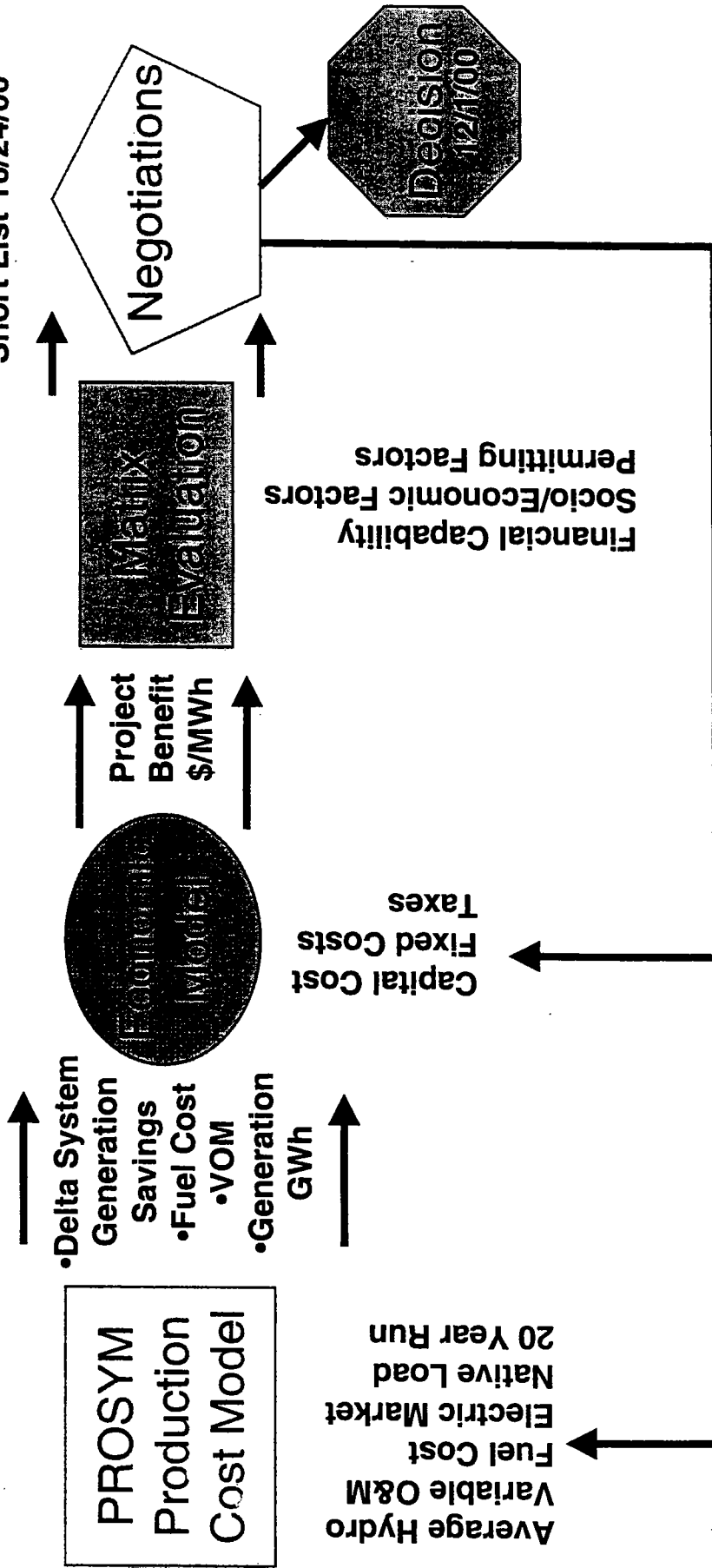


# RFP Evaluation Process

Short List 10/24/00



September 15, 2000

**AVISTA EVALUATION GUIDANCE FOR ELECTRIC RFP BID PROPOSALS  
(Power Supply Resources)**

***August 14, 2000 RFP available to potential bidders***

Avista's 2000 RFP indicated various characteristics or factors against which bid proposals would be evaluated (see 2000 RFP). Many of these evaluation factors can be assigned monetary values that can be used in the evaluation process. Therefore, economics will be the significant component of the company's bid evaluation process.

Described below is an outline of the evaluation process that Avista plans to generally follow in the bid evaluation process. This outline is intended as a guide. Modifications may be made in order to more appropriately compare and evaluate the bid proposals.

***September 18, 2000 Bids due date to Avista and opening of bids***

**Initial Review:**

A copy of the bid proposals will be distributed to each member of the Screening Work Group. Their task will be to become familiar with the bids and then make sure they meet the minimum resource evaluation performance. In general the Screening Work Group will look at the performance track record of the bidders, environmental requirements, whether the technology is proven, and the financial and performance capability of the bidder.

In addition the bid proposals must include all necessary information for evaluation in order to pass the initial screening criteria. In the initial review of the bid proposals, if deficiencies are not material, Avista may, at its option, grant a limited extension to cure such deficiencies.

***September 22, 2000 Initial review completed by Avista***

**Preliminary Short List:**

All power supply resource bids that pass the Initial Screening will go through both a production modeling process and an economic modeling and comparative evaluation process. The resource bids will be ranked as to their relative value provided to the company and its customers using a weighted matrix. From this ranking a preliminary short list will be developed. Company projects will follow the same evaluation course as resource bids submitted to the company under the RFP.

## 1) Production Modeling - PROSYM:

The chronological production modeling system, PROSYM, will be used for the purpose of producing near and long-term forecasts of electric system variable operating and production cost. Because of its ability to handle detailed information in a chronological fashion, planning studies performed with PROSYM closely reflect actual operations. In each hour of a study period, PROSYM considers a complex set of operating constraints to simulate the least-cost operation of the utility. This hour-by-hour simulation, respecting chronological, operational, and other constraints in the case of cost-based dispatch, is the essence of the model.

As the company contemplates the addition of one or more resources to its portfolio it will be faced with a different resource stack and fuel mix. The new resources will have an impact on the resource dispatch sequence because of the potential fuel supply and marginal costs. Avista uses PROSYM to model its resources, to meet its system requirements, and to assess the dispatch requirements and compatibility of new resources used in conjunction with existing resources, both hydro and thermal.

Some of the information used in the model includes 20 years of projected on and off peak monthly loads and 20-year forecast of electric and gas prices. All resources and contracts are modeled on an hourly basis. Average hydro is an input into the model and then the hydro is optimized according to Avista's native load.

The PROSYM model will be run with and without the bid proposal to determine the change in system variable cost. This delta in operating costs will allow the company to compare the impacts on its system variable operating costs for each of these bid proposals. Specifically, PROSYM results for variable O&M, fuel costs, portfolio operation costs delta, and generation for each new resource will be provided for use in Step 2.

## 2) Economic Modeling:

The variable cost information from PROSYM, plus other information, such as the proposed resource fixed or capital cost, will be input to the company's economic models. The economic (or revenue requirements) model includes basic financial assumptions from the corporation, including inflation assumptions. Costs for fixed O&M, capital, taxes, insurance, property taxes, wheeling, and gas transport are also included. The output from these economic models will provide the overall cost or benefit of adding a bid resource to the system compared to a base case. The resources will be evaluated over the life of the resource up to 20 years.

The output from these economic models will be economic indicators that can be compared to determine the most cost-effective resource for the company's system. Unit net project benefit per MWh is one such indicator, which will help rank the different resources as to their added value. An estimate of relative gas and electric price scenarios will be developed and applied to models. Model results from these analyses will be considered when evaluating price risk.

### 3) Weighted Matrix Evaluation:

The Work Group will then take the bid proposals and using the results from Step 2 above, will evaluate them against each other. A comparison will be made of both price and non-price factors to get an overall view of each bid proposal. This will determine which resource bid(s) provides the greatest relative value to the company and its customers in helping Avista meet its power supply needs.

**Weighting of Evaluation Factors** – The weighting of factors used to rank bid proposals is split between price (65%) and non-price (35%) factors. Each factor used in the selection process will be assigned a weight shown below that represents its contribution toward meeting Avista's least cost planning goals.

The range of the rating values may be from one to ten (with ten being best) if the number of bids submitted to Avista is small. A larger point spread will be used if the number of bids is larger.

The weighting of bid proposals will be in three characteristics as discussed in the body of the 2000 RFP. However, these three characteristics or factors are combined into two categories. The first category will be Financial/Price Factors and the second will be Electric Power and Social/Environmental Factors.

Under the Financial/Price Factors (65%) are the following:

- The economic benefit of the resource to the company and its customers (35%).
- The long-term financial capability and performance capability of the bidder/developer (15%).
- Fuel price risk (15%).

Under the Electric Power and Social/Environmental Factors (35%) are the following:

Fuel Availability Risk (5%)

- Fuel security of supply risk
- Fuel transportation security/expected performance

Electric Factors (20%)

- Ramp rates
- Dispatchability (number of times per month it can be shut down)
- Reactive capability
- Supply source (market, unit, system, etc.)
- System integration (transmission availability, cost, etc.)
- Exposure to transmission contingencies
- Other characteristics

**Environmental Factors (10%)**

- Permits- demonstration of permit plans, stage of completion and complexity of obstacles and local impact issues.
- Complies or demonstrates an acceptable plan for compliance for all applicable environmental laws and regulations.
- Technology proven to meet environmental laws and regulations.

Each bid proposal will be rated based upon the bid proposal's relative comparison to other bids. Bid proposals will not be rated on a forced ranking basis. The rating of each bid resource will be multiplied by the weight of the factor. A total weighted calculation will be made for each bid proposal under consideration by summing its weighted rating. This total value will be used to rank bids. Within a narrow range, bid proposals may be viewed as essentially equal in value/benefits. The highest ranked bid proposals will move to the next phase of evaluation as a preliminary short list.

***October 6, 2000 Determination of preliminary short list***

**Sponsors' Meetings:**

All bid sponsors will be notified regarding the preliminary short list. Meetings will be scheduled with those project sponsors that made the preliminary short list. Avista has found that what the bidders perceive and submit is sometimes different than what the company reads and interprets from the formal bid. These differences have to be resolved. If new information is found as part of this discovery process, steps 1 through 3 under the Preliminary Short-List section may be re-evaluated. Bid proposals may change relative ranking position as a result. This will be iterative if new information at any phase of the evaluation is revealed. Once the meetings have been completed, the Work Group will select those resource bid options that are the best out of those submitted under the 2000 RFP. Again, a close ranking may indicate that more than one project should be considered essentially equal.

***October 20, 2000 Complete meetings with project sponsors***

**Selection of Short List for Negotiation:**

At this point the company enters into the final discovery and evaluation phase. Any additional information will be acquired and the refinement of this information will be used to re-evaluate and re-compare the relative benefits of the bid proposals.

Once the differences are resolved and the final short list is completed, then the negotiation phase begins. If Avista finds that the terms and conditions of the submitted bids are significantly different from what the bidders are discussing in the meetings then the company will re-evaluate the bids by going through the evaluation process again. If the ranking is different then the new ranking will be used in selecting the best of the bids for further consideration. All terms and conditions are open for negotiation. The final selection will be the conclusion of the RFP process. The result is a final list of most beneficial bid proposals.

***October 24, 2000 Selection of short list for negotiation***

**Final Negotiation/Selection:**

Any bids that have made the short list for negotiation will begin the negotiation phase with the company. All terms and conditions are open for negotiation, including price. A decision to select or not select resources from the RFP will be the conclusion of the RFP process and the final decision will be announced.

***November 3, 2000 Final selection (RFP decision)***

***December 2000 Debriefing***

***January 15, 2001 Final evaluation report submitted to Commissions***

# **CONFIDENTIAL**

## **Resource Selection Process – 2<sup>nd</sup> Round Screening**

THIS PAGE CONTAINS CONFIDENTIAL MATERIALS AND IS SEPARATELY FILED

# REQUEST FOR PROPOSALS

## **Evaluation of Resources from Electric Energy Efficiency and/or Power Supply Resources**

**Avista Corporation**

**August 2000**

### **Introduction**

Avista Corp. is seeking to identify resources that can become part of Avista's resource portfolio to meet its system requirements while at the same time minimize the cost of meeting those needs. Resources bid to Avista will be considered for purchase as part of the company's long-term resource portfolio for meeting customer needs. The company has identified a power need of approximately 300 megawatts (MW) of both capacity and corresponding energy. Resource availability in the year 2004 would fit Avista's requirements best. However, Avista does have significant resource needs in advance of this time frame. Bidders wanting more details regarding the timing of Avista's resource needs may request a copy of its "1997 Integrated Resource Plan Update".

The goal of the 2000 Request For Proposals (RFP) will be to identify low cost and environmentally sound resource options that best satisfy Avista's resource needs. This process will support the company's ongoing assessment of the cost and availability of new resources, and may provide input for Avista's 2000 Integrated Resource Plan (IRP). Resources bid to the company in response to this RFP must be competitive with other resource options available to Avista, including resources available at cost from affiliates, in order to be considered for purchase.



This RFP is an all-source process and bidders are encouraged to make proposals for energy efficiency resources or power supply resources. Avista encourages bidders with competitive renewable resource projects to consider bidding as a power supply resource. Proposals from energy efficiency measures will be competing against each other and power supply resources will be competing against other power supply resources. The most favorable resources bid to the company will also be compared with Avista's own potential or existing resource acquisition programs for either energy efficiency or power supply resources respectively. Avista has included information on its energy efficiency programs and on general power resource needs and costs in its "1997 Integrated Resource Plan Update".

**Avoided Cost**

The following table represents costs that Avista might incur were it to construct a large combined-cycle combustion turbine. The avoided costs shown below for the next 20 years (excluding 2001) are based upon this resource assumption.

**Avista Utilities Avoided Cost Schedule**  
nominal dollars

Year	\$/MWh	Year	\$/MWh	Year	\$/MWh	Year	\$/MWh
2001	60.0	2006	39.1	2011	44.2	2016	51.2
2002	37.8	2007	39.9	2012	45.4	2017	52.9
2003	37.7	2008	40.8	2013	46.7	2018	54.6
2004	38.0	2009	41.8	2014	48.2	2019	56.3
2005	38.4	2010	43.0	2015	49.7	2020	58.1

For 2001 the avoided cost value is based on actual broker quotes obtained July 24, 2000. Between 2002 and 2020, the figures are generated using a spreadsheet analysis prepared by the Northwest Power Planning Council (NWPPC). The spreadsheet was adjusted to reflect the NWPPC's 250 MW CC - Eastside Blk 1 Base case, and one hundred percent investor-owned utility ownership. As shown, the avoided cost rises from \$37.8 in 2002 to \$58.1 in 2020.

The figures shown generally are representative of the costs that the Company might expect associated with the construction and operation of a combined-cycle combustion turbine. However, it is important to recognize that a number of variables might change, such as where the project ultimately is constructed.

Gas price assumptions can vary the project economics substantially. Natural gas prices were input into the NWPPC model using data from the Company's natural gas 2000 Integrated Resource Plan. These values are higher than the NWPPC's assumptions and drive costs up by about 5 percent in the first year.

Another important consideration is environmental compliance. Permitting processes and requirements for air quality, water and mitigation of other environmental impacts will also vary depending on the specific project location.

While the avoided cost figures shown above meet the requirements of WAC 480-170-050, the company expects the RFP results to provide a better measure of avoided costs going forward. As such, a given proposal that provides a cost stream below the costs shown above might not be selected. Similarly, where the RFP shows that general market conditions are higher than the above schedule, Avista may select a project with costs above the avoided cost schedule.

### **General Considerations**

The Company states certain resource preferences that would fit well into its resource portfolio. However, bidders may submit proposals for projects of varying types or sizes, or at alternative sites. Timing of resources may vary from what is suggested as well. Each variation may have distinct pricing characteristics.

Potential resources will be considered for acquisition as part of the company's long term resource portfolio for meeting retail customer needs. The company will consider all relevant factors (including but not limited to price, dispatchability, transmission impacts,

other bids, company-sponsored options, business and operating history of the project developer, and financial and rate impacts) in the bid resource evaluation. Resource proposals will be evaluated on the basis of the most current information available. Evaluation is discussed in more detail under both the energy efficiency and power supply sections.

Avista retains the right to reject any and all project proposals, at any time before execution of a written contract. Executed contracts may be submitted to the IPUC or WUTC for approval, as appropriate in Avista's judgement.

The bid term, or the length of time the electrical savings or electrical generation is being bid, shall be set forth in each proposal. However parties are advised that Avista is interested in long-term arrangements that will meet resource requirements for twenty years or more.

Aspects of the sponsor's proposal may be subject to negotiation to specifically define the operation of the proposed project, to insure adequate credit support for the prospective seller, and to insure that the delivered services will be consistent with Avista's needs. These negotiations will be important in shaping the quality of the bid services to ensure that they add value for the company. Negotiation with a given sponsor does not necessarily imply that such sponsor's proposal will be selected.

To review each proposal fairly and to determine which projects are likely to provide the best value to Avista's customers, Avista requires specific information regarding each proposed project.

### **Proposal Preparation and Evaluation**

Project sponsors interested in responding to Avista's RFP must complete the appropriate forms and submit them according to the RFP schedule. Avista will commence its

evaluation of the RFP submittal at the time of the bidding deadline as outlined in the Evaluation and Ranking sections under the Request for Energy Efficiency Resource Proposals and the Request for Power Supply Resources respectively. To assure full consideration of the bid, as well as to expedite the review process, please adhere to the RFP instructions and response format. It is important that all information requested in the RFP be complete and submitted by the bidding deadline. In the initial review of the bid proposals, if deficiencies are not material, Avista may, at its option, grant a limited extension to cure such deficiencies. Late or incomplete forms or proposals will result in the proposed project being eliminated from further consideration. All bids will be retained by Avista and will not be returned to project sponsors.

After completion of its initial evaluation process, Avista will notify those on a short list of bidders that their projects have been selected for further review and potential negotiation. Avista may meet with the short listed bidders. Bidders of those projects that are not selected will be so notified.

Avista may elect to negotiate certain aspects of the bidder's proposal. The bidder will be expected to remain prepared to deliver the services indicated in the proposal, subject to any changes mutually agreed to as part of the negotiation process. Failure to adhere to the original RFP will be justification for Avista to cease negotiations and to reject the proposal. Contracts may be subject to the approval of the IPUC and the WUTC, as appropriate.

Another key consideration is operating flexibility. Operating flexibility is represented by the project's compatibility with Avista's electric system and power supply. Timing of energy deliveries on a seasonal and daily basis is a measure of this criterion. Avista's ability to control project output levels is also important. These evaluation elements are further discussed in the Evaluation and Ranking sections under the Request for Energy Efficiency Resource Proposals and the Request for Power Supply Resources respectively

Avista retains sole discretion to determine which proposal best meets Avista's system requirements, and which will be selected for negotiation and further review. Avista will evaluate all proposals in the context of meeting overall least-cost objectives, which may take into account many factors, including but not limited to cost, risk, operating flexibility, diversity of supply, and any other relevant factors. Environmentally sound resources must meet all local, state, and federal agency requirements and, in the case of dedicated plant construction, the ability to handle local impact issues. The company will also be comparing bid proposals against its own programs and other proposed generation and energy efficiency resources.

Avista reserves the right to modify the RFP process to comply with any WUTC or IPUC orders, rules, regulations or guidelines.

If, upon review of the RFP, there are questions regarding completion of the RFP, please contact:

Avista Corp.  
P.O. Box 3727  
Spokane, WA 99220-3727

ATTN: 2000 Competitive Bid Proposal  
c/o Doug Young  
MSC-7

#### Schedule and Procedure

##### A. Milestone Schedule

August 14, 2000	RFP available to potential bidders
September 18, 2000	Submittal to Avista of resource proposals
September 22, 2000	Initial review completed by Avista

October 6, 2000	Determination of preliminary short list Notify project sponsors
October 20, 2000	Complete meetings with project sponsors
October 24, 2000	Selection of short list for negotiation
November 3, 2000	Final selection (RFP decision)

- B. Submittal of Proposals. All project proposals must contain the information requested in this RFP and ten (10) copies must be submitted so as to be received by Avista no later than noon on September 18, 2000 at the following address:

Avista Corp.  
E. 1411 Mission Avenue  
Spokane, WA 99202

ATTN: 2000 Competitive Bid Proposal  
c/o Doug Young  
MSC-7

In accordance with WAC 480-107-070 (4), project proposals shall remain sealed until expiration of the solicitation period.

The preparation and submission of a project proposal will be at the expense of the project sponsor.

C. Modification or Withdrawal of Project Proposals

A sponsor of a project proposal may modify its project proposal by written request, provided that the request is received by Avista prior to September 18, 2000.

D. Initial Review of Project Proposals

Avista will perform an initial review of project proposals to determine if all required information has been provided. Avista expects to complete this initial review by September 22, 2000. Project sponsors who are not selected because of deficiencies in the response to the RFP will be so notified. Where such deficiencies are not material,

Avista may, at its option, grant an extension of seven (7) days to cure such deficiencies. Material deficiencies will disqualify a proposal from further consideration.

**E. Confidentiality of Information**

Avista may agree to keep confidential any document so designated by the participants in the bidding process. Inasmuch as project proposals are subject to examination by the WUTC pursuant to the WAC 480-107-070 (4), and by the IPUC, refusal to release confidential information to the WUTC or IPUC may adversely affect consideration of the project proposal.

Avista will take reasonable precautions and use reasonable efforts to protect confidential information, which is clearly identified as such on the page on which confidential material appears.

**LIMITATIONS**

THERE SHALL BE NO BINDING CONTRACT UNTIL AVISTA AND THE PROJECT DEVELOPER HAVE EXECUTED A FINAL WRITTEN PURCHASE AND SALE AGREEMENT. THIS RFP DOES NOT CONSTITUTE AN OFFER BY AVISTA, AND SUBMITTAL OF A PROJECT PROPOSAL SHALL NOT BE DEEMED AN ACCEPTANCE. AVISTA RETAINS THE RIGHT IN ITS SOLE DISCRETION TO REJECT ANY AND ALL PROJECT PROPOSALS AT ANY TIME BEFORE EXECUTION OF A FINAL WRITTEN PURCHASE AND SALE AGREEMENT AND TO REVISE THE MILESTONE SCHEDULE SET FORTH HEREIN. AGREEMENTS MAY BE SUBMITTED TO THE IPUC AND/OR WUTC FOR APPROVAL, AS APPROPRIATE.

# Request for Energy Efficiency Resource Proposals

## General Overview

Avista currently provides a variety of energy efficiency services to the Company's retail electric customers in all market segments. These services are currently funded through a special Tariff Rider approved by both the Washington and Idaho State Commissions. As the Company prepares to enter a period of potential energy deficiency, Avista is assessing the addition of energy efficiency activity, incremental to the current acquisition goal of 3 aMW per year, through a bidding process.

Avista's interest is in the acquisition of cost-effective energy efficiency and system capacity resources that positively contribute to our existing portfolio attributes. As such, the Company is seeking programs that incur the least amount of utility and total resource cost to acquire a desired level of electric efficiency or system capacity resources.

## General Bidding Guidelines

All energy efficiency proposals shall, at a minimum, satisfy the requirements of WAC 480-107-030. A bidder must either be an Avista retail electric customer or a contractor proposing one or more projects at the site of an Avista retail electric customer. Project proposals must yield annual electricity savings of at least 2,190,000 kWh (250 aKW). The energy saving measures must be installed over a period of not more than three years. Savings from installed measures must persist for a period of at least five years. Project proposals selected under this RFP are not eligible for grants, loans, or other payments under any other Avista sponsored energy efficiency program during the life of the proposed project.

Bids may include electric efficiency projects or fuel conversion projects involving the replacement of electric end-use equipment with equipment using natural gas (natural gas



equipment must be at least 45 percent efficient). Bids may not include the substitution of alternative supplies of electricity or provide savings through the curtailment or cessation of end-uses. Electric energy savings must not result in significant reduction to the quality of end-use processes or products.

Avista will view some measures more favorably than others in the selection process. Unfavorable reviews would result from questionable assurance of savings, lack of savings persistence, degradation of savings, or concentration of measures at a single or small number of host facilities.

It is also required that all emissions credits accrued through electric energy savings resulting from the implementation of proposed energy efficiency measures become the sole property of Avista Corporation unless other arrangements are explicitly included in the final contract.

### **Proposal Contents**

Following is a list of general topics that each proposal should address. Within each area are specific requests for information about each proposal. A written response to each specific request should be provided. If a request does not apply to a proposal, a written response is required which sets forth which requests are not applicable and a brief explanation as to why.

#### **A. Description of Proposal**

1. Describe the proposed energy efficiency measure(s) and the specific customer or customer type(s) and building type(s) where the measures will be located.
2. Provide an estimate of the projected annual electric energy savings and system capacity savings of the project when completed. Provide a detail of unit savings used to derive the total savings estimates, and the basis for those estimates. Provide a monthly distribution of those savings. If

system capacity savings are proposed, provide a description of what hour those savings are available or alternatively an hourly shape of savings. Provide an estimate of the monthly and annual load factors of savings for all measures.

3. Provide a description of dispatchability (or similar utility control), if any, of the project savings. This will probably apply only to measures incorporating system capacity savings.
4. Provide an estimate of the physical life and useful life each measure in the project proposal. Describe any maintenance and replacement requirements or savings of the measure(s).
5. Provide a timeline for project completion, with an estimate of savings achieved for each month until project completion.
6. Describe who is to own and operate the energy efficiency or system capacity efficiency measure(s) after they are installed.
7. List and describe who is to install the measure(s), including any installation subcontractors.
8. To the extent possible, describe and support any reasons that the bid proposal may better benefit Avista and its customers than the Company's existing energy efficiency programs if that proposal is partially or entirely mutually exclusive with an existing program.

B. Price and Payment Structure. The price bid, the requested pricing configuration, and terms of the proposed services are subject to negotiation.

1. Provide a detailed description of the price of the proposal, including amount per unit and timing of payments. Bid price can be based upon annual payments, or initial payment per kWh or kW saved, or initial payment per measure installed.
2. Detail any portion of the payment to be based on measured performance. Detail any portion of the payment to be based on other criteria. Performance-based pricing structures are preferred but not rigidly required.

3. Describe the proposed payment plan, including when payment for savings will be made, the conditions that must be met before payment is made, and how payments may be adjusted following any verification of savings procedures.
4. Provide an estimate and description of fees, shared savings arrangements, or any other contribution the customer or third party will be obligated to pay for the installation of any portion of the proposed measure(s).
5. Provide a calculation showing the utility costs of the proposal.

C. Savings Verification Plan.

1. Describe the procedures that will be used to estimate and measure savings from the installed measures. For estimates that are to be made, describe how they are derived and the assumptions and sources used to develop the estimates. For savings that are to be measured, describe the proposed measurement procedures. Provide sufficient detail on the measurement procedures, including the type of measurement (i.e., billing analysis or end-use metering) and the participants included in the measurement. The savings verification plan should address both first year annual savings and savings persistent over the proposed life of the measure. Describe any plans to verify estimated savings. Describe any procedures that will be in place to measure the persistence of the energy savings.
2. Describe Avista's role in the proposed verification plans. Describe any information, data, or support that Avista will need to provide to the verification plan.
3. Describe the timeline for savings verification. Specifically describe the links between measure installation, verification of savings and payment.
4. Provide a proposal for assessing the level of free-ridership resulting from the proposal. Free-riders are generally defined as program participants who would have adopted the measure(s) in the absence of the proposed program.

D. Marketing and Customer Service Plan.

1. Provide a description of the marketing plan that will be used to recruit participants, if appropriate. Describe how customers will be contacted and how eligibility for participation will be determined.
2. Describe how your proposal is designed to minimize the level of free-ridership. This may include a description of how participants will be recruited and the expected simple payback for participants with and without financial incentives. (Simple payback is to be calculated as the participant's cost divided by the annual energy bill savings.)
3. Describe how participant complaints will be addressed.
4. Describe any general marketing assistance the bidder expects Avista to provide. This may include customer lists, customer billing records, letters of introduction, or support by the Company's customer service representatives.
5. Describe written or implied warranties that will be provided to customers regarding quality of materials and installation.
6. Any bidders currently operating programs will be required to provide Avista with information on participants, measures installed, estimated energy savings, system capacity impact, and participant costs. Describe the intention to track and provide that information to Avista.
7. List complaints received from participants regarding the conduct of past energy or capacity efficiency programs by the bidder and the disposition of each complaint.

E. Financial Capability

1. Provide a description of plans for financing the energy efficiency project(s).
2. If your proposal requires liquidated damages, describe the proposed security arrangements (i.e., bank letter of credit, payment bond, corporate guarantee, or other security).

3. Be prepared to provide, if the proposal is selected for negotiation, a demonstration of the ability to obtain a level of insurance, such as general business and liability insurance, sufficient to cover major project contingencies.

#### F. General Qualifications

1. Please be prepared to provide three or more references from the last five jobs where the bidder has performed similar services to those proposed to Avista if the proposal is selected for negotiation. These references can be a contact person at another utility to whom the bidder has provided services, or electric customers for whom the bidder has provided energy efficiency services, preferably similar to those included in the bidder's proposal. Provide telephone numbers for these references.
2. Provide a general description of the your organizations background and experience in projects similar to your proposal.
3. Be prepared to list and describe, if the proposal is selected for negotiation, any licenses that you or your subcontractors have or will be required to obtain to perform the type of work described in your proposal.
4. Be prepared to describe, if the proposal is selected for negotiation, how your proposal complies with all applicable codes, permits and licenses legally required for the measure installations proposed. A list of the necessary permits will also be required during negotiation.
5. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation).
6. Be prepared to list, if the proposal is selected for negotiation, all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in delivering the types of services included in the proposal.
7. Provide a list of prior organizations for which key management team members have worked if such organizations have provided services similar to those in the proposal.

8. Be prepared to list all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been engaged related to the types of services proposed if the proposal is selected for negotiation. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
9. Detail the disposal of waste to be removed from customer facilities as part of energy efficiency projects, including the disposal of toxic and contaminated waste. Describe any recycling strategies to be incorporated into disposing of removed materials from the project.
10. Detail specific environmental aspects of the project, including any planned utilization of recycled materials in equipment supplied to the project.

### **Evaluation and Ranking of Energy Efficiency Proposals**

All energy efficiency and system capacity proposals will be evaluated and ranked against the other proposals submitted. The review and possible selection of projects will be based on which proposal(s) provide the optimum value to Avista's customers. Proposals will first be screened to ensure that they meet required criteria as stated in this RFP and have completed the "Checklist For Energy Efficiency and System Capacity Resources".

A preliminary evaluation will follow the initial screening to narrow the list. The evaluation will be based upon both price and non-price criteria. The pricing evaluation will consider measure persistence, timing and flexibility of capacity delivery, degradation of savings, program free-ridership and market transformation. Evaluation of non-price factors will include, but will not be limited to, the economic value to participating customers and the compatibility of the program with Avista's overall energy efficiency portfolio.

Next, a detailed evaluation of selected proposals will take place and could include meetings with bidders. Following the detailed evaluation will be the selection of proposals for negotiation. Negotiation does not guarantee an award of a written contract.

Due to the individual and unique nature of each bid, evaluation and ranking will include the balancing the various impacts of the criteria bid. The six categories that will be used in the proposal ranking will be the description of proposal, price and payment structure, savings verification plan, marketing and customer service plan, financial capability, and general qualifications and references.

If any proposal receives an unacceptable rating in any category, Avista may, at its sole discretion, eliminate that proposal from further review. However Avista, at the discretion of reviewers, may request a bidder to correct minor deficiencies in order for the bid to receive an overall acceptable rating.

CHECK LIST FOR ENERGY EFFICIENCY AND SYSTEM CAPACITY RESOURCES

To be completed for all bid proposals. Please check in the space provided if the applicable exhibit is attached.

GENERAL INFORMATION

Project Sponsor's Name:

Address:

Phone Number:

PROJECT INFORMATION

Project Location:

Annual Energy Capability (MWh):

Term of Sale:

Date of First Installation:

DESCRIPTION OF PROPOSAL

Description of Measures	A.1.	_____
Estimated Savings	A.2.	_____
Physical & Useful Life	A.3.	_____
Dispatchability	A.4.	_____
Timeline	A.5.	_____
Owner & Operator	A.6.	_____
Subcontractors	A.7.	_____
Why Use Your Proposal	A.8.	_____

PRICE AND PAYMENT STRUCTURE

Description of Price	B.1.	_____
Measured Performance	B.2.	_____
Payment Plan	B.3.	_____
Fee or Shared Savings	B.4.	_____
Utility Cost	B.5.	_____

SAVINGS VERIFICATION PLAN

Description of Plan	C.1.	_____
Avista's Role	C.2.	_____
Timeline	C.3.	_____
Free-ridership	C.4.	_____

MARKETING AND CUSTOMER SERVICE PLAN

Description of Marketing Plan	D.1.	_____
Free Riders	D.2.	_____
Complaints Procedure	D.3.	_____
Avista's Role	D.4.	_____
Warranties	D.5.	_____
Data Gathering	D.6.	_____
List of Complaints	D.7.	_____

FINANCIAL CAPABILITY

Description of Plan	E.1.	_____
Liquidated Damages	E.2.	_____
Insurance	E.3.	_____

GENERAL QUALIFICATIONS

References	F.1.	_____
Experience	F.2.	_____



Licenses	F.3.	_____
Codes and Permits	F.4.	_____
Business Classification	F.5.	_____
Affiliated Companies	F.6.	_____
Key Individuals	F.7.	_____
Lawsuits	F.8.	_____
Waste Disposal	F.9.	_____
Environmental Aspects	F.10.	_____

# Request for Power Supply Resources

## General Discussion

Avista has identified the need for 300 MW of capacity and 300 MW of average energy. Resource availability in the year 2004 would fit Avista's requirements best. However, Avista does have significant resource needs in advance of this time frame and will evaluate proposals with different starting dates. Each proposal shall set forth a term. However, Avista is interested in long-term arrangements that will meet resource requirements of twenty years or more. Avista desires to acquire operating flexibility in this power supply. Therefore, additional value will be placed on power supplies with the following attributes:

- Firm delivery backed by a generating resource or a composite of resources preferably within the Northwest Region.
- Price capped to emulate the cost from a generating resource.
- Curtailment capability to allow Avista an opportunity to stop deliveries. If deliveries from a project may be curtailed at Avista's option, Avista would have the opportunity to purchase power from the wholesale electric market when the market price is less expensive than the firm purchased power supply.
- The ability to quickly make changes in delivery (ramp-up and ramp-down) in order to follow variable load obligations.

Avista's objective is to find the most economical option to fulfill this resource requirement. All bids will be evaluated based on their cost, flexibility service provided and overall usefulness to Avista. Avista invites proposals on the various options described under "Bids Requested". Avista has listed a separate option under "Bids Requested" in order encourage bids for cost-effective renewable resource proposals. Avista also welcomes your ideas that you may feel better meet the objective of this RFP.

### **Point of Delivery**

Specify the point of delivery for each product offered. If the point of delivery is at a point other than Avista's system, Avista will add transmission costs to deliver the product to its system. If Avista is not the holder of the contract for third party transmission, Avista will place additional value on options to move the delivery point within the Northwest Region on a non-firm or as available firm basis. However, Avista prefers to hold the contract for third party transmission, if required to deliver the power. Direct delivery to Avista's system can be made at the following points:

1. Wanapum – interconnection with multiple parties at mid-Columbia
2. Westside - BPA interconnection
3. Bell – BPA interconnection
4. Hatwai – BPA interconnection
5. Hot Springs – BPA and Montana interconnection
6. Lolo – Idaho interconnection
7. Other points will be considered

For purposes of responding to this RFP, assume that adequate transmission capacity exists at Avista's points of delivery listed above. Transmission limitations (if any) will be considered in subsequent steps of the selection process.

### **General Qualifications List**

- A. Please provide three or more references from the last five projects where the bidder, or its affiliates, if appropriate, have implemented a power supply proposal similar to those proposed to Avista. These references can be a contact person with whom the bidder has transacted business. Provide telephone numbers for these references.

- B. Provide a general description of the bidder's background and experience in power supply proposals similar to its proposal.
- C. Provide form of business classification (i.e., sole proprietorship, partnership, or corporation).
- D. List all affiliated companies, including holding companies, subsidiaries, and predecessor companies presently or in the past engaged in developing and/or implementing power supply proposals.
- E. Provide a list of prior organizations for which key management team members have worked if such organizations have developed and/or implemented power supply proposals.
- F. List all lawsuits, regulatory proceedings, or arbitration in which the bidder or its affiliates or predecessors have been engaged related to the types of power supply proposals proposed. Identify the parties involved in such lawsuits, proceedings, or arbitration, and the final resolution or present status of such matters.
- G. Detail specific environmental aspects of the power supply proposal.
- H. Provide a statement of responding companies financial status and ability to obtain financing.
- I. Provide a list of any current credit issues raised by rating agencies, banks, or accounting firms. Provide credit rating if available.

### **Evaluation and Ranking of Power Supply Proposals**

All power supply proposals will be evaluated and ranked against the other power supply proposals submitted. The review and possible selection of power supply will be based on which proposals can provide optimum value to Avista's customers.

Proposals will first be screened to ensure they meet required criteria as stated in this RFP and have completed the applicable sections of the "Checklist For Power Supply Resources". General Qualifications must be provided as outlined above plus the project specific information requested for each proposal submitted under the respective section of "Bids Requested". A preliminary evaluation will follow the initial screening to narrow

the list. Evaluation will be based upon both price and non-price criteria. Renewable Energy projects will receive a 10% credit on price to account for reduced air quality impact and other environmental impacts. The evaluation will be split into the following three principle areas for evaluation: Electric Power Characteristics including ability of the project to meet size, dispatchability, fuel supply, timeline and other characteristics of Avista's need described in this RFP and in its "1997 Integrated Resource Plan Update" and the ability of the operator to meet construction and operational commitments; Financial/ Price Characteristics including demonstrated adequacy of financial capability to construct and maintain projects; Social/Environmental Characteristics including using reasonably current available environmental mitigation technology and ability to meet local, state, and federal agency requirements and, in the case of dedicated plant construction, the ability to handle local impact issues. Next, a detailed evaluation of selected proposals will take place. Following the detailed evaluation will be the selection of proposals for negotiation. Negotiation does not guarantee an award of a written contract.

Due to the individual and unique nature of each bid, the evaluation and ranking will include balancing the various impacts of the criteria bid including but not limited to price and payment structure, financial capability, and general qualifications and references.

If any proposal receives an unacceptable rating in any category Avista may, at its sole discretion, eliminate that proposal from further review. However Avista, at the discretion of reviewers, may request a bidder to correct minor deficiencies in order for the bid to receive an overall acceptable rating.

### **Bids Requested**

Avista will consider all power supply proposals. In particular it is interested in receiving proposals of the types described below:

#### ***I. Capacity & Energy Purchase.***

Avista will evaluate a purchase of a firm capacity and energy product. A power sale to Avista should be a firm product with interruption rights only for force-majeure conditions. This product may be purchased in increments that total up to 300 MW of capacity and energy.

Items to include in bid relating to "Capacity & Energy Purchase":

1. The source of the energy supply, for example, a generating plant dedicated solely to this sale, a composite or system of generating plants, the market.
2. Supplier curtailment rights.
3. Avista's curtailment rights, for example; right to purchase lower cost alternatives, to follow load reductions.
4. Flexibility that allows Avista to make quick changes in delivery to follow variable load obligations.
5. Control area of origin.

Sale scenarios may include:

- A. January 1, 2004 – December 31, 2023      300 MW all hours - flat;
- B. January 1, 2004 – December 31, 2023      300 MW, but Avista has dispatch rights.

***II. Qualifying Facilities with a generating capacity of less than one megawatt.***

Sponsors of Qualifying Facilities under the Public Utilities Regulatory Policies Act of 1978 (PURPA) with a generating capacity of less than one (1) MW of installed capacity are eligible to enter into long-run or short-run (energy only) contracts without submitting a bid pursuant to the RFP. Sponsors should contact Avista to obtain a copy of Avista's long-run or short-run prototype contracts.

**III. *Qualifying Facilities with a generating capacity of more than one megawatt.***

Sponsors of Qualifying Facilities under PURPA with a generating capacity of more than one megawatt are eligible to enter into short-run contracts (energy only) without submitting a bid pursuant to the RFP. Sponsors should contact Avista to obtain a copy of Avista's short-run prototype contract. Sponsors of Qualifying Facilities under PURPA with a generating capacity of more than one megawatt that desire to enter into long-run contracts are invited to submit bids in accordance with this RFP.

**IV. *Renewable Power Supplies.***

Renewable project developers are invited to make bids from competitive renewable resource projects. Avista is looking for competitive proven technology based proposals. Avista would like to evaluate both proposals for power delivery from renewable power projects and proposals for Avista ownership of a portion of or all of a renewable power project. Bidders should provide at a minimum, the following information about their project.

**A. Description of Proposal**

1. Describe the proposed specific renewable resource project. Describe the nature and characteristics of that project including location and power interconnection and transmission arrangements. Provide information regarding project ownership and operation.
2. Provide an estimate of the projected capacity and energy from the project. Provide information regarding when specific amounts of capacity and energy will be available. Provide a monthly distribution of energy production. If capacity will be provided, provide a description of what hours that capacity will be available firm or alternatively an hourly shape of available firm capacity. Provide an estimate of the monthly and annual plant factors.
3. Provide a description of dispatchability (or similar utility control), if any, of the project energy output. This will probably apply only to projects with capacity.

4. Describe when project power will be made available including any project timelines that may be applicable. Describe any variables that could affect those timelines.

V. *Power Plant Site.*

A. Combined Cycle Combustion Turbine

Avista would like to evaluate the construction of a 260 MW (nominal) natural gas fired Combined Cycle Combustion Turbine power plant. Avista would like to have parties bid sites for this construction in the Northwest region. A site offer should include all electric transmission necessary to connect the plant with the main power grid and all natural gas transmission necessary to interconnect the plant with interstate natural gas transmission facilities. In addition, information regarding each of the following must be included in the proposal:

1. Water supply characteristics, including: source; quality; and quantity.
2. Waste disposal characteristics, including: requirements; and treatment facility.
3. Work force characteristics, including:
  - a) where it originates from to support construction;
  - b) where it originates from to support operation;
  - c) community infrastructure;
  - d) what the surrounding community offers to support construction; and operation.
4. Community support, including political environment.
5. Transportation infrastructure, including, highways, railroads and airports.
6. Permits in General. The proposed site should have a complete description and listing of all permits acquired, pending and permits that must be acquired before the 260 MW (nominal) combined cycle combustion turbine can be built.



7. Air Permit. The air permit should be included with the RFP or described in detail. An itemized listing of the conditions under which the project is subject to operate must be attached. This assumes construction of a combined cycle combustion turbine with a output of 260 MW (nominal). The list must include but not be limited to the maximum each pollutant can emit by hour, year, etc.
8. A legal description of the proposed site.
9. Documentation of support for the project from local residents, state, local and federal agencies, and local political groups.
10. Documentation describing all opposition to the proposed development whether it is formal or informal.
11. Land and resource use considerations including, existing land use, cultural resources, earth resources and critical habitat.
12. All other attributes your site possesses that would make siting a combined cycle combustion turbine a positive decision.
13. Demonstration that the combined cycle combustion turbine project is licensable and operational under applicable site constraints.

**B. Simple Cycle Combustion Turbine**

Avista would like to evaluate the construction of up to 172 MW (nominal) of natural gas fired Simple Cycle Combustion Turbine power plants. Avista would like to have parties bid sites for this construction in the Northwest region. A site offer should include all electric transmission necessary to connect the plant with the main power grid and all natural gas transmission necessary to interconnect the plant with interstate natural gas transmission facilities. In addition, information regarding each of the following must be included in the proposal:

1. Water supply characteristics, including: source; quality; and quantity.
2. Waste disposal characteristics, including: requirements; and treatment facility.

3. Work force characteristics, including:
  - a) where it originates from to support construction;
  - b) where it originates from to support operation;
  - c) community infrastructure;
  - d) what the surrounding community offers to support construction; and operation.
4. Community support, including political environment.
5. Transportation infrastructure, including, highways, railroads and airports.
6. Permits in General. The proposed site should have a complete description and listing of all permits acquired or pending and permits that must be acquired before the 172 MW (nominal) simple cycle combustion turbines can be built.
7. Air Permits. The air permit should be included with the RFP or described in detail. An itemized listing of the conditions under which the project is subject to operate must be attached, this assumes construction of simple cycle combustion turbines with a output of 172 MW (nominal) must be included. The list must include but not be limited to the maximum each pollutant can emit by hour, year, etc.
8. A legal description of the proposed site.
9. Documentation of support for the project from local residents, state, local and federal agencies, and local political groups.
10. Documentation describing all opposition to the proposed development.
11. Land and resource use considerations including, existing land use, cultural resources, earth resources and critical habitat.
12. All other attributes your site possesses that would make siting a simple combustion turbine a positive decision.
13. Demonstration that the ~~combined~~ cycle combustion turbine project is licensable and operational under applicable site constraints.

**VI. Turnkey Power Plants On Avista's Site.**

**A. Combined Cycle Combustion Turbine**

Avista would like to evaluate the purchase of a turnkey 260 MW (nominal) natural gas fired Combined Cycle Combustion Turbine power plant located on a site provided by Avista. Please describe any variables that would change the ultimate cost to Avista which are dependent on the location of the plant. (Sales tax is an example.)

1. General Description. The following is a general description of the facility that is to be built and does not intend to describe all materials, equipment, facilities and manpower necessary for a completed facility to operate as described:
  - 1.1 One advanced technology combustion turbine and generator (CTG) based upon GE 7FA or equal. Unit should have inlet-cooling capabilities.
  - 1.2 One heat recovery steam generator (HRSG). Unit should have duct firing capabilities.
  - 1.3 One steam turbine and generator (STG).
  - 1.4 Associated balance of plant equipment.
  - 1.5 CTG will have only natural gas capabilities.
  - 1.6 The gas turbine will be equipped with a dry lo Nox combustion system.
    - a) Nox limits will be 9 ppm at 15% O2 on natural gas for the CTG
    - b) CO limits will be 9 ppm at 15% O2 on Natural gas for the CTG
  - 1.7 SCR will be added if required to meet additional permit requirements for Nox emissions.
  - 1.8 CO catalyst will be added if required to meet additional permit requirements for CO emissions.
  - 1.9 The CTG will be coupled to a synchronous hydrogen cooled or TEWAC (totally enclosed water to air cooled) generator.
  - 1.10 Plant shall also include a control system, inlet air system, lubrication oil system, hydraulic oil system and any other miscellaneous equipment necessary to support its operation.

- 1.11 Exhaust gas from the CTG shall be ducted into the HRSG to effectively recover the waste heat.
- 1.12 Transformers to step up the generation to 230 kv (configuration to be evaluated).
- 1.13 Other supporting equipment to provide safe and efficient operation shall include but not be limited to:
  - a) A demin system to meet the plant requirements
  - b) Cranes to perform required maintenance
  - c) Buildings to protect equipment
  - d) A DCS
  - e) Main surface condenser
  - f) Mechanical draft cooling tower
  - g) Boiler feed water pumps
  - h) Generator circuit breakers
  - i) Power centers
  - j) Motor control centers
  - k) Spare parts

2. Specifics of Site. It may be assumed that Avista will provide electric transmission to the property line and gas transmission to the property line. Also, it may be assumed that Avista will provide a suitable piece of property. The following site conditions will be assumed for the installation and design of a combined cycle combustion turbine on Avista's site:

Soil bearing	4000 psf
Wind velocity	100 mph
Snow load	50 psf
Rainfall in a 24 hour period	1 inch
Maximum temperature	plus 100 degrees F
Minimum temperature	minus 30 degrees F
Approximate site elevation	2000 feet above sea level
Approximate humidity	60%

3. This power plant should have inlet cooling and duct firing capabilities. Avista would plan to start and stop this plant 50 to 100 times per year. The majority of these starts would be considered hot starts, since the plant may be run for 16 hours during the day and shutdown to no load for 8 hours each night. The duct fired option may be used up to 8000 hours per year. Avista also prefers to have the ability to operate this plant on load control to follow variable load obligations. Avista will require input and review during design and construction of the project. Items of importance will include design and construction timelines, online date, heat rate curves, peak output, ramp rates, var capability, maintenance schedules and costs, recommended operation and maintenance staff, spare parts inventory and cost, type and availability of equipment and training programs. The design of the plant from an aesthetic point of view will be considered.
4. Sponsors should describe the number and qualifications of employees required to operate proposed facilities.

B. Simple Cycle Combustion Turbine

Avista would like to evaluate the purchase of turnkey natural gas fired Simple Cycle Combustion Turbine power plants of up to 172 MW sited on a site provided by Avista. The type and number of simple cycle combustion turbines will be evaluated. Please describe any variables that would change the ultimate cost to Avista which are dependent on the location of the plant. (Sales tax is an example.)

1. General Description. The following is a general description of the facility that is to be built and does not intend to describe all materials, equipment and facilities necessary for a completed facility to operate as described:
  - 1.1 Advanced technology combustion turbines and generators (CTG).
  - 1.2 Associated balance of plant equipment.

- 1.3 CTG will have only natural gas capabilities.
  - 1.4 The gas turbine will be equipped with a dry lo Nox combustion system
    - a) Nox limits will be 25 ppm at 15% O2 on natural gas for the CTG
    - b) CO limits will be 9 ppm at 15% O2 on Natural gas for the CTG
  - 1.5 SCR or equal will be added if required to meet additional permit requirements for Nox emissions.
  - 1.6 CO catalyst will be added if required to meet additional permit requirements for CO emissions.
  - 1.7 The CTG will be coupled to a generator (type to be evaluated).
  - 1.8 Plant shall also include a control system, inlet air system, lubrication oil system, hydraulic oil system and any other miscellaneous equipment necessary to support its operation.
  - 1.9 Transformers to step up the generation (configuration to be evaluated).
  - 1.10 Other supporting equipment to provide safe and efficient operation shall include but not be limited to:
    - a) A demin system to meet the plant requirements if required
    - b) Cranes to perform required maintenance
    - c) Buildings to protect equipment
    - d) A DCS
    - e) Generator circuit breakers
    - f) Power centers
    - g) Motor control centers
    - h) Spare parts
2. Specifics of Site. It may be assumed that Avista will provide electric transmission to the property line and gas transmission to the property line. Also, it may be assumed that Avista will provide a suitable piece of property. The following site conditions will be assumed for the installation and design of a simple cycle combustion turbine on Avista's site:

Soil bearing	4000 psf
Wind velocity	100 mph
Snow load	50 psf
Rainfall in a 24 hour period	1 inch
Maximum temperature	plus 100 degrees F
Minimum temperature	minus 30 degrees F
Approximate site elevation	2000 feet above sea level
Approximate humidity	60%

3. This power plant should have inlet cooling and duct firing capabilities. Avista may plan to start and stop this plant 200 times per year. The majority of these starts would be after a 16 hour run with a 4 to 8 hour cool-down period before starting again. Avista also prefers to have the ability to operate this plant on load control to follow variable load obligations. Avista will require input and review during design and construction of the project. Items of importance will include design and construction timelines, online date, heat rate curves, peak output, ramp rates, var capability, maintenance schedules and costs, recommended operation and maintenance staff, spare parts inventory and cost, type and availability of equipment and training programs. The design of the plant from an aesthetic point of view will be considered.
  
4. Sponsors should describe the number and qualification of employees required to operate proposed facilities.

***VII. Turnkey Power Plant Including Site.***

**A. Combined Cycle Combustion Turbine**

Avista would like to evaluate the purchase of a turnkey 260 MW (nominal) Combined Cycle Combustion Turbine power plant including the site. The proposal should describe

the general site characteristics as set forth in Section *IV*, above. The power plant should have the same general characteristics as set forth in Section *V.A*, above.

**B. Simple Cycle Combustion Turbine**

Avista will evaluate the purchase of turnkey Simple Cycle Combustion Turbine power plants including the site for up to 172 MW (nominal). The proposal should describe the general site characteristics as set forth in Section *IV*, above. The power plant should have the same general characteristics as set forth in Section *V.B*, above.



## CHECK LIST FOR POWER SUPPLY RESOURCES

To be completed for all bid proposals. Please check in the space provided if the applicable exhibit is attached.

### GENERAL INFORMATION

Project Sponsor's Name:

Address:

Phone Number:

### PROJECT INFORMATION

Project Location:

Nameplate Rating (MW):

Annual Energy Capability (MWh):

Term of Sale:

Date of First Delivery (Commercial Operation):

Major Fuel Type:

Ownership:

### DESCRIPTION OF PROPOSAL

#### I. Capacity & Energy Purchase

A.1. \_\_\_\_\_

A.2. \_\_\_\_\_

A.3. \_\_\_\_\_

A.4. \_\_\_\_\_

A.5. \_\_\_\_\_

B.1. \_\_\_\_\_

B.2. \_\_\_\_\_

B.3. \_\_\_\_\_

B.4. \_\_\_\_\_

B.5. \_\_\_\_\_

#### II. Qualifying Facilities with a generating capacity of less than one megawatt

\_\_\_\_\_

#### III. Qualifying Facilities with a generating capacity of more than one megawatt

\_\_\_\_\_

#### IV. Renewable Power Supplies

A.1. \_\_\_\_\_

A.2. \_\_\_\_\_

A.3. \_\_\_\_\_

A.4. \_\_\_\_\_

#### V. Power Plant Including Site

##### A. Combined Cycle Combustion Turbine

A.1. \_\_\_\_\_

A.2. \_\_\_\_\_

A.3. \_\_\_\_\_

A.4. \_\_\_\_\_

A.5. \_\_\_\_\_

A.6. \_\_\_\_\_

A.7. \_\_\_\_\_

A.8. \_\_\_\_\_

A.9. \_\_\_\_\_

A.10. \_\_\_\_\_

A.11. \_\_\_\_\_

A.12. \_\_\_\_\_

A.13. \_\_\_\_\_

##### B. Simple Cycle Combustion Turbine

- B.1. \_\_\_\_\_
- B.2. \_\_\_\_\_
- B.3. \_\_\_\_\_
- B.4. \_\_\_\_\_
- B.5. \_\_\_\_\_
- B.6. \_\_\_\_\_
- B.7. \_\_\_\_\_
- B.8. \_\_\_\_\_
- B.9. \_\_\_\_\_
- B.10. \_\_\_\_\_
- B.11. \_\_\_\_\_
- B.12. \_\_\_\_\_
- B.13. \_\_\_\_\_

**VI. Turnkey Power Plants On Avista's Site**

**A. Combined Cycle Combustion Turbine**

- A.1.1. \_\_\_\_\_
- A.1.2. \_\_\_\_\_
- A.1.3. \_\_\_\_\_
- A.1.4. \_\_\_\_\_
- A.1.5. \_\_\_\_\_
- A.1.6. \_\_\_\_\_
- A.1.7. \_\_\_\_\_
- A.1.8. \_\_\_\_\_
- A.1.9. \_\_\_\_\_
- A.1.10. \_\_\_\_\_
- A.1.11. \_\_\_\_\_
- A.1.12. \_\_\_\_\_
- A.1.13. \_\_\_\_\_

- A.2. \_\_\_\_\_
- A.3. \_\_\_\_\_
- A.4. \_\_\_\_\_

**B. Simple Cycle Combustion Turbine**

- B.1.1. \_\_\_\_\_
- B.1.2. \_\_\_\_\_
- B.1.3. \_\_\_\_\_
- B.1.4. \_\_\_\_\_
- B.1.5. \_\_\_\_\_
- B.1.6. \_\_\_\_\_
- B.1.7. \_\_\_\_\_
- B.1.8. \_\_\_\_\_
- B.1.9. \_\_\_\_\_
- B.1.10. \_\_\_\_\_

- B.2. \_\_\_\_\_
- B.3. \_\_\_\_\_
- B.4. \_\_\_\_\_

- VII. Turnkey Power Plant Including Site
  - A. Combined Cycle Combustion Turbine
    - A.1. Same as Section IV. \_\_\_\_\_
    - A.2. Same as Section V.A. \_\_\_\_\_
  - B. Simple Cycle Combustion Turbine
    - B.1. Same as Section IV. \_\_\_\_\_
    - B.2. Same as Section V.B. \_\_\_\_\_

## APPENDIX A

### WUTC BIDDING RULE

Bidders participating in Avista's 2000 RFP that would like a copy of the WUTC bidding rule WAC 480-107 can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

## APPENDIX B

### MODEL CONTRACTS

The following 1994 model contracts are included in this appendix

1. DEMAND SIDE MANAGEMENT PURCHASE AGREEMENT
2. FIRM POWER PURCHASE AGREEMENT
3. PARALLEL OPERATING AND POWER PURCHASE AND SALE AGREEMENT

These model contracts provide a basis for negotiation of a purchase agreement with Avista Corporation. Bidders should expect that a final agreement will have many changes in terms and conditions through the negotiation process.

Bidders participating in Avista's 2000 RFP that would like a copy of these model contracts can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

## APPENDIX C

### RETAIL TARIFFS

Bidders participating in Avista's 2000 RFP that would like a copy of Avista's retail service tariffs can receive a copy by contacting Doug Young at (509) 495-4521 at Avista's general office in Spokane, Washington.

# RFP Bid Analysis Review



Avista Corporation  
Spokane, Washington

December 2000





Mr. Robert J. Lafferty  
Manager, Electric Resources  
Avista Corporation  
1411 East Mission, MSC-7  
Spokane, Washington 99220-3727

Dear Mr. Lafferty:

**Subject: Review of Avista Corporation's RFP Bid Analysis**

R. W. Beck, Inc., was retained by Avista Corporation (Avista) in October 2000 to conduct an independent review of the methodology and assumptions used by Avista to review the bids received from its August 2000 Request for Proposals titled "Evaluation of Resources from Electric Energy Efficiency and/or Power Supply Resources." The goal of R. W. Beck's independent review was to assure that the economic analysis of the alternative resource bids was conducted in a fair, reasonable, and appropriate manner. Avista's analysis of certain other factors (such as transmission accessibility, environmental factors, etc.) was not reviewed. This report summarizes our review of Avista's analysis conducted through November 28, 2000. Changed conditions occurring after such date were not considered in our review.

## **BACKGROUND**

Avista Utilities, a division of Avista Corporation, is a private investor-owned electric utility with headquarters in Spokane, Washington. In August 2000, Avista issued a Request for Proposals (RFP) seeking potential resources to meet its system requirements of energy and capacity. According to the RFP:

*"... The company has identified a power need of approximately 300 MW of both capacity and corresponding energy. Resource availability in the year 2004 would fit Avista's requirements best.*

*"... The goal of the 2000 RFP will be to identify low cost and environmentally sound resource options that best satisfy Avista's resource needs."*

In response to the RFP, Avista received numerous proposals from resource sponsors (the bids). As part of the bid review process, Avista attempted to calculate the economic and financial benefit of each of the bids using Avista-developed methodology and assumptions. Avista also studied the potential benefits and costs of enhancing an existing generation facility, which we will refer to as the "self-build option" in this report.

To assure the fairness and reasonableness of their economic analysis, Avista retained R. W. Beck to conduct an independent review of their methodology and assumptions; to





assure that significant economic risks, benefits, and costs were identified; and to make note of, and suggest corrections for, any deficiencies found. R. W. Beck has completed an independent review of the economic analysis of the bids and our findings and conclusions are presented in this report.

### **SCOPE OF SERVICES**

Avista identified the following tasks as part of the scope of services for a third-party review of Avista's evaluation methodology and input assumptions.

1. Review the *Prosym*<sup>™</sup> dispatch model inputs and assumptions on six to eight representative bids. Make recommendations for any modifications aimed at achieving Avista's RFP goals.
2. Review the Avista economic model inputs and assumptions on six to eight representative bids. Make recommendations for any modifications aimed at achieving Avista's RFP goals.
3. Be available to discuss with Avista representatives the recommended modifications under Tasks 1 and 2 above.
4. Prepare a final letter report summarizing recommended modifications for dispatch model and economic model inputs and assumptions aimed at achieving Avista's RFP goals.
5. Present a review of the recommendations for analysis inputs and assumptions to Avista management, staff, and commission staff from Washington and Idaho in Spokane, Washington.

This letter report constitutes completion of Task 4 above. The Task 5 presentation was provided on November 29, 2000 at Avista's headquarters building in Spokane.

### **INFORMATION PROVIDED AND REVIEWED**

Avista provided several reports, analyses, and other information for use in the independent review. In addition, numerous group discussions were held with Avista staff for clarification and further insight. The information reviewed is summarized as follows:

1. August 2000 RFP from Avista.
2. "Evaluation Guidance for Electric RFP Bid Proposals" from Avista.
3. "WSCC Regional Electricity Market Price Forecast 2001-2012, September 2000" prepared by Henwood Energy Services, Inc., for Avista.



4. Submitted proposals from six bidding resource sponsors, including:
  - a. Calpine Corporation
  - b. Enron North America Corporation
  - c. Newport Northwest, LLC
  - d. Pacific Winds Inc.
  - e. Regional Power Inc.
  - f. Williams Energy Marketing & Trading Company
5. *Prosym*<sup>™</sup> model input files representing the Avista system for each of seven proposed resource options and the enhancement of the existing Rathdrum generation facility (self-build option). The eight various resource bids/options given to R. W. Beck for review were identified by Avista as follows:
  - a. Calpine
  - b. Enron Monthly Toll
  - c. Newport Northwest
  - d. Pacific Winds
  - e. Rathdrum
  - f. Regional Power
  - g. Williams Energy Flat Purchase
  - h. Williams Energy Toll
6. *Prosym*<sup>™</sup> model results contained in electronic spreadsheets for each of the eight resource options.
7. Economic analysis spreadsheets for each of the eight resource options, used to calculate each resource option's projected revenues, costs, and net project benefit to the Avista system.

#### **OVERVIEW OF AVISTA'S APPROACH, METHODOLOGY, AND ASSUMPTIONS**

Avista used the production costing and market simulation model, *Prosym*<sup>™</sup>, to determine certain costs and benefits of each of the bids as well as the self-build option. *Prosym*<sup>™</sup> is generally considered within the electricity industry to be an acceptable model for such purposes, capable of modeling both expansive, interconnected markets and smaller utility systems in detail and with a high degree of accuracy. Avista staff created a detailed model of Avista's system, representing on-peak and off-peak loads, hydroelectric and thermal generating resources, contractual sales and purchases, and spot-market sales and purchases.



The spot-market sales and purchase prices used in the model were based on market price forecasts provided by R. W. Beck staff. A price forecast was provided for a base case scenario and various sensitivity scenarios, developed primarily to provide a range of prices and to illustrate the change in market prices resulting from a change in key input assumptions, such as a change in natural gas prices. A detailed discussion of the market prices used in the analysis is provided below under the heading "Market Price Forecast."

For each pricing scenario (base case and sensitivities) the model was run once based on existing resources, and then a second time with each resource proposal individually added to the model. The difference in Avista's total system cost between the various model simulations was used to determine which projects are most beneficial or most costly. Because the results from model simulations are fundamental to Avista's economic decisions, the accuracy and completeness of input variables is very important.

Avista's economic analysis of the bids and the self-build option was primarily presented in the form of a spreadsheet model that compared Avista's total system cost with and without each of the resource options and the potential cost and revenue requirements of each of the proposed resource alternatives. These economic analysis spreadsheets provided detailed data for each of the resource options for the total Avista system for years 2001 to 2025. Included in the economic analysis spreadsheets are:

■ Financial assumptions

Sample of Avista's most critical assumptions:

State Income Tax Rate	0.00% (None)
Federal Income Tax Rate	35.00%
Discount Factor	7.77%
Tax Life (years)	20
Book Life (years)	20
Property Tax Rate	1.4099%
Levelize Period (years)	20

Cost of Capital:

Capital Source	Percent of Total	Percent Rate	Weighted Average	After-tax Weighted Average
Debt	49.00%	7.36%	3.61%	2.35%
Preferred Stock	9.00%	8.11%	0.73%	0.73%
Common Stock	42.00%	11.16%	4.69%	4.69%
	100.00%		9.03%	7.77%

- Projections of annual energy produced from the various resource options to supply Avista's system, calculated through the *Prosym*<sup>™</sup> simulation model where applicable.



- Projected resource costs—including any applicable fuel costs, fuel transportation costs, variable operations and maintenance costs (variable O&M), transmission costs, and fixed costs. These costs, if not explicitly set forth as an exact amount in the bids, are projected using the *Prosym*™ simulation model, where appropriate.
- Projected operating margin—defined by Avista as the added benefit or cost savings to the total system cost when the resource is included as compared with the Avista base case (the case where no resource options are included and all required energy is purchased from the market at projected market prices). The projected operating margin is calculated using the *Prosym*™ simulation model.
- Projected net project benefit—calculated by subtracting fixed and outside variable costs, not included in the *Prosym*™ simulation model, from the projected operating margin.

#### MARKET PRICE FORECAST

Initially, Avista staff used a market price forecast supplied by Henwood Energy Services, Inc. (HESI) to represent market prices in the *Prosym*™ model. This forecast supplied reasonable monthly on-peak and off-peak market prices for the Pacific Northwest market area. However, the HESI forecast did not provide disaggregated hourly prices and the accompanying report did not provide a detailed description of the assumptions and conditions used in their analysis. As a result, the Avista analysis initially contained 24 market prices per year, an on-peak price and an off-peak price for each month. HESI also provided Avista with a copy of its monthly gas price forecast which it used in developing the market price projections.

After the initial review of Avista's bid analysis, it was determined that the market price forecast needed a higher level of detail in order to improve confidence in the results. The R. W. Beck team suggested several recommendations related to market price projections including, (i) use of an hourly prices and hourly dispatch, (ii) use of monthly gas prices instead of annual average prices, and (iii) forecasting of both energy and capacity prices instead of forecasting all-in prices. R. W. Beck also recommended the use of an additional set of sensitivities in order to create a wider band of market prices to be used in the bid evaluations.

Through discussions with Avista staff, it was decided that a new market price forecast supplied by the R. W. Beck Market Pricing Group would be used in a revised bid analysis. This market price forecast supplied an increased level of detail for the bid review process and also provided Avista staff with an understanding of all the key input assumptions used in the forecast of the long-term prices. Three additional sensitivity price forecasts were created: one using 25 percent higher natural gas prices, one using 25 percent lower natural gas prices, and one with an increase in load by 1.5 percent.



## **R. W. BECK'S REVIEW OF THE AVISTA ANALYSIS**

R. W. Beck's independent review of Avista's economic analysis of the bids and the self-build option focused on the methodology and key assumptions used in the analysis. The R. W. Beck review team carefully reviewed all of the necessary documents, including the August 2000 RFP, the HESI Market Price Forecast, the model input files, and the initial economic analysis spreadsheets. Numerous conversations between Avista staff and the R. W. Beck review team took place, discussing issues such as model input variables, spreadsheet calculations, the market price forecast, and the meaning of certain terms used in Avista's analysis. The following two subsections summarize our comments on Avista's methodology and the key assumptions used in the analysis.

### **AVISTA'S ANALYTICAL APPROACH AND METHODOLOGY**

Based on our review, R. W. Beck believes the approach taken by Avista in its analysis of the alternative resource proposals provides a fair comparison of the resource options including in the bid proposals or the self-build option. We believe that comparing Avista's total system cost with and without each of the resource options, and the net project benefit of each proposed resource, is a reasonable way to determine which options are most financially and economically viable for Avista.

Avista has used an adequate level of care to include the necessary assumptions and methodology in both the *Prosym*<sup>™</sup> modeling of the bids and in the economic analysis spreadsheets. R. W. Beck did not find any material deficiencies (such as miscalculation of formulas or omission of essential data) in either the input files or the electronic spreadsheet analyses.

### **REVIEW OF KEY ASSUMPTIONS USED IN THE AVISTA ANALYSIS**

The following comments focus on a number of the key input assumptions used by Avista in its analysis:

- **Market Prices:** The annual average market prices used in the initial analysis were within a reasonable range based on recent economic trends and market data. Overall price levels for the Pacific Northwest market were not unreasonable. The use of projected hourly prices in the dispatching analysis allowed for a potentially more fair evaluation of each bid resource and technology type.
- **Fuel Prices:** We believe the price of gas forecast used was reasonable and based on reputable sources. Monthly price variations follow an expected pattern. Fuel price projections were used appropriately in the model input files.



- **Avista's Resources and Loads:** Avista's existing resources and loads were modeled in a reasonable manner based on the data that was provided for review. Operating characteristics of the individual generating units, purchases, and sales were modeled with a reasonable level of accuracy.
- **Bids and Self-Build Option:** Based on the information contained in each reviewed proposal and information provided on the self-build option, Avista modeled the operational characteristics and costs of each of the resources bid and the self-build option fairly and without bias.
- **Inflation, Cost of Capital, and Other Financial Assumptions:** Financial and economic parameters used in the evaluation were reasonable and based on recent economic trends.
- **Sensitivity Cases:** The gas prices used to create the high fuel price and low fuel price sensitivity cases provide for a reasonable range of prices around the base case. Historical market prices for natural gas show a 20 to 25 percent range of volatility. The gas prices used in the sensitivity cases were 25 percent higher and 25 percent lower than the base case scenario, which used market prices.

The high load sensitivity gives a good indication of how increases in load affect market prices. Although the load sensitivity case, which entails an annual average compounded rate of 1.5 percent increase in loads for all WSCC market areas, does not capture the short-duration load spikes, the sensitivity does provide a reasonable increase in market prices for yearly, weekly, and hourly prices. Short-duration load spikes, such as those occurring during only a few hours each year are captured well in the capacity portion of the market pricing forecast.

## CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this letter report and the conclusions that follow, we have made certain assumptions with respect to conditions, which may occur in the future. In addition, we have used and relied upon certain information and assumptions provided to us by sources which we believe to be reliable. We believe the use of such information and assumptions is reasonable for the purposes of this report. However, some assumptions will invariably not materialize as stated herein or may vary significantly due to unanticipated events and circumstances. Therefore, actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

This independent review included consideration of materials and analyses provided to us by Avista staff. Avista indicated that a representative sample of the various types of bids was provided for our review. Therefore, we did not review all of the bids submitted to



Avista by resource sponsors and we are unaware of those other proposals that Avista may have received, in terms of resource capacity, cost, location, and technology type. R. W. Beck accepted Avista's assumptions, without review, regarding the accessibility of Avista's transmission system for each of the proposed resource options. We did not conduct an independent review of Avista's system import and export capability or Avista's assumptions regarding its ability to purchase from and sell into the regional electricity market.

R. W. Beck was retained to conduct an independent review of the economic analysis of the bids and the self-build option. According to Avista staff, in addition to the economic analysis, other non-economic and non-financial factors will also be used to determine the merit of the submitted bids (including items such as credit-worthiness of resource sponsors, environmental factors, etc.). Avista's economic analysis will comprise only a portion of the evaluation process used to judge each of the bids and the self-build option. R. W. Beck did not review any of these non-economic factors nor the final process for determining the winning resource option.

## CONCLUSIONS

Based on the review summarized in this letter report and the considerations and assumptions set forth above, R. W. Beck concludes that:

- Avista's bid evaluation methodology and assumptions were sound. Avista staff included all the necessary input variables into the *Prosym*<sup>™</sup> model and the economic analysis spreadsheets.
- R. W. Beck's recommended modifications to forecasted market prices were addressed in order to improve the bid review analysis. Avista was committed to creating a fair and accurate bid-review process and invested the required time and resources to do so.
- Avista's approach provided a fair and reasonable methodology to determine which bid option is most viable for Avista. The bid review process was based on sound financial and economic assumptions and the analysis used appropriate information to make decisions regarding future markets and Avista's system needs.
- The approach taken by Avista provided for a fair comparison of the resource options bid as well as the self-build option. The market prices used in the analysis provide a reasonable level of detail and a wide enough range of prices so that bids may be assessed fairly under a variety of market circumstances. All bids reviewed were represented fairly in the *Prosym*<sup>™</sup> model and the financial analysis spreadsheets.

Mr. Robert J. Lafferty  
December 7, 2000  
Page 9



We appreciate the opportunity to be of service to Avista Corporation in its evaluation of its future resource options, and we hope to have the opportunity to work with you again in the near future.

Sincerely,

R. W. BECK, INC.

A handwritten signature in cursive script that reads 'Richard W. Cuthbert'.

Richard W. Cuthbert  
Project Manager

A handwritten signature in cursive script that reads 'Angelo Muzziri'.

Angelo Muzziri  
Client Services Director  
Pacific Northwest

RWC:bb



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## **Resource Selection Process – 3<sup>rd</sup> Round Screening**

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**Resource Selection Process – Additional Explanation**

**Q. Please explain how the Company demonstrated that a new resource was necessary?**

A. The Company updated its 1997 Integrated Resource Plan in spring of 2000 (1997 IRP Update, or as referred to in this testimony, 2000 IRP) and reviewed that plan with the IRP Technical Advisory Committee. The 2000 IRP showed a need for 300 MW of capacity and energy beginning in 2004. The Company subsequently filed the 2000 IRP with the Commission on July 13, 2000. The loads and resources contained in the plan showed a need for power beginning in 2004.

**Q. Please explain how the Company demonstrated that the resources selected filled the resource need in a cost-effective manner including available purchases compared against what it would cost to self-build the resource?**

A. The Company compared the variety of resource bid proposals, including market purchases, tolling proposals and turnkey power generation project proposals, which were received in the 2000 RFP both against one another and against Company-build options. A consistent evaluation process was used to evaluate the dispatch value and costs of each resource option over a 25-year period in conjunction with the Company's existing resources. The Company rated each project across a consistent set of price and non-price factors to come up with a weighted matrix evaluation and ranking for each resource proposal. Factors included in the weighted matrix evaluation were: economic benefit of the resource (35%); long-term financial performance capability of the bidder (15%); fuel price risk (15%); fuel availability risk (5%); electric factors such as dispatchability, ramping, reactive capability, transmission contingency exposure, etc. (20%); and environmental factors including permits, plan for compliance with applicable

## **Resource Selection Process – Additional Explanation**

regulations, and proven technology (10%). The Evaluation Guidance attached as Schedule No. 3 of Exhibit No. 6 provides further detailed explanation of the resource evaluation process. The 2000 Resource Selection Process Report, on page 7 of Schedule No. 1 of Exhibit No. 6, explains the development of the weighted matrix evaluation. This evaluation matrix and the write-up describing the various weightings and the ranking process were reviewed with Commission Staff members on September 13, 2000, prior to opening of the RFP bid proposals.

**Q. Please explain how the Company evaluated resource dispatchability?**

A. The Company used Prosym as the tool to perform an hourly dispatch evaluation of the resource options considered for selection under the resource selection process. This dispatch model showed how each resource alternative would operate in conjunction with Avista's existing resources under different hydroelectric generation conditions and different electric and natural gas price scenarios. The model calculated the energy generated by the proposed power supply option and the differential variable system costs for each of the different resource options compared to a base case which used market purchases to meet resource deficits. The variable costs of operation and the energy generated by the resource were the inputs into the economic modeling step.

**Q. Please explain how the Company evaluated the transmission impacts of resource alternatives?**

A. Incremental electric transmission costs were included in the economic modeling step for resource alternatives. In addition, transmission considerations, such as exposure to transmission contingencies, were included in the non-price "electric factors" ranking in the weighted Evaluation Matrix.

## Resource Selection Process – Additional Explanation

**Q. Please explain how other bids were considered as part of the resource selection?**

A. The Company evaluated 32 third-party supply-side and demand-side proposals submitted through the 2000 RFP process. Supply-side resources were compared to one another in a weighted Evaluation Matrix that considered both price and non-price factors. Demand-side resource options were compared against any mutually exclusive DSM opportunities, both internal and external. Demand-side resource options were also measured against the avoided costs of supply-side options.

**Q. Please explain how build options were considered as part of the resource selection?**

A. The Company investigated over thirty sites for a potential combined cycle combustion turbine project. Site options were screened to five sites by a cross-department team of Avista employees. An outside engineering firm was then hired to prepare a detailed site analysis on those sites. The Company obtained third-party budgetary costs to upgrade the existing Rathdrum project to combined cycle. The Company-build options were evaluated using the same modeling and evaluation process as bid options under the 2000 RFP.

**Q. Please explain how financial rate impacts were considered in the evaluation?**

A. The Company performed twenty-five year economic benefit analyses based on the variable O&M costs, fuel costs, portfolio operational costs delta (benefit as compared to a base case without the resource), fixed costs and generation output which are the results of the Prosym dispatch model output for the particular resource. This

## **Resource Selection Process – Additional Explanation**

analysis was performed for the base case electric and natural gas price forecasts as well as each of the three pricing scenarios. The financial analyses of these scenarios were reflected in the comparative price ranking of different resource options. Base case and pricing scenario analyses results are presented in attached Confidential Schedule No. 7 of Exhibit No. 6. The Company also performed a projection of revenue requirements for the top three projects in the evaluation process. The CS2 and Rathdrum build projects were deemed equivalent on a 25-year levelized basis. A flat energy market option was approximately \$2.8 million higher cost on a 25-year levelized basis for the base case. The revenue requirements analysis is attached as Confidential of Exhibit No. 6 No. 10.

**Q. How did the Company incorporate a range of views about an uncertain future in its comparison of resources?**

A. The Company performed hourly Prosym dispatch modeling analysis using electric and natural gas pricing scenarios for high natural gas prices, low natural gas prices and high northwest region demand for the short listed projects. The financial analyses of these scenarios were reflected in the comparative price ranking of different resource options.

**Q What other factors were incorporated by the Company in its evaluation of resource alternatives?**

A. In the third screening analysis, the Company included a salvage value for physical resource projects at the end of their projected life. This value, though small, represents the end-effects of the physical project. Also included in the modeling of physical generation projects were maintenance cycles, random outages, start costs, minimum up-times, and minimum down-times.

## Resource Selection Process – Additional Explanation

**Q. Please give an overview of the evaluation process used for demand-side resource bids.**

A. Proposals involving acquisition of resources on the customer side of the meter, whether energy-efficiency or customer-owned generation, were initially screened for compliance with minimum RFP requirements. Proposals that were deemed to not meet minimum requirements were given an option to correct deficiencies. One proposal failed to correct these deficiencies. The remaining seven proposals were advanced to the evaluation stage.

A six-person team was created to perform evaluation on each of the remaining seven proposals. Two individuals were common to evaluation of both the supply-side and the demand-side proposals. The evaluation teams reviewed and scored each proposal. All evaluation team members collectively performed a ranking and developed a short-list of the proposals. Three proposals were short-listed and proceeded to negotiations. Avista executed agreements for two proposals representing 3 aMW in energy savings acquired over a three year period. The Company has extensive documentation of the evaluation and selection of the demand-side RFP proposals available at the Company's offices.

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## **Resource Planning & Acquisition Documentation Index**

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Exhibit No. 6, Schedule 9 Pages 1 – 8  
R. Lafferty  
Avista Corporation

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## **Revenue Requirement Analysis – Top Projects**

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## **Coyote Springs 2 – Re-evaluation**

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## **CS2 GSU Failure – Steps Taken By The CS2 Partners**

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MITSUBISHI ELECTRIC POWER PRODUCTS, INC.

US Transformer Supply Record as of 8/28/02

Customer	Installed at	Qty.	Phase	(each winding)			(each winding)			Cooling			Tap Changers	Scope
				Capacity [MVA]			Voltage [kV]			Class	Year	Type		
Tucson Electric	Tortolita	1	3	672	672		525	138	13.8	OFAF	Mfg.	AUTO	DETC + OLTC	
Cogentrix	Southaven	4	1	400	400	40	500	230	13.8	ONAF	Mfg.	AUTO	DETC	Turn-key
PEPCO	Palmers Comer	1	3	224	224		220	69	13.8	OFAF	Mfg.	AUTO	DETC+OLTC	
BG&E	Calvert Cliffs	2	3	810	810		500	22		OFAF	Mfg.	GSU	DETC	
NEPCO	Caledonia	3	3	225	225		525	18		OFAF	Mfg.	GSU	DETC	Turn-key
NEPCO	Caledonia	3	3	155	155		525	13.8		OFAF	Mfg.	GSU	DETC	Turn-key
FP&L	Sanford	1	3	460	460		236	24		OFAF	2002	GSU	DETC	
LADWP	Receiving Station E	1	1	336	336	58.3	525	230	13.8	ONAF	2001	AUTO	DETC+OLTC	
SDG&E	Taléga	3	3	55	55	19.25	138	3.2		ONAF	2001	POWER	DETC	Turn-key
BG&E	Calvert Cliffs	2	3	810	810		500	25		OFAF	2001	GSU	DETC	
FP&L	Sanford	1	3	460	460		236	24		OFAF	2001	GSU	DETC	
NEPCO	Sterlington	3	3	225	225		525	18		OFAF	2001	GSU	DETC	Turn-key
NEPCO	Sterlington	3	3	155	155		525	13.8		OFAF	2001	GSU	DETC	Turn-key
PEPCO	System Spare	1	3	224	224	224	220	115	69	OFAF	2001	AUTO	DETC+OLTC	
SCE	Mira Loma	3	1	373	373	112	525	230	13.8	OFAF	2001	AUTO	DETC+OLTC	Turn-key
PG&E	Tesla	3	1	374	374	84	525	230	13.8	OFAF	2001	AUTO	2 x DETC	
VELCO	Essex	3	3	43	43		115	3.2		OFAF	2001	POWER	DETC	Turn-key
TMPA	Gibbons Creek	1	3	525	525		345	22		OFAF	2001	GSU	DETC	Turn-key
Ameren	Spencer Creek	1	3	55			362			ONAF	2001	SHUNT	none	
Boston Edison	N. Cambridge	3	3	80			118			ONAN	2000	SHUNT	none	
PEPCO	System Spare	1	3	224	224	224	220	115	69	OFAF	2000	AUTO	DETC+OLTC	
PG&E	Moss Landing	3	3	50			120			ONAN	2000	SHUNT	none	
SCE	Mira Loma	1	3	280	280		230	70.5		ONAF	2000	AUTO	DETC+OLTC	Turn-key
SCE	Serrano	1	1	373	373	112	500	230	13.8	OFAF	2000	AUTO	DETC+OLTC	Turn-key
Consumers Energy	Battle Creek	1	3	500	500	150	345	140	13.8	ONAF	2000	AUTO	DETC	
Entergy	Pleasant Hill	4	1	200	200	46.7	525	169	13.8	ONAF	2000	AUTO	DETC	
OPPD	Nebraska City	1	3	760	760		345	17.1		OFAF	2000	GSU	DETC	Turn-key

GSU = Generator Step-Up Transformer; AUTO = Autotransformer; SHUNT = Shunt Reactor, POWER= Power Transformer

DETC= De-Energized Tap Changer, OLTC=On-Load Tap Changer

**Total Units: 55**

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## **Coyote Springs 2 GSU Alternatives**

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## **Coyote Springs 2 – Budget to Actual Cost Consumption**

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