

NRU LLC

REQUEST FOR PROPOSALS

BIDDER'S

CONFERENCE

Dial in: (866) 493-0366

Participant's code: 5032335823#

November 5, 2008

Agenda

- ▣ Introductions
- ▣ NRU LLC – Background
- ▣ Resource Needs
- ▣ Evaluation of Resources
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- ▣ Bidder Q&A Submitted Questions
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Background: NRU LLC

- NRU Consulting Services, L.L.C. (NRU LLC) was formed by Northwest Requirements Utilities (NRU) in 2007
- A subset of NRU members: 44 members representing 90% of total NRU load, or about 1,900 aMW; participants are from 7 states
- Starting October 1, 2011, each utility will have a rate period high water mark (RHWM) under their BPA contracts which locks down the amount of cheap federal power they can purchase. For any load above and beyond their RHWMs, utilities will be responsible for serving this load, with either non-federal resources or market-priced BPA Tier 2 rates.
- NRU LLC is charged with developing an organization to aggregate and serve its members' above RHWM loads with non-federal resources.

Legal Entities

- Due to the mix of membership (cooperatives, municipalities, PUDs and special districts), NRU LLC is forming two legal entities
 - Cooperative for the coops
 - Intergovernmental agency for the municipalities, PUDs and special districts
- Each entity will have the credit support and backing from their underlying member utilities. Audited financial statements will be available.
- It will be these two entities that will be signing contracts with resource developers, marketers and suppliers

Current Status

- ▣ Developing and finalizing organizational documents
- ▣ The plan is to have both entities formed by the end of 2008.
- ▣ Final decision by NRU utilities to join is March 1, 2009.
- ▣ There will be at least two resource pools, one for renewable resources and one all-source.

Resource Needs

- While BPA will not release final above RHWM load amounts until approx. May 2009, we are forecasting above RHWM need of 100 aMW for FY 2012 and 2013. This forecast is subject to change; a revised forecast is expected in January.
- Such need will continue to grow: RHWMs will remain level while utilities will experience load growth.
- This RFP specifically seeks proposals for the following resources:

1. Market bridge contracts	6. Biomass resources
2. Simple cycle combustion turbines	7. Landfill gas resources
3. Combined cycle combustion turbines	8. Coal resources
4. Wind projects	9. Geothermal resources
5. Small hydro resources	

Resource Needs

- A number of the utilities have limitations on the types of resources they can acquire, such as renewable portfolio standards (RPS) and restrictions on greenhouse gas emitting resources.
- We are considering power purchase agreements as well as options to transfer ownership in the future.

Transmission Considerations

- All utilities are Network Transmission (NT) customers of BPA and can use NT contracts to wheel power interconnected with BPA to customers' points of delivery.
- NRU LLC's resources will be aggregated by a third party manager to meet the composite scheduling requirements of the members.

Evaluation Considerations

- ❑ Utilities will be looking for resources that offer the best economic value while also considering the impact of impending carbon regulation and other renewable portfolio requirements.
- ❑ The BPA contracts require utilities to bring in non-federal resources in a pre-defined shape which must be diurnally flat. Therefore, costs of firming and shaping resources into a flat resource portfolio will be evaluated, so a portfolio of resources which minimize these costs would be attractive.
- ❑ The renewable resource pool must meet the most stringent renewable portfolio standards affecting our members, which at this time is the Washington state RPS.
- ❑ We will consider possible carbon emission hedging and risk strategies as we evaluate resources.

Evaluation Procedure

- Upon receiving completed bidder's packets, NRU LLC will compose an initial short list based upon the previously discussed considerations.
- If additional information or data are needed to further evaluate the short list resources, such information will be requested.
- A final short list will be compiled for consideration and evaluation by the members.
- Negotiations will follow.

Good Things to Know

- Final contracts will be signed by the two entities discussed earlier, one of cooperatives and one of municipalities, PUDs and special districts.
 - These entities will be backed by the credit support of the underlying utilities.
- As mentioned earlier, the utilities' non-federal resource needs are likely to continue expanding as time goes on; we are interested in developing long-term business relationships now.
- A complete bidder's packet will contain:
 - A two page executive summary
 - See section 4.1 of the RFP for details
 - Market bridge contracts only need to submit an executive summary
 - A completed Bidder's Packet (excel spreadsheet)

Credit Requirements

- NRU LLC will evaluate creditworthiness of bidders as part of the bid evaluation process. NRU LLC and its member utilities will be prepared to provide audited financial data to bidders and will in turn request information as needed to evaluate the bidders.

Schedule

ITEM	DEADLINE DATE	DEADLINE TIME
Release of RFP	October 6, 2008	N/A
Deadline for Written Questions	October 22, 2008	4:00 pm PPT
Reply to Written Questions Issued	On Bidder's Call or shortly thereafter	N/A
Bidder's Conference Call	November 5, 2008	10:00 am to noon
Deadline for Intent to Respond	November 14, 2008	4:00 pm PPT
Deadline for Receipt of Proposals	December 16, 2008	4:00 pm PPT

Bidder Q&A Submitted Questions

Q. Would NRU consider terms longer than 2-3 years for power purchase agreements? Would you consider 5 to 10 years?

A. We're looking to establish longer term business relationships. However, we will consider shorter term power purchase agreements for the first few years of the BPA contracts.

Q. When will we receive more information regarding the structure of the new legal entities NRU LLC is forming and then the credit/financial information of the utilities that are part of those entities?

A. As mentioned in this bidder's conference information the legal documentation establishing the legal entities contracting with bidders under this RFP will be completed before the end of this year. NRU LLC will make this documentation available to bidders.

Q. Is there preliminary information available on the two organizational structures?

A. See above.

Bidder Q&A Submitted Questions

Q. Could you provide a list of those members participating in each of the two organizations (I realize they are sorted by type of organization - prefer confirmation from you that I have correctly accounted for everyone)?

A. Final participation in the legal entities will be decided by March of 2009. In the interim we have included an attachment to this document that lists the utilities participating in the NRU LLC process.

Q. Do you expect new participants not currently listed as members?

A. The membership is establishing the legal entities in such a way that additional utilities may join in the future if approved by the Board.

Bidder Q&A Submitted Questions

Q. How will purchases be split or allocated between the two entities?

A. Utilities participate in the entities based upon legal requirements specific to each member's statutory make-up. Purchases will be allocated based on load requirements and membership need and preference for renewable and non-renewable resources.

Q. When we make offers will we know which counterparty we are offering to?

A. Assume that offers are made to NRU LLC which will in turn provide information to the bidders about which entity will contract for the supply. NRU LLC will also provide credit support information to allow the bidder to evaluate performance of the entity.

Bidder Q&A Submitted Questions

Q. *What underlying contract will be used?*

A. This is subject to negotiation. For market bridge contracts we propose to agree to the terms of the WSPP agreement.

Q. *What delivery point for market bridge contracts - Mid-C?*

A. Yes.

Q. *After indicative offers are submitted, how long would the NRU members like the offers to remain active (i.e. how long should our refresh proposal anticipate - esp. since the time-line backs into a holiday period)?*

A. We recognize that there is a significant amount of time between initial bid submission and when deals will be final. We expect to come back to bidders to refresh prices for market bridge products. Please speak to how you propose this be done in your response.

Bidder Q&A Submitted Questions

Q. *The cover of the RFP shows proposals due on Dec 9 but the body of the text states the 16th - is the 16th correct?*

A. Yes.

Q. *PacifiCorp's all source RFP is due on the 16th - this may impact participants.*

A. If this will be a problem let us know and we may reconsider the schedule.

Q. *How will NRU establish credit?*

A. See above.

Bidder Q&A Submitted Questions

Q. *Discuss transmission arrangement for the utilities.*

A. The NRU LLC members hold NT network transmission contracts with BPA. Resources will be delivered to load under these contracts.

Q. *Discuss contractual requirements – i.e. EEI, WSPP, etc., and will NRU develop a confirmation template for market bridge contracts?*

A. See above.

Q. *Discuss preferred delivery points for energy deliveries.*

A. Market bridge contracts can be delivered at Mid-C. Other resources need to be delivered to points on the BPA grid. Potential transmission constraints will be evaluated.

Q. *Discuss product firmness for market bridge contracts – i.e. WSPP Schedule C.*

A. We will seek WSPP Schedule C products.

Open Forum Bidder Q&A



Questions?

Contact Information

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- ▣ John Saven, NRU LLC, jsaven@pacifier.com
- ▣ <http://nru-nw.com/consulting.htm>

NRU LLC Participants

Ashland, City of	Hood River Electric Coop	Peninsula Light Co.
Benton Rural Electric	Idaho Co. Light and Power	Ravalli County Electric
Big Bend Electric	Inland Power & Light	Richland, City of
Bonnors Ferry, City of	Kootenai Electric Coop	Rupert, City of
Central Lincoln	Lincoln Electric Coop	Salem Electric
Centralia, City of	Lost River Electric	Salmon River Electric
Cheney, City of	Lower Valley Energy	Skamania County PUD
Columbia Basin Electric	McMinville Power	Surprise Valley EC
Columbia River PUD	Midstate Electric Coop	Tanner Electric Coop
Columbia Rural Electric	Milton-Freewater, City of	Tillamook PUD
Flathead Electric	Mission Valley Electric	United Electric
Forest Grove, City of	Modern Electric	Vera Water & Power
Harney Electric Coop	Nespelem Valley	Vigilante Electric
Hermiston Energy	Northern Wasco PUD	Wasco Electric
Hood River Electric Coop	Oregon Trail Electric	Wells Rural Electric