

# **Hayden Units 1 & 2**

## **Request for Expressions of Interest**

### **March 14, 2014**





**1. Transaction Structure and Process**

PacifiCorp will identify qualified buyers (Bidders) for Hayden 1 and 2 based upon level of interest, financial capability, coal power plant operations experience, power marketing capability, and ability to conduct due diligence and transact expeditiously. PacifiCorp anticipates that any sale will be structured as an all cash sale of the undivided interest in Craig 1 and 2 and or Hayden 1 and 2 or both. The transaction will involve a transfer by PacifiCorp to the buyer of the owner participants’ interest. The preference is to sell the ownership interest in Craig 1 and 2, including PacifiCorp’s interest in the Trapper mine, to a single buyer and Hayden 1 and 2 to a single buyer or to sell all of PacifiCorp’s interest in Craig, the Trapper mine, and Hayden to a single buyer. The transaction is subject to regulatory and senior management approvals.

***Sale Process***

The sale process is a two part process. Bidders will respond to the Request for Expressions of Interest. If the Bidder submits an Expression of Interest and qualifies, then the Bidder and PacifiCorp will enter into a Non-Disclosure Agreement (Phase 1). An Expression of Interest must include a minimum of three years of financials information, and Bidder’s operational experience in the operation of coal mining and power plant facilities and power marketing capabilities. Once a Non-Disclosure Agreement is executed, the Bidders will receive the Confidential Information (CI) containing key operating data and financial information on Hayden 1 and 2. The CI is intended to provide sufficient information early in the process for Bidders to submit comprehensive, nonbinding indication of interest, including indicative pricing. Indicative bidding instructions will be provided to those qualified Bidders. Selected Bidders will be invited to the second phase (Phase 2) of the process, which will include additional data containing more detailed information and a site visit. PacifiCorp will also provide a draft purchase and sale agreement (PSA) before the submission of the final bids. Upon evaluation of Final Bids, PacifiCorp would expect to finalize the PSA subject to regulatory approvals and subject to right of first offer terms contained in the Participation Agreements that govern the joint ownership arrangement.

***Indicative Summary Timetable***

| <b>Key Events</b>                               | <b>Estimated Dates</b> |
|---|------------------------|
| Issuance of Request for Expressions of Interest | March 14, 2014         |
| Expressions of Interest due                     | April 18, 2014         |
| Execution of NDA & distribution of CI           | May 6, 2014            |
| Preliminary Indications of Interest due         | June 6, 2014           |
| Selection of Bidders                            | July 7, 2014           |
| Final Indications of Interest due               | August 22, 2014        |
| Execution of PSA                                | May 27, 2015           |
| Transaction closing & regulatory approvals      | October 31, 2016       |



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## 2. Contact Information

All communication or inquiries related to the process and Craig and Hayden should be directed to PacifiCorp. Please direct all inquiries to the following individuals.

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[Bruce.Griswold@pacificorp.com](mailto:Bruce.Griswold@pacificorp.com)

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801-220-4715

Expression of Interest responses may be provided electronically or via mail to the contacts listed above.

## 3. Plant Description

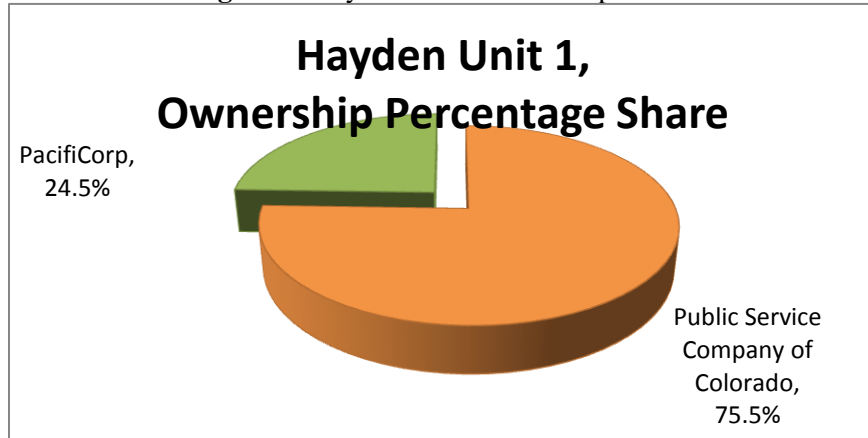
The Hayden plant is a coal-fired power plant located four miles east of Hayden, Colorado, along Highway 40 in Routt County. The plant consists of two units with a total capacity of 446 net megawatts. Unit 1 is rated at 184 net megawatts and Unit 2 is rated at 262 net megawatts. Unit ownership is summarized in Figures 1 and 2. PacifiCorp owns 17.51% of the common facilities and the land assets. The plant is operated by the Public Service Company of Colorado, which is a wholly-owned subsidiary of Xcel Energy. As noted herein, the plant is jointly owned, pursuant to certain Participation Agreements and related project documents which govern the joint ownership arrangement. Any proposed sale to a party who is not an existing plant Participant would be first subject to the right of first offer contained in the Participation Agreements, which would give existing owners the first right to purchase the offered ownership interest at the final offering price and terms proposed by the potential non-Participant purchaser. Applicable time periods and other terms for such rights of first offer are set forth in the Participation Agreements and reflected in the indicative timetable summarized above.

The Hayden 1 steam generator is front wall-fired, natural circulation boiler supplied by Riley-Stoker. The Unit 1 steam turbine was supplied by Westinghouse and is a tandem compound, double-flow condensing, single-reheat turbine. Design throttle steam conditions are 1,800 psig, 1,000°F superheat and 1,000°F reheat.

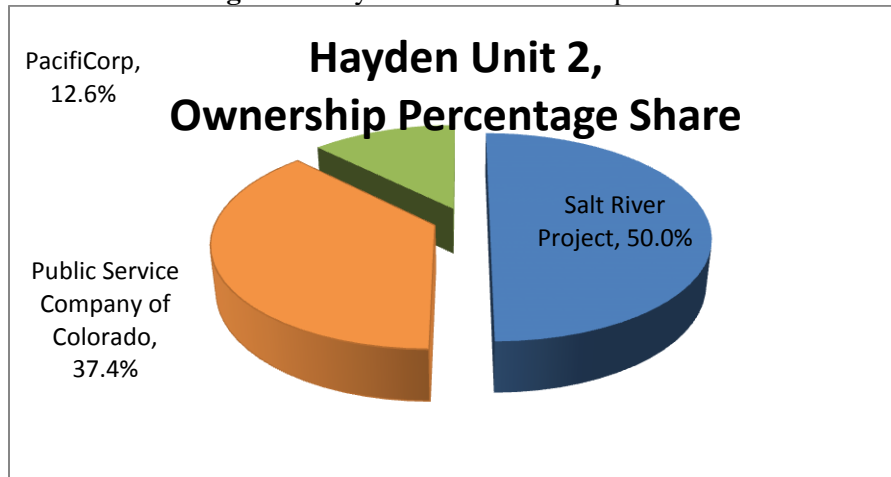
The Hayden 2 steam generator is a tangentially-fired, natural circulation boiler supplied by Combustion-Engineering. The Unit 2 steam turbine was supplied by Westinghouse and is a tandem compound, two casing, double-flow condensing, single-reheat turbine. Design throttle steam conditions are 1,800 psig, 1,000°F superheat, and 1,000°F reheat. The General Electric generator has a water-cooled stator and hydrogen cooled rotor.

The units are designed to burn sub-bituminous coal from local mines. Both units are equipped with water cooled condensers.

**Figure 1. Hayden Unit 1 Ownership Shares**



**Figure 2. Hayden Unit 2 Ownership Shares**





The age and statistics of Hayden Units 1 & 2 are summarized in Table 3.

**Table 3.** Hayden Units 1 & 2 operating statistics from the commercial operation year through 2012

|  | Unit 1 | Unit 2 |        |
|--|--------|--------|--------|
| Total Net MW Rating                          | 184    | 262    | MW     |
| PacifiCorp Share Net MW Rating               | 45.1   | 33.0   | MW     |
| Commercial Operation Date                    | 1965   | 1976   |        |
| PacifiCorp's Planned End of Depreciable Life | 2030   | 2030   |        |
| Current Age                                  | 48     | 37     | Years  |
| Average Yearly Starts                        | 12     | 10     | Starts |
| Average Yearly Equivalent Availability       | 86.6   | 91.3   | %      |
| Average Yearly Capacity Factor               | 83.3   | 86.1   | %      |
| Average Yearly EFOR                          | 7.1    | 2.7    | %      |

The following unit rating changes are expected as a result of installing selective catalytic reduction (“SCR”) systems, which are described further below:

- Unit 1: 184.0 MW to 182.7 MW (45.1 MW to 44.7 MW, PacifiCorp share)
- Unit 2: 262.0 MW to 260.0 MW (33.0 MW to 32.8 MW, PacifiCorp share)

Historical heat rates are shown in Table 4.

**Table 4.** Hayden Units 1 and 2 historical annual net heat rates, 2010-2013

|      | Hayden 1 | Hayden 2 |
|------|----------|----------|
| 2010 | 11,098   | 10,503   |
| 2011 | 11,000   | 11,292   |
| 2012 | 11,067   | 10,554   |
| 2013 | 10,662   | 10,490   |

The two Hayden units have been retrofitted with pulse-jet fabric filter (baghouses), dry lime-based scrubbers and low-NOx burners. This equipment was placed in service on Unit 1 in late 1998 and on Unit 2 in March 1999. To achieve compliance with the Colorado Clean Air Clean Jobs Act, Hayden Plant BART determinations, and the EPA-approved Colorado Regional Haze State Implementation Plan (“SIP”), the following additional pollution controls will be required:

- Unit 1: SCR installation in 2015.
- Unit 2: SCR installation in 2016.

The vendor for the SCR systems has been selected, and the projects are underway.

The Hayden plant has a landfill used for the permanent storage of bottom ash, fly ash and scrubber waste (gypsum) via truck transport from the site to the landfill. Individual landfill cells must be periodically closed as they become full in a strategy known as “sectional reclamation.”



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This operational approach is a requirement of the applicable landfill permits. Final closure of the landfill will not be necessary until the plant is retired.

The Hayden plant utilizes closed-loop circulating water and cooling towers. The Hayden plant is a designated zero-discharge facility. Currently, waste streams flow to either the unlined evaporation pond or the unlined raw water pond, depending upon the characteristics of the individual waste streams.

#### **4. Fuel Supply**

The Hayden plant receives an average of 1.8 million tons of coal per year or roughly 320,000 tons per year for PacifiCorp's share. Fuel oil is trucked to the site and stored on-site for start-up purposes. Coal is supplied from the adjacent Peabody Coal Twentymile mine; coal can either be railed or trucked to the plant. The coal supply contract expires in December 2027. The coal ash concentration ranges from 10-12%, with an average delivered ash of 11.3% in 2012. The coal moisture range is typically 10-12%, with an average delivered moisture of 11.1% in 2012. The sulfur concentration ranges from 0.30-0.70%, with an average of 0.40-0.51% in 2012. The coal heating value averages 11,200 Btu/lb.

#### **5. Transmission**

The Hayden plant generators are interconnected to Public Service Company of Colorado (PSCO) transmission system at the Hayden Substation, rated at 230 kV. There are no existing transmission rights included in a potential sale of the Hayden plant. Consequently, any purchaser of the offered minority interest would be responsible for procuring any transmission required to market the units' output or for serving load.

#### **6. Water Supply**

The water supply for the Hayden plant is from the Yampa River; part of the Colorado River drainage system. The plant has an average demand of 4,960 acre-feet/year with a maximum use of 5,945 acre-feet/year (2003). The plant water rights are available to Hayden station in perpetuity as long as they are maintained in good standing through beneficial use. PacifiCorp owns 17.5 percent of the plant water rights.