

Rocky Mountain Power
Exhibit RMP____(ARL-2)
Docket No. 07-
Witness: A. Robert Lasich

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of A. Robert Lasich
PacifiCop RFP 2003-A

December 2007



PacifiCorp

Request for Proposals

Electric Resources

(RFP 2003-A)

ISSUED: June 6, 2003

Pre-Bid: June 20, 2003

DUE DATE: July 22, 2003

Questions, Bid Numbers, Intent to Bid forms & RFP Responses:

Navigant Consulting Inc.: PacifiCorp RFP 2003-A
Attention: –Howard Friedman, Principal
Address: 4915 Southwest Griffith Drive, Suite 300
Beaverton, Oregon 97005
Fax: 413 845 3249
E-mail: hfriedman@navigantconsulting.com

Responses due July 22, 2003

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A. Notice of Intent to Bid

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Purpose and Scope

The purpose of this document is to prescribe the process by which PacifiCorp will request and evaluate proposals from third parties to fulfill a portion of the supply-side resource need identified in PacifiCorp's Integrated Resource Plan (IRP). The scope of this solicitation (RFP 2003-A), as described in more detail below, will be with respect to supply-side resources that are capable of delivery to PacifiCorp's network transmission system in PacifiCorp's East control area.

PacifiCorp formally published its most recent IRP on January 24, 2003. Chapter 9 (pages 154-157) of the IRP lists 28 recommended actions in order to implement the plan. Table 1 below summarizes the size and nature of supply blocks identified in the IRP. Please refer to PacifiCorp's web site at www.pacificorp.com to view the IRP.

Table 1: IRP Supply-Side Action Items

Solicitation	Resource	IRP Action Item
RFP 2003-A	East Super-peak 2004/05/06/07	21
	East 200 MW "peakers"	15
	East 570 MW base load	2
RFP 2003-B	100 MW West wind/renewable	18, 20
	200 MW East wind/renewable	19, 20
	200 MW West wind/renewable	18, 20
	200 MW East wind/renewable	19, 20
	200 MW West wind/renewable	18, 20
RFP 2003-C	West Off-peak	21
	West 230 MW "peakers"	15
	West 500 MW base load	1
RFP 2004-A	East 500 MW base load	4

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1. Procedural Items

- a. Need for bid solicitation - As Table 1 above indicates, the IRP has established the need to add a variety of resources to PacifiCorp's system. PacifiCorp intends to issue four separate solicitations for which resource procurements will be considered. These procurements will consist of RFP 2003-A, RFP 2003-B, RFP 2003-C, and RFP 2004-A respectively. The first solicitation, RFP 2003-A, is contained herein and will solicit supply-side resources for delivery to PacifiCorp's network transmission system in PacifiCorp's East control area. The second solicitation to address East resource needs, RFP 2004-A, is expected to take place in early 2004.

The other two solicitations (RFP 2003-B and RFP 2003-C) will take place in the near future. It is anticipated that RFP 2003-B will be issued during the summer of 2003 and that RFP 2003-C will be issued in late summer 2003 or shortly thereafter.

RFP 2003-A will be referred to within this document as "RFP". It is PacifiCorp's goal to administer a supply-side solicitation process that is understandable and unbiased. Toward that end, PacifiCorp will be retaining the services of Navigant Consulting (the "Consultant") to serve as a clearing house for the receipt of "pre-blinded" responses, bidder financial information and to oversee and validate the consistent application of evaluation techniques.

- b. Supply block size – PacifiCorp is seeking proposals for up to the following amounts of supply. Please refer to Section 2 (Resource Information) for information regarding resource term:

Table 2: RFP 2003-A Supply Block Sizes

Resource Type	Size (MW)	Delivery Start	Comments
"Superpeak"	225	June 1, 2004	Delivery during HE 1300- HE 2000, Pacific prevailing time, and/or daily option for PacifiCorp to call during these hours (6 or 7 days/week).
"peakers"	200	April 2005	PacifiCorp's option to call upon generation daily.
"Base load"	570	April 2007	

Existing end-use customers of PacifiCorp are encouraged to participate in this RFP with load curtailment proposals as long as their supply bid is capable of delivering at **least 25 MWh/hour** of physical energy and capacity during the prescribed hour of delivery. Any supply-side resource bidding under this RFP must be capable of delivering at **least 1 MWh/hour** during the prescribed hour of delivery. While this RFP does not address Demand Side Management (DSM),

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PacifiCorp does consider certain types of load management measures to be appropriate for a solicitation such as this. PacifiCorp has found that bilateral agreements with larger end-use customers for the curtailment of load has proven to be effective supply-side like agreements. As a result, PacifiCorp is encouraging end-use customers to bid load curtailment under this RFP as long as PacifiCorp will have contractual surety and adequate credit assurances that such load curtailment will take place at times and in amounts required by this RFP and that such load curtailment is in excess of what the end-use customer would have done otherwise

- c. Schedule of RFP Actions - This RFP is being issued as of June 6, 2003. The anticipated schedule will be:

Event	Date
RFP Issued	June 6, 2003
Pre-bid Conference	June 20, 2003
Intent to bid form due	June 27, 2003
Responses Due	July 22, 2003
Evaluation Complete	August 6, 2003
Short List Announced	August 13, 2003
Definitive Agreement(s)	October 1, 2003
Avoided Cost Filings ¹	

- d. Security - PacifiCorp reserves the right to require, in PacifiCorp's sole opinion, adequate credit assurances² which may include, but will not be limited to, a corporate parental guaranty and/or a letter of credit in a form, amount, and from a corporate parent or from a financial institution acceptable to PacifiCorp. In the event PacifiCorp anticipates that additional credit assurances may be required from a respondent, PacifiCorp reserves the right to request that the respondent reply in writing of its intent to provide such adequate credit assurances prior to the beginning of negotiations with respect to a definitive agreement(s).
- e. Confidentiality - PacifiCorp will attempt to maintain the confidentiality of all bids submitted to the extent allowed by law or regulatory order as long as such confidentiality does not adversely impact a regulatory proceeding. **It is the bidder's responsibility to clearly indicate in its proposal what information it deems to be**

¹ Updated avoided costs filings by state will be made to the extent required by law or regulatory order.

² PacifiCorp considers the amount of any required "adequate credit assurances" to include, but not be limited to, the value associated with any one or more of the following: market-based liquidated damages for failure to perform, delays in construction, failure to meet minimum availability levels, and/or other forms of default or non-performance.

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confidential. All information supplied to PacifiCorp, or generated internally by PacifiCorp, shall remain the property of PacifiCorp and shall not be available to any entity before, during, or after this RFP process unless required by law or regulatory order. **PacifiCorp intends to retain all such pertinent information for a period of at least 5-years or until PacifiCorp receives a recovery decision in each state it serves.** Only those PacifiCorp employees who are directly involved in this solicitation process or who have a need to know for business reasons will be afforded the opportunity to view submitted bids or bidder information. Bidders should be aware that the Consultant may need to release bidder information to PacifiCorp's Legal and/or Credit departments prior to the time that a short list is determined (please refer to Section 2 below for additional information). Additionally, PacifiCorp intends to utilize internal and proprietary forward curves in its evaluations. These curves and evaluations will not be shared with entities external to PacifiCorp unless required by law or regulatory order.

2. Resource Information

- a. **Price and Non-Price Information** – PacifiCorp's IRP incorporated numerous price/non-price resource cost and evaluation information that resulted in the IRP action items referenced above. A brief summary of these attributes is listed below in Table 3. Prospective bidders should refer to Appendix C of the IRP for more specific information. In addition, bidders should refer directly to the IRP for the estimated cost and availability of new resource alternatives. It is PacifiCorp's intention to revise these assumptions based on updated industry information. In addition, it is PacifiCorp's intention to utilize the Consultant to validate these and other cost assumptions prior to the time evaluations take place hereunder.

Specifically, with respect to air quality standards, it is PacifiCorp's intent to incorporate cost assumptions into any PacifiCorp build option(s) that are consistent with the IRP base case assumptions. These base case assumptions can be located in Chapter 3 of the IRP and represent the best information currently available to PacifiCorp via the IRP public input process and other information sources. **As such, Bidders are directed to submit bids that incorporate the assumption that the Bidder will not be able to pass through any costs associated with meeting future air quality requirements.**

Table 3: IRP Resource Attribute Summary

Resource Type	Heat Rate (BTU/Kwh)	Capital Cost (\$/kW)
Brown field SCCT frame	12,176	458
Green field SCCT frame	12,176	539
Green field SCCT Aero	10,233	844
Green field CCCT 2 – 1X1	7,235	770

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Green field CCCT G 2X1	6,645	650
Brown field pulverized coal	9,483	1,389
Green field pulverized coal (UT)	9,483	1,431
Green field Pulverized Coal (WY)	9,483	1,501

2.a.i Price Information – PacifiCorp is willing to consider pricing proposals from bidders that include, but are not limited to, the following concepts so long as the bidder supplies enough information and definition around the proposal such that effective evaluations can be performed:

- Fixed capacity and energy price,
- Variable capacity and/or energy price,
- Physical tolling arrangements (PacifiCorp supplies the gas),
- Virtual tolling arrangements (PacifiCorp does not supply the gas),
- Exchanges (based on time, delivery point, and/or product),
- Call options³ by increasing generation, decreasing load, or scheduling the receipt of power (monthly, daily, and/or hourly), and/or
- Put options³ by decreasing generation, increasing load, or scheduling the delivery of power (monthly, daily, and/or hourly),
- The construction, and subsequent lease and/or sale, of an asset for all (or a portion) of its output to PacifiCorp,
- The sale of an existing asset to PacifiCorp.

2.a.ii Non-Price Information -

Point(s) of Delivery - This RFP is requesting resources that are capable of delivering to PacifiCorp's network transmission system⁴ in PacifiCorp's Eastern control area. Specifically, the point(s) of delivery of primary interest to PacifiCorp are:

- Within the Eastern Control Area – The point of interconnection between the resource, or the electrical system to which the resource is connected, and PacifiCorp's network transmission.

³ Such options could be based on struck at a fixed electricity price, a variable electricity price or at a price based on natural gas prices.

⁴ Any cost required to upgrade PacifiCorp's electrical infrastructure will be considered in the overall economics of the resource.

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- Mona⁵ 345 kV
- Gonder 230 kV
- Glen Canyon 230 kV
- Nevada/Utah border on the Sigurd-Harry Allen 345 kv (“NUB”)
- Located in Nevada – PacifiCorp is willing to purchase capacity and associated energy that is delivered in Nevada; provided, PacifiCorp or the selling entity is able to purchase firm transmission from the point of delivery to either Gonder or NUB.

PacifiCorp is not interested in resources delivered to Four Corners unless the scheduling of such a resource is at PacifiCorp’s option or deliveries take place during the super-peak hours listed in Table 2 above. PacifiCorp is also generally not interested in resources located in Wyoming unless the resource electrically resides South of the Naughton-Monument 230 kv line or the cost to upgrade needed transmission facilities is included in the economic evaluation. Lastly, PacifiCorp is not interested in resources delivered to Borah, Brady, or Kinport unless such resource is interconnected to PacifiCorp’s Southeast Idaho electrical system (generally described as PacifiCorp owned transmission lines near the Goshen substation and with a voltage below 230 kv) and adequate transfer capability exists at times when resources exceed loads within Southeast Idaho.

Network Resource Requirement - It is PacifiCorp’s intent to add any generation resource purchased as a result of this RFP to the existing transmission agreement between PacifiCorp’s merchant function and PacifiCorp’s transmission function as a network generation resource. As such, the purchase of any generation resource considered as part of this RFP process shall be contingent upon PacifiCorp being able to add and maintain the resource as a network generation resource. Bidders shall specify if the supplier proposes to provide operating reserves or if PacifiCorp is expected to provide operating reserves associated with the proposed resource.

⁵ PacifiCorp’s transmission function has broken Mona into three distinct delivery points. These three points are “MLDP” (IPP-Mona from the LADWP control area), “MDGT” (Bonanza-Mona within the PACE control area), and “PACE-Mona” (all other lines into Mona within the PACE control area). In order for PacifiCorp to properly incorporate deliveries at Mona as a network generation resource, the respondent must indicate which point at Mona deliveries will be made from.

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It is PacifiCorp's intent that the scheduling of resource deliveries shall be pursuant to industry practices. Scheduling times may differ by resource in order to accommodate the scheduling of fuel or to align the scheduling time for a specific type of resource (such as a daily call option) with industry practices. If a Bidder is not specific with respect to scheduling times and/or limitations, PacifiCorp will assume that current industry practices for a 5-day/week pre-scheduling regime will apply.

- b. Resource Types Eligible to bid – **Affiliate companies of PacifiCorp may not respond to this RFP.** Table 4 indicates the term of the resources requested and if PacifiCorp's ability to dispatch and/or curtail the resource is mandatory for such resource.

Table 4: Resource Type & Terms

Resource Type	Size (MW)	Delivery Start	Resource Term	PacifiCorp's Dispatch &/or Curtailment Option?
"Superpeak"	225	June 2004	June through September 30, only 2004, 2005, 2006, 2007	Yes
"peakers"	200	April 2005	Up to 20-years	Yes
"Base load"	570	April 2007	Up to 20-years	Yes

As Table 6 indicates, the amount of notice required in order for PacifiCorp to dispatch or curtail a resource is an important factor in determining which resources will be selected for the short list. Subject to the limitations in 1.b above, both supply-side and load curtailment resources are welcome to bid under this RFP. Any resource desiring to supply the non-spinning component of operating reserves must be capable of reaching the full MW amount within a contractually pre-agreed number of minutes following the receipt of a phone call from PacifiCorp's dispatchers.

Any resource considered pursuant to this RFP must be capable of clearly verifying the time and amount the resource was delivered by virtue of metering or other measurement means as found to be acceptable to PacifiCorp including, but not limited to, metering on less than or equal to an hourly basis.

The exact rules surrounding resource adequacy for planning and operational purposes have yet to be promulgated by the Federal Energy Regulatory Commission (FERC) and state regulatory bodies who have purview over PacifiCorp. A requirement of this RFP is that all power sales to PacifiCorp shall contractually define an asset associated with deliveries at the time FERC enacts a rule requiring such a definition for resource

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adequacy purposes; provided, any bid that results in deliveries beyond December 31, 2007 shall have an asset associated with it in the bid.

- c. Information Required in bid proposals - Attachment B to this RFP provides a list of information that bidding entities are expected to provide with their responses. Bidding entities will be issued a bid number by the Consultant after returning the Intent to Bid form (see Appendix A). **Bidders then are instructed to submit their proposals to the Consultant in such a format that the identity of the bidder is not apparent (“pre-blinded”).** PacifiCorp will utilize this “blinded” information in order to evaluate the proposals and select a short list of proposals from which post-bid negotiations will begin.

In addition to the blinded response requested above, bidders are instructed to submit Attachment C to the Consultant so that the credit status of the respondent can be determined. Bidders should be aware that the Consultant may need to release bidder information to PacifiCorp’s Legal and/or Credit departments prior to the time that a short list is determined. **It is PacifiCorp’s intent that any such information released prior to “de-blinding” will not be made available to PacifiCorp’s bid evaluators.**

All potential bidders should direct all communications and questions with respect to this RFP to:

Questions, Bid Numbers, Intent to Bid forms & RFP Responses:

Navigant Consulting Inc.: PacifiCorp RFP 2003-A
Attention:—Howard Friedman, Principal
Address: 4915 Southwest Griffith Drive, Suite 300
Beaverton, Oregon 97005

Fax: 413 845 3249

E-mail: hfriedman@navigantconsulting.com

Responses to this RFP should be remitted to **Navigant Consulting** via U.S. mail or courier. Responses are due prior to 2:00 p.m. Pacific prevailing time on the due date.

Responses should be addressed to “Navigant Consulting, Attention: PacifiCorp RFP 2003-A”. Any item contained within the response that is not on standard 8.5” X 11” paper or that is not easily copied (such as bound responses) should have at least 10 copies of that item included in the response.

Respondents who intend to be considered as part of this RFP process should return the “Intent To Bid Form” (see Appendix A) to the Consultant no later

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than close of business on the date indicated in Section 1.C above. Respondents who do not return the "Intent to Bid Form" prior to such time may not, at PacifiCorp's sole discretion, be considered pursuant to this RFP.

3. Bid Evaluation and Selection

PacifiCorp intends to utilize a "first-price sealed bid format" in order to determine those proposals from which post-bid negotiations will take place. Under this format, contract payments are based on the price contained in each winning bid proposal. The "first-price sealed bid format" means that PacifiCorp will utilize the initial prices and/or pricing structure submitted by the bidder in order to determine the short listed entities.

PacifiCorp will not ask for, or accept, updated pricing from bidders during the evaluation period. **It is PacifiCorp's intent to negotiate both price and non-price issues during the post-bid negotiations.** Selection for the short list and post-bid negotiations does not constitute a "winning bid proposal". For the purposes of this RFP, only execution of a definitive agreement by both PacifiCorp and the bidder that is specific to the bidder's proposal, as may be amended pursuant to any post-bid negotiations, will constitute a "winning bid proposal".

Bidders should also be aware that operational separation exists, pursuant to FERC order, between the merchant and transmission functions of PacifiCorp. As a result, **it is PacifiCorp's requirement that the bidder is responsible for the negotiation, execution, and the cost of interconnection with the interconnecting control area. It is PacifiCorp's policy that the bidder is responsible for all incremental transmission expenses associated with delivery to PacifiCorp's network transmission system (inclusive of any needed system upgrades in order to delivery such power to PacifiCorp's network loads) in PacifiCorp's East control area.** Any anticipated cost, transmission or otherwise, that is not disclosed in a bidder's response will be added by PacifiCorp, using information reasonably and readily available, during the economic evaluation phase. Bidders are encouraged to contact PacifiCorp's transmission function (at www.pacifiCorp.com) for information related to system interconnection.

The price and non-price factors described below will be added together. Those highest scoring proposals will be selected for further consideration and then for post-bid negotiations. No proposal shall receive a total weighting in excess of 100%.

- a. Price Factors - PacifiCorp intends to evaluate each bid received in a consistent manner by breaking the resource and price characteristics of the structure being proposed into individual components. Each component will be evaluated separately and recombined to determine the bundled evaluated cost of the resource. PacifiCorp intends to pursue definitive agreements with entities that provide PacifiCorp with the best cost/risk balance, including resource characteristics, evaluated resource cost, and credit risk factors.

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Price factors will be **weighted up to 70%** in the determination of which proposals will be chosen for post-bid negotiations. PacifiCorp will evaluate each proposal based upon the factors in the proposal that could impact the overall cost to PacifiCorp. Factors that could impact price include, but are not limited to, dispatch ability, level of firmness, heat rate, etc.). The total evaluated cost of the proposal will then be compared to PacifiCorp's Next Best Alternative (NBA) for a resource with similar characteristics (dispatch ability, level of firmness, heat rate, etc.).

PacifiCorp's NBA will consist of the lower of: (1) a purchase in the energy market place for a similar resource (based on PacifiCorp's proprietary forward price curve for energy effective 7/22/2003), or (2) the cost for PacifiCorp to build, own, and operate a similar resource (based on PacifiCorp's proprietary forward price curve for fuel effective 7/22/2003). This will result in a "mark-to-NBA" for the proposal. PacifiCorp will award weighting based upon how the bid cost compares to the cost of the NBA:

Table 5: Price Factor Weighting

Bid Cost relative To NBA	Price Factor Weighting
Less than or equal to 75% of the NBA	70%
Greater than 75% of the NBA but less than the NBA	Linearly Interpolated
Equal to or greater than the NBA	0%

- b. Non-price factors – Factors such as creditworthiness and the level of dispatch available to PacifiCorp will impact PacifiCorp's evaluation of any given proposal. In addition, other non-price factors unique to any given bid may also impact the evaluation of the expected cost to PacifiCorp. Bidders are encouraged to clearly identify any limitations associated with their proposal, including but not limited to, operational flexibility of a resource, reliability, fuel type and supply, interconnection or wheeling issues, and/or the ability/willingness of the bidder to provide adequate credit assurances (as outlined in Section 1.d above) or the existence of any pending legal action.

Non-price factors will be **weighted up to 30%** in the determination of which proposals will be chosen for post-bid negotiations. Non-price factors will consist of operational issues related to PacifiCorp's ability to dispatch (note: "dispatch" includes

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the curtailment or displacement of resource output) the resource and environmental attributes relative to the resource. The non-price factor weighting for operational issues shall consist of the following:

Table 6: Operational Non-Price Factor Weightings

Dispatch Ability	Non-Price Factor Weighting
PacifiCorp's option to dispatch the resource the day prior to delivery (i.e., day-ahead) and PacifiCorp has the option to adjust resource output throughout the delivery day and within the delivery hour.	20%
PacifiCorp's option to dispatch the resource the day prior to delivery (i.e., day-ahead).	15%
PacifiCorp's option to dispatch the resource the month prior to delivery (i.e., month ahead).	10%
PacifiCorp's option limited to dispatching the resource for an entire quarter at a time (i.e., quarter ahead).	5%
PacifiCorp does not have any dispatch option.	0%

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The non-price factor weighting for environmental issues shall consist of the following:

Table 7: Environmental Non-Price Factor Weightings

Resource Type	Adjustment Factor⁶	Non-Price Factor Weighting
Coal	+/- 0.15	10% (1-.85-Adjustment Factor)
Nuclear	+/- 0.10	10% (1-.70-Adjustment Factor)
Oil	+/- 0.10	10% (1-.65-Adjustment Factor)
Solid Waste	+/- 0.10	10% (1-.60-Adjustment Factor)
Natural Gas	+/- 0.05	10% (1-.50-Adjustment Factor)
Biomass	+/- 0.15	10% (1-.50-Adjustment Factor)
Geothermal	+/- 0.15	10% (1-.50-Adjustment Factor)
Hydro outside protected areas	+/- 0.10	10% (1-.30-Adjustment Factor)
Hydro within protected areas	N/a	Bids not accepted

Any bid received that does not designate a specific resource (such as a system sale from a load serving entity or other type of power sale) shall be deemed to be from a natural gas fired unit for the purposes of evaluating non-price factors. Bidders

⁶ An adjustment factor may be assigned to specific bids based on information specific to that particular asset site or project design. For example, a coal plant with state-of-the-art emission control technology may have an adjustment factor of -0.15 whereas a coal plant with high air emissions could have an adjustment factor of +0.15. Unless specific information is available to indicate that a particular bid or project design will result in incrementally more or less environmental impact, as compared to typical projects for that resource type, the adjustment factor will be set to zero.

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are reminded of the requirement to associate deliveries with an asset (for resource adequacy reasons) pursuant to Section 2.b above.

4. Awarding of Contracts

- a. Post-bid Negotiation – It is PacifiCorp’s intent to negotiate both price and non-price factors during post-bid negotiations. It is also PacifiCorp’s intent to include any factor that may impact the total cost of a resource into the economic and risk evaluation associated with a resource. It is PacifiCorp’s policy to update its economic evaluation until such time as both parties execute a definitive agreement.

PacifiCorp shall have no obligation to enter into a definitive agreement with any bidder to this RFP and may terminate or modify this RFP at any time without liability or obligation to any bidder. In addition, this RFP shall not be construed as preventing PacifiCorp from entering into any agreement that PacifiCorp deems prudent, in PacifiCorp’s sole opinion, at any time before, during, or after this RFP process is complete. Finally, PacifiCorp reserves the right to negotiate only with those entities who propose transactions that PacifiCorp believes in its sole discretion to have a reasonable likelihood of being executed.

- b. Summary report of bid results - To the extent required by law or regulatory order, PacifiCorp intends to compile a summary report of the bidding outcome. This report will list the characteristics of winning bids and will include an analysis of the rate of participation and success of smaller bids in the range of one to five megawatts. The report will also summarize the key points of the losing bids without, however, identifying specific bids. PacifiCorp believes this information will be useful in evaluating the competitive bidding process and will be useful in the subsequent update to the IRP. **Please note that this summary report will be made available to the public and filed for informational purposes with applicable regulatory entities .**
- c. Subsequent Regulatory Action – Unless mutually agreed between the parties or unless required by actual (or proposed) law or regulatory order, at the time of contract execution, PacifiCorp does not intend to include a contractual clause whereby PacifiCorp is allowed to adjust contract prices in the event that an entity who has regulatory jurisdiction over PacifiCorp does not fully recognize the contract prices in determining PacifiCorp’s revenue requirement. As of the issuance date for this solicitation, PacifiCorp is unaware of any such actual or proposed law or regulatory order.



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PacifiCorp formally published its most recent IRP on January 24, 2003. Chapter 9 (pages 154-157) of the IRP lists 28 recommended actions in order to implement the plan. Table 1 below summarizes the size and nature of supply blocks identified in the IRP. Please refer to PacifiCorp's web site at www.pacificorp.com to view the IRP.

Table 1: IRP Supply-Side Action Items

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- a. Need for bid solicitation - As Table 1 above indicates, the IRP has established the need to add a variety of resources to PacifiCorp's system. PacifiCorp intends to issue four separate solicitations for which resource procurements will be considered. These procurements will consist of RFP 2003-A, RFP 2003-B, RFP 2003-C, and RFP 2004-A respectively. The first solicitation, RFP 2003-A, is contained herein and will solicit supply-side resources for delivery to PacifiCorp's network transmission system in PacifiCorp's East control area. The second solicitation to address East resource needs, RFP 2004-A, is expected to take place in early 2004.

The other two solicitations (RFP 2003-B and RFP 2003-C) will take place in the near future. It is anticipated that RFP 2003-B will be issued during the summer of 2003 and that RFP 2003-C will be issued in late summer 2003 or shortly thereafter.

RFP 2003-A will be referred to within this document as "RFP". It is PacifiCorp's goal to administer a supply-side solicitation process that is understandable and unbiased. Toward that end, PacifiCorp will be retaining the services of Navigant Consulting (the "Consultant") to serve as a clearing house for the receipt of "pre-blinded" responses, bidder financial information and to oversee and validate the consistent application of evaluation techniques.

- b. Supply block size - PacifiCorp is seeking proposals for up to the following amounts of supply. Please refer to Section 2 (Resource Information) for information regarding resource term:

Table 2: RFP 2003-A Supply Block Sizes

Resource Type	Size (MW)	Delivery Start	Comments
"Superpeak"	225	June 1, 2004	Delivery during HE 1300- HE 2000, Pacific prevailing time, and/or daily option for PacifiCorp to call during these hours (6 or 7 days/week).
"peakers"	200	April 2005	PacifiCorp's option to call upon generation daily.
"Base load"	570	April 2007	

Existing end-use customers of PacifiCorp are encouraged to participate in this RFP with load curtailment proposals as long as their supply bid is capable of delivering at **least 25 MWh/hour** of physical energy and capacity during the prescribed hour of delivery. Any supply-side resource bidding under this RFP must be capable of delivering at **least 1 MWh/hour** during the prescribed hour of delivery. While this RFP does not address Demand Side Management (DSM),

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PacifiCorp does consider certain types of load management measures to be appropriate for a solicitation such as this. PacifiCorp has found that bilateral agreements with larger end-use customers for the curtailment of load has proven to be effective supply-side like agreements. As a result, PacifiCorp is encouraging end-use customers to bid load curtailment under this RFP as long as PacifiCorp will have contractual surety and adequate credit assurances that such load curtailment will take place at times and in amounts required by this RFP and that such load curtailment is in excess of what the end-use customer would have done otherwise

- c. Schedule of RFP Actions - This RFP is being issued as of June 6, 2003. The anticipated schedule will be:

Event	Date
RFP Issued	June 6, 2003
Pre-bid Conference	June 20, 2003
Intent to bid form due	June 27, 2003
Responses Due	July 22, 2003
Evaluation Complete	August 6, 2003
Short List Announced	August 13, 2003
Definitive Agreement(s)	October 1, 2003
Avoided Cost Filings ¹	

- d. Security - PacifiCorp reserves the right to require, in PacifiCorp's sole opinion, adequate credit assurances² which may include, but will not be limited to, a corporate parental guaranty and/or a letter of credit in a form, amount, and from a corporate parent or from a financial institution acceptable to PacifiCorp. In the event PacifiCorp anticipates that additional credit assurances may be required from a respondent, PacifiCorp reserves the right to request that the respondent reply in writing of its intent to provide such adequate credit assurances prior to the beginning of negotiations with respect to a definitive agreement(s).
- e. Confidentiality - PacifiCorp will attempt to maintain the confidentiality of all bids submitted to the extent allowed by law or regulatory order as long as such confidentiality does not adversely impact a regulatory proceeding. **It is the bidder's responsibility to clearly indicate in its proposal what information it deems to be**

¹ Updated avoided costs filings by state will be made to the extent required by law or regulatory order.

² PacifiCorp considers the amount of any required "adequate credit assurances" to include, but not be limited to, the value associated with any one or more of the following: market-based liquidated damages for failure to perform, delays in construction, failure to meet minimum availability levels, and/or other forms of default or non-performance.

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confidential. All information supplied to PacifiCorp, or generated internally by PacifiCorp, shall remain the property of PacifiCorp and shall not be available to any entity before, during, or after this RFP process unless required by law or regulatory order. **PacifiCorp intends to retain all such pertinent information for a period of at least 5-years or until PacifiCorp receives a recovery decision in each state it serves.** Only those PacifiCorp employees who are directly involved in this solicitation process or who have a need to know for business reasons will be afforded the opportunity to view submitted bids or bidder information. Bidders should be aware that the Consultant may need to release bidder information to PacifiCorp's Legal and/or Credit departments prior to the time that a short list is determined (please refer to Section 2 below for additional information). Additionally, PacifiCorp intends to utilize internal and proprietary forward curves in its evaluations. These curves and evaluations will not be shared with entities external to PacifiCorp unless required by law or regulatory order.

2. Resource Information

- a. **Price and Non-Price Information** – PacifiCorp's IRP incorporated numerous price/non-price resource cost and evaluation information that resulted in the IRP action items referenced above. A brief summary of these attributes is listed below in Table 3. Prospective bidders should refer to Appendix C of the IRP for more specific information. In addition, bidders should refer directly to the IRP for the estimated cost and availability of new resource alternatives. It is PacifiCorp's intention to revise these assumptions based on updated industry information. In addition, it is PacifiCorp's intention to utilize the Consultant to validate these and other cost assumptions prior to the time evaluations take place hereunder.

Specifically, with respect to air quality standards, it is PacifiCorp's intent to incorporate cost assumptions into any PacifiCorp build option(s) that are consistent with the IRP base case assumptions. These base case assumptions can be located in Chapter 3 of the IRP and represent the best information currently available to PacifiCorp via the IRP public input process and other information sources. **As such, Bidders are directed to submit bids that incorporate the assumption that the Bidder will not be able to pass through any costs associated with meeting future air quality requirements.**

Table 3: IRP Resource Attribute Summary

Resource Type	Heat Rate (BTU/Kwh)	Capital Cost (\$/kW)
Brown field SCCT frame	12,176	458
Green field SCCT frame	12,176	539
Green field SCCT Aero	10,233	844
Green field CCCT 2 – 1X1	7,235	770

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Green field CCCT G 2X1	6,645	650
Brown field pulverized coal	9,483	1,389
Green field pulverized coal (UT)	9,483	1,431
Green field Pulverized Coal (WY)	9,483	1,501

2.a.i Price Information – PacifiCorp is willing to consider pricing proposals from bidders that include, but are not limited to, the following concepts so long as the bidder supplies enough information and definition around the proposal such that effective evaluations can be performed:

- Fixed capacity and energy price,
- Variable capacity and/or energy price,
- Physical tolling arrangements (PacifiCorp supplies the gas),
- Virtual tolling arrangements (PacifiCorp does not supply the gas),
- Exchanges (based on time, delivery point, and/or product),
- Call options³ by increasing generation, decreasing load, or scheduling the receipt of power (monthly, daily, and/or hourly), and/or
- Put options³ by decreasing generation, increasing load, or scheduling the delivery of power (monthly, daily, and/or hourly),
- The construction, and subsequent lease and/or sale, of an asset for all (or a portion) of its output to PacifiCorp,
- The sale of an existing asset to PacifiCorp.

2.a.ii Non-Price Information -

Point(s) of Delivery - This RFP is requesting resources that are capable of delivering to PacifiCorp's network transmission system⁴ in PacifiCorp's Eastern control area. Specifically, the point(s) of delivery of primary interest to PacifiCorp are:

- Within the Eastern Control Area – The point of interconnection between the resource, or the electrical system to which the resource is connected, and PacifiCorp's network transmission.

³ Such options could be based on struck at a fixed electricity price, a variable electricity price or at a price based on natural gas prices.

⁴ Any cost required to upgrade PacifiCorp's electrical infrastructure will be considered in the overall economics of the resource.

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- Mona⁵ 345 kV
- Gonder 230 kV
- Glen Canyon 230 kV
- Nevada/Utah border on the Sigurd-Harry Allen 345 kv (“NUB”)
- Located in Nevada – PacifiCorp is willing to purchase capacity and associated energy that is delivered in Nevada; provided, PacifiCorp or the selling entity is able to purchase firm transmission from the point of delivery to either Gonder or NUB.

PacifiCorp is not interested in resources delivered to Four Corners unless the scheduling of such a resource is at PacifiCorp’s option or deliveries take place during the super-peak hours listed in Table 2 above. PacifiCorp is also generally not interested in resources located in Wyoming unless the resource electrically resides South of the Naughton-Monument 230 kv line or the cost to upgrade needed transmission facilities is included in the economic evaluation. Lastly, PacifiCorp is not interested in resources delivered to Borah, Brady, or Kinport unless such resource is interconnected to PacifiCorp’s Southeast Idaho electrical system (generally described as PacifiCorp owned transmission lines near the Goshen substation and with a voltage below 230 kv) and adequate transfer capability exists at times when resources exceed loads within Southeast Idaho.

Network Resource Requirement - It is PacifiCorp’s intent to add any generation resource purchased as a result of this RFP to the existing transmission agreement between PacifiCorp’s merchant function and PacifiCorp’s transmission function as a network generation resource. As such, the purchase of any generation resource considered as part of this RFP process shall be contingent upon PacifiCorp being able to add and maintain the resource as a network generation resource. Bidders shall specify if the supplier proposes to provide operating reserves or if PacifiCorp is expected to provide operating reserves associated with the proposed resource.

⁵ PacifiCorp’s transmission function has broken Mona into three distinct delivery points. These three points are “MLDP” (IPP-Mona from the LADWP control area), “MDGT” (Bonanza-Mona within the PACE control area), and “PACE-Mona” (all other lines into Mona within the PACE control area). In order for PacifiCorp to properly incorporate deliveries at Mona as a network generation resource, the respondent must indicate which point at Mona deliveries will be made from.

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It is PacifiCorp's intent that the scheduling of resource deliveries shall be pursuant to industry practices. Scheduling times may differ by resource in order to accommodate the scheduling of fuel or to align the scheduling time for a specific type of resource (such as a daily call option) with industry practices. If a Bidder is not specific with respect to scheduling times and/or limitations, PacifiCorp will assume that current industry practices for a 5-day/week pre-scheduling regime will apply.

- b. Resource Types Eligible to bid – **Affiliate companies of PacifiCorp may not respond to this RFP.** Table 4 indicates the term of the resources requested and if PacifiCorp's ability to dispatch and/or curtail the resource is mandatory for such resource.

Table 4: Resource Type & Terms

Resource Type	Size (MW)	Delivery Start	Resource Term	PacifiCorp's Dispatch &/or Curtailment Option?
"Superpeak"	225	June 2004	June through September 30, only 2004, 2005, 2006, 2007	Yes
"peakers"	200	April 2005	Up to 20-years	Yes
"Base load"	570	April 2007	Up to 20-years	Yes

As Table 6 indicates, the amount of notice required in order for PacifiCorp to dispatch or curtail a resource is an important factor in determining which resources will be selected for the short list. Subject to the limitations in 1.b above, both supply-side and load curtailment resources are welcome to bid under this RFP. Any resource desiring to supply the non-spinning component of operating reserves must be capable of reaching the full MW amount within a contractually pre-agreed number of minutes following the receipt of a phone call from PacifiCorp's dispatchers.

Any resource considered pursuant to this RFP must be capable of clearly verifying the time and amount the resource was delivered by virtue of metering or other measurement means as found to be acceptable to PacifiCorp including, but not limited to, metering on less than or equal to an hourly basis.

The exact rules surrounding resource adequacy for planning and operational purposes have yet to be promulgated by the Federal Energy Regulatory Commission (FERC) and state regulatory bodies who have purview over PacifiCorp. A requirement of this RFP is that all power sales to PacifiCorp shall contractually define an asset associated with deliveries at the time FERC enacts a rule requiring such a definition for resource

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adequacy purposes; provided, any bid that results in deliveries beyond December 31, 2007 shall have an asset associated with it in the bid.

- c. Information Required in bid proposals - Attachment B to this RFP provides a list of information that bidding entities are expected to provide with their responses. Bidding entities will be issued a bid number by the Consultant after returning the Intent to Bid form (see Appendix A). **Bidders then are instructed to submit their proposals to the Consultant in such a format that the identity of the bidder is not apparent (“pre-blinded”).** PacifiCorp will utilize this “blinded” information in order to evaluate the proposals and select a short list of proposals from which post-bid negotiations will begin.

In addition to the blinded response requested above, bidders are instructed to submit Attachment C to the Consultant so that the credit status of the respondent can be determined. Bidders should be aware that the Consultant may need to release bidder information to PacifiCorp’s Legal and/or Credit departments prior to the time that a short list is determined. **It is PacifiCorp’s intent that any such information released prior to “de-blinding” will not be made available to PacifiCorp’s bid evaluators.**

All potential bidders should direct all communications and questions with respect to this RFP to:

Questions, Bid Numbers, Intent to Bid forms & RFP Responses:

Navigant Consulting Inc.: PacifiCorp RFP 2003-A
Attention:—Howard Friedman, Principal
Address: 4915 Southwest Griffith Drive, Suite 300
Beaverton, Oregon 97005

Fax: 413 845 3249

E-mail: hfriedman@navigantconsulting.com

Responses to this RFP should be remitted to **Navigant Consulting** via U.S. mail or courier. Responses are due prior to 2:00 p.m. Pacific prevailing time on the due date.

Responses should be addressed to “Navigant Consulting, Attention: PacifiCorp RFP 2003-A”. Any item contained within the response that is not on standard 8.5” X 11” paper or that is not easily copied (such as bound responses) should have at least 10 copies of that item included in the response.

Respondents who intend to be considered as part of this RFP process should return the “Intent To Bid Form” (see Appendix A) to the Consultant no later

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than close of business on the date indicated in Section 1.C above. Respondents who do not return the "Intent to Bid Form" prior to such time may not, at PacifiCorp's sole discretion, be considered pursuant to this RFP.

3. Bid Evaluation and Selection

PacifiCorp intends to utilize a "first-price sealed bid format" in order to determine those proposals from which post-bid negotiations will take place. Under this format, contract payments are based on the price contained in each winning bid proposal. The "first-price sealed bid format" means that PacifiCorp will utilize the initial prices and/or pricing structure submitted by the bidder in order to determine the short listed entities.

PacifiCorp will not ask for, or accept, updated pricing from bidders during the evaluation period. **It is PacifiCorp's intent to negotiate both price and non-price issues during the post-bid negotiations.** Selection for the short list and post-bid negotiations does not constitute a "winning bid proposal". For the purposes of this RFP, only execution of a definitive agreement by both PacifiCorp and the bidder that is specific to the bidder's proposal, as may be amended pursuant to any post-bid negotiations, will constitute a "winning bid proposal".

Bidders should also be aware that operational separation exists, pursuant to FERC order, between the merchant and transmission functions of PacifiCorp. As a result, **it is PacifiCorp's requirement that the bidder is responsible for the negotiation, execution, and the cost of interconnection with the interconnecting control area. It is PacifiCorp's policy that the bidder is responsible for all incremental transmission expenses associated with delivery to PacifiCorp's network transmission system (inclusive of any needed system upgrades in order to delivery such power to PacifiCorp's network loads) in PacifiCorp's East control area.** Any anticipated cost, transmission or otherwise, that is not disclosed in a bidder's response will be added by PacifiCorp, using information reasonably and readily available, during the economic evaluation phase. Bidders are encouraged to contact PacifiCorp's transmission function (at www.pacifiCorp.com) for information related to system interconnection.

The price and non-price factors described below will be added together. Those highest scoring proposals will be selected for further consideration and then for post-bid negotiations. No proposal shall receive a total weighting in excess of 100%.

- a. Price Factors - PacifiCorp intends to evaluate each bid received in a consistent manner by breaking the resource and price characteristics of the structure being proposed into individual components. Each component will be evaluated separately and recombined to determine the bundled evaluated cost of the resource. PacifiCorp intends to pursue definitive agreements with entities that provide PacifiCorp with the best cost/risk balance, including resource characteristics, evaluated resource cost, and credit risk factors.

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Price factors will be **weighted up to 70%** in the determination of which proposals will be chosen for post-bid negotiations. PacifiCorp will evaluate each proposal based upon the factors in the proposal that could impact the overall cost to PacifiCorp. Factors that could impact price include, but are not limited to, dispatch ability, level of firmness, heat rate, etc.). The total evaluated cost of the proposal will then be compared to PacifiCorp's Next Best Alternative (NBA) for a resource with similar characteristics (dispatch ability, level of firmness, heat rate, etc.).

PacifiCorp's NBA will consist of the lower of: (1) a purchase in the energy market place for a similar resource (based on PacifiCorp's proprietary forward price curve for energy effective 7/22/2003), or (2) the cost for PacifiCorp to build, own, and operate a similar resource (based on PacifiCorp's proprietary forward price curve for fuel effective 7/22/2003). This will result in a "mark-to-NBA" for the proposal. PacifiCorp will award weighting based upon how the bid cost compares to the cost of the NBA:

Table 5: Price Factor Weighting

Bid Cost relative To NBA	Price Factor Weighting
Less than or equal to 75% of the NBA	70%
Greater than 75% of the NBA but less than the NBA	Linearly Interpolated
Equal to or greater than the NBA	0%

- b. Non-price factors – Factors such as creditworthiness and the level of dispatch available to PacifiCorp will impact PacifiCorp's evaluation of any given proposal. In addition, other non-price factors unique to any given bid may also impact the evaluation of the expected cost to PacifiCorp. Bidders are encouraged to clearly identify any limitations associated with their proposal, including but not limited to, operational flexibility of a resource, reliability, fuel type and supply, interconnection or wheeling issues, and/or the ability/willingness of the bidder to provide adequate credit assurances (as outlined in Section 1.d above) or the existence of any pending legal action.

Non-price factors will be **weighted up to 30%** in the determination of which proposals will be chosen for post-bid negotiations. Non-price factors will consist of operational issues related to PacifiCorp's ability to dispatch (note: "dispatch" includes

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the curtailment or displacement of resource output) the resource and environmental attributes relative to the resource. The non-price factor weighting for operational issues shall consist of the following:

Table 6: Operational Non-Price Factor Weightings

Dispatch Ability	Non-Price Factor Weighting
PacifiCorp's option to dispatch the resource the day prior to delivery (i.e., day-ahead) and PacifiCorp has the option to adjust resource output throughout the delivery day and within the delivery hour.	20%
PacifiCorp's option to dispatch the resource the day prior to delivery (i.e., day-ahead).	15%
PacifiCorp's option to dispatch the resource the month prior to delivery (i.e., month ahead).	10%
PacifiCorp's option limited to dispatching the resource for an entire quarter at a time (i.e., quarter ahead).	5%
PacifiCorp does not have any dispatch option.	0%

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The non-price factor weighting for environmental issues shall consist of the following:

Table 7: Environmental Non-Price Factor Weightings

Resource Type	Adjustment Factor⁶	Non-Price Factor Weighting
Coal	+/- 0.15	10% (1-.85-Adjustment Factor)
Nuclear	+/- 0.10	10% (1-.70-Adjustment Factor)
Oil	+/- 0.10	10% (1-.65-Adjustment Factor)
Solid Waste	+/- 0.10	10% (1-.60-Adjustment Factor)
Natural Gas	+/- 0.05	10% (1-.50-Adjustment Factor)
Biomass	+/- 0.15	10% (1-.50-Adjustment Factor)
Geothermal	+/- 0.15	10% (1-.50-Adjustment Factor)
Hydro outside protected areas	+/- 0.10	10% (1-.30-Adjustment Factor)
Hydro within protected areas	N/a	Bids not accepted

Any bid received that does not designate a specific resource (such as a system sale from a load serving entity or other type of power sale) shall be deemed to be from a natural gas fired unit for the purposes of evaluating non-price factors. Bidders

⁶ An adjustment factor may be assigned to specific bids based on information specific to that particular asset site or project design. For example, a coal plant with state-of-the-art emission control technology may have an adjustment factor of -0.15 whereas a coal plant with high air emissions could have an adjustment factor of +0.15. Unless specific information is available to indicate that a particular bid or project design will result in incrementally more or less environmental impact, as compared to typical projects for that resource type, the adjustment factor will be set to zero.

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are reminded of the requirement to associate deliveries with an asset (for resource adequacy reasons) pursuant to Section 2.b above.

4. Awarding of Contracts

- a. Post-bid Negotiation – It is PacifiCorp’s intent to negotiate both price and non-price factors during post-bid negotiations. It is also PacifiCorp’s intent to include any factor that may impact the total cost of a resource into the economic and risk evaluation associated with a resource. It is PacifiCorp’s policy to update its economic evaluation until such time as both parties execute a definitive agreement.

PacifiCorp shall have no obligation to enter into a definitive agreement with any bidder to this RFP and may terminate or modify this RFP at any time without liability or obligation to any bidder. In addition, this RFP shall not be construed as preventing PacifiCorp from entering into any agreement that PacifiCorp deems prudent, in PacifiCorp’s sole opinion, at any time before, during, or after this RFP process is complete. Finally, PacifiCorp reserves the right to negotiate only with those entities who propose transactions that PacifiCorp believes in its sole discretion to have a reasonable likelihood of being executed.

- b. Summary report of bid results - To the extent required by law or regulatory order, PacifiCorp intends to compile a summary report of the bidding outcome. This report will list the characteristics of winning bids and will include an analysis of the rate of participation and success of smaller bids in the range of one to five megawatts. The report will also summarize the key points of the losing bids without, however, identifying specific bids. PacifiCorp believes this information will be useful in evaluating the competitive bidding process and will be useful in the subsequent update to the IRP. **Please note that this summary report will be made available to the public and filed for informational purposes with applicable regulatory entities .**
- c. Subsequent Regulatory Action – Unless mutually agreed between the parties or unless required by actual (or proposed) law or regulatory order, at the time of contract execution, PacifiCorp does not intend to include a contractual clause whereby PacifiCorp is allowed to adjust contract prices in the event that an entity who has regulatory jurisdiction over PacifiCorp does not fully recognize the contract prices in determining PacifiCorp’s revenue requirement. As of the issuance date for this solicitation, PacifiCorp is unaware of any such actual or proposed law or regulatory order.