discussion on this issue occurred at the October 24 settlement conference.	PacifiCorp added a new Team in the RFP. The RFQ team will consist of credit, legal and the IRP. No member of the non-blinded Evaluation Team or Generation Team will be involved in the RFQ team. Attachment 20 of the RFP
IPP 3	DPU: The company should provide the Division with the promised documents regarding its involvement in IPP3 prior to the settlement conference scheduled for October 19, 2006.	PacifiCorp provided documents to DPU indicating that IPP 3 was supercritical and offered to have Nick Rahn update the parties on the status of the project.	Nick Rahn of PacifiCorp provided an update to the parties at the settlement conference of the status of the IPP3 project.	Parties agreed that no further information was required from PacifiCorp on IPP3 at this time.
Proforma Agreements	UAE: Proforma contracts are too one sided and disagrees with the utility's argument that only changes	The RFP has been modified to eliminate the non-price criteria for noncompliance with the proforma	Modify RFP language to ensure this provision is clear.	Page 9 of the RFP

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	<p>that are beneficial to the utility should be permitted. UAE encourages the IE to propose language changes and additions to make the contracts more even handed. The RFP should clearly state that the proforma contracts are intended as starting points in negotiations and they are subject to change as a result of good faith negotiations with short listed bidders. UAE believes it is unreasonable to expected bidders to identify and all exceptions to the proforma contracts upon submitting their proposals and suggests asking bidders to identify significant areas of disagreement that may materially affect cost or risk to the company and its ratepayers.</p> <p>IE: Because the revised RFP accepted the suggestion to eliminate the non-price criteria entitled "compliance with the proforma agreements," the</p>	<p>agreements. PacifiCorp will make it clear in the RFP that the proforma agreements are to be used as starting points for negotiating with the final shortlisted bidders.</p>	<p>Parties will discuss this issue further at the October 24 settlement conference.</p>	

ISSUE	PARTIES' POSITIONS	COMPANY'S POSITION	PROPOSAL	RESOLUTION
	<p>IE believes that using the agreements as a starting point and not penalizing bidders for non-conformance with the proforma agreements as part of the non-price screening is acceptable.</p>			
<p>Compliance of RFP with the MidAmerican commitments on IGCC</p>	<p>WRA regarded the 8/16 and 10/4 draft RFP's as inconsistent with the letter and spirit of the commitment U15 on IGCC</p>			<p>Based on the revised RFP, WRA no longer objects to the company's benchmark options as inconsistent with the MidAmerican commitments on IGCC. However, WRA still objects to the Company's selection of IPP3 as the 2012 benchmark on policy grounds under ERPA and recommends that the Company continue to evaluate IGCC at Hunter 4 for 2013.</p>
<p>Consistency of benchmark options with 2004 IRP and IRP Update</p>	<p>WRA: Selection of two 2012 benchmark options is a departure from the IRP and therefore the 2012 RFP should be rejected. The 2004 and 2004 IRP update never evaluated two pulverized coal benchmarks. Rather the 2004 IRP update</p>			<p>WRA no longer objects to the company's benchmark options on the grounds that it violates the 2004 IRP and IRP Update. However, WRA still objects to the Company's selection of IPP3 as the 2012 benchmark on policy</p>

ISSUE	PARTIES' POSITIONS	COMPANY'S POSITION	PROPOSAL	RESOLUTION
	<p>treats the company participation in IPP3 as an alternative to Hunter.</p> <p>The company's decision to replace front office transactions with a 750 MW pulverized coal unit in 2013 was never evaluated in the IRP and should be rejected.</p>			<p>grounds under ERPA and recommends that the Company continue to evaluate IGCC at Hunter 4 for 2013.</p>