

SCL Renewables RFP Bidders Conference

July 20, 2000

Questions and Answers

Gary Zarker's Introduction: Some people have experience with submitting responses to Requests for Proposals like this, and then utilities get cold feet. We are absolutely in the market. Over a period of time we expect to acquire 5% of load or more with renewable resources. We mean business and our preference is to leverage the development of new renewables in as effective a fashion as we can. We will do it and this is not a hollow exercise. We are very interested in seeing what will be turned in.

Introductions were made around the table starting with SCL staff and then potential bidders. (Attendees listed in Attachment 2)

Nancy Glaser's Summary: Seattle City Light is facing a deadline with the current BPA power contract expiring 9/30/01. We are looking at resources for the next 10 years. We have received clear policy guidance in the Seattle City Council's Earth Day Resolution – make every effort to meet load growth with cost effective conservation and renewable resources. If this is not possible, mitigate for greenhouse gas emissions that are created when fossil fuels must be used to meet load growth. Load in the City Light service territory is expected to grow over the next 10 years by about 200aMW, not including new large loads, such as Internet farms and biotech companies. We will be aggressive with conservation and will increase our conservation goals. These increased conservation goals are projected to meet half the load growth. We will step up to 100aMW for renewable resources.

In the RFP process, we want to get a sense of viable and creative offers and go forward with contracts for renewables later this year. We are a very green utility and have experience in hydro. We are looking at bidders to help us diversify our portfolio and leverage new renewable resource development. We are not limiting the definition of renewables. We are not precluding existing renewable project proposals and we might bring some existing resources into our portfolio. However, we strongly prefer new over existing resources because our priority over time is to encourage new resource development. We want to see the widest range of proposals. Open for questions and answers.

Q. If a wide range of proposals is requested, can we submit multiple proposals and alternatives.

A. Yes, there is no limit.

Q. A lot of flexibility is good. Firm, non-firm, high load hour, low load hour. Are there any products that will not meet SCL needs?

A. We want products to best meet our resource needs. We will not preclude firm or non-firm. We will weigh what is offered and see how it fits.

Q. Will SCL supply load profile to potential bidders? Time of year and time of day demand curve?

A. See Attachment 1.

Q. Are you winter peaking?

A. Yes, SCL is winter peaking.

Q. If two-thirds of current resources is hydro, do you have storage that can balance resources like wind energy?

A. We do have storage but it is limited. We do have flexibility to move it around and we are doing it now.

Q. How much renewable resource can you accept, how fast? Can you accept 100 aMW of wind energy by the end of next year?

A. There is nothing to preclude that, per se, but contracting for all wind or any other resource may not meet some of our diversification priorities. We will need to weigh the quality of the offers - - price and product and other evaluation criteria - - and get approval from the Seattle City Council on final contracts.

Q. Purchase or partial funding/ownership? What are you interested in?

A. We could do both methods. Don't assume benefits of municipal financing. Over time we could gain ownership share. Gary: Can do equation when to use our financing versus yours. Can engage in conversation in the future. Cannot assume we will be owners or not. Do mention if option for municipal investment. In addition, there might be opportunities for City Light to buy into an ownership or equity share depending on how it is priced.

Q. Will information on load profile be provided to those who will bid?

A. See Attachment 1. Caution: Mix of resources will change based on selection of portfolio. Can't look at load profile only.

Q. Power Marketing is well represented. Does it tell something?

A. We are looking to meet load. These are some of the people who have helped pull the Strategic Resource Assessment together, and they need to be a part of a team to evaluate how the renewable resources will fit into our existing and future resource portfolios. SCL buys when we are deficit and sells when we are surplus. The Marketing Group does forecasting and develops the plans to operate the City owned resources, manages resource contracts and buys and sells when the utility is deficit or surplus, respectively.

Q. What group will internally evaluate the proposals?

A. SCL will bring a team of people together to evaluate the proposals – at least the Strategic Planning Office, Environmental Affairs, Resource Evaluation, and outside technical consultant(s) to supplement resources we have to ensure that all resources/technologies are evaluated.

Q. How will you evaluate projects that are selling into the broad market, pre-existing projects versus projects proposed for this RFP?

A. All other things being equal, we have a preference to leverage new resource development. We understand that some new resources may not be available as quickly and/or at the same price as existing resources. It may make sense to bring some existing renewable resources into our portfolio early as a way to transition to renewable resources, which may take a bit longer to develop. We will need to see what our options are when the proposals come in.

Q. In RFP, what do you mean by environmental attributes?

A. Benefits and overall impacts of projects, not in monetized terms.

Q. Would you evaluate the environmental attributes in-house or use outside consultants? Evaluating environmental attributes is subjective. How will you address public concerns?

A. For hydro projects, we have the expertise. On other projects, we will supplement the expertise of our staff with outside consultants. We have the ability to sign short-term contracts (up to 18 months duration). Anything beyond that we have to take to the City Council. The Council will decide the nature of its public comment process.

Q. With a deadline of 8/25, there are issues around documentation. Sometimes getting information from environmental groups takes time. How firm of a commitment do you need? Example: Forest Service may be willing to make commitment but a contract will not be signed by 8/25.

A. Need timeframe. Encourage proposals on the table. We want to know what you know. Be as explicit with information as possible.

Q. Some issues have been brought up and need to be amplified. Doubtful can get all ducks (environmental issues) in a row by 8/25. Could do it if it's an existing renewable project, not with a new project. How much ambiguity will you tolerate? Nearly impossible to get all firm commitments in place.

A. Describe and clarify where you are in your environmental review, permitting and public comment process. We understand that it is difficult to get all commitments in place. Tell us what you know, what needs to be done and your assessment. Tell us what ducks you already have in a row and when the others will be in a row. Tell us if there are key milestones in your ability to move forward on your project with as much information as possible about the timing and content of those milestones. Message: We are trying to leverage new resources and more developed markets for renewable resources. We appreciate that this will play out over time. Some of you will have more certainty than others.

Q. Purchase and sale of environmental attributes? Will green tags be considered?

A. Can include this in proposal. Green tags are probably not our most preferred alternative but not precluded. Open to range and variety of proposals. We're encouraging creativity.

Q. RFP mentions aggregating other utilities for economies of scale. Are you interested in partnering with other utilities that have expertise in non-hydro?

A. Yes.

Q. Does the resource that is developed have to produce environmental benefits in Seattle City Light's service territory, or how close to home?

- A. Resource does not have to be in City Light's back yard. If not in back yard, issue is to get power to back yard. This is a transmission issue. Mitigation of environmental impacts is important. We are in the process of figuring out how we will meet the policy direction of the Earth Day Resolution and sort out how to mitigate green house emissions.
- Q. Transmission: If you have transmission contracts with BPA and Idaho Power, can you tell us if there is sufficient capacity and whether we have to obtain new transmission contracts.
- A. Interconnections can be made at any point on the BPA system where there is available capacity.
- Q. RFP says purchase agreement 1-20 years. Is there any magic to that? What about longer than that? 20 years or 2 years?
- A. 1-20 years is accurate. You can put in proposal for longer than 20 years, but it is hard to envision beyond that. In fact, the major focus of our current Strategic Resource Assessment is the next 10-year period. If proposing for greater than 20 years, say that and explain why. A very short contract would probably be one that helps us transition to new renewable resource development that can not be available as quickly as we might like.
- Q. What ideas do you have about integrating renewable power into your load base? Will there be a green tariff?
- A. There may be a green tariff. A City Light survey says that people will pay a green tariff. However, we plan to rate base our renewable resource acquisition at this time.
- Q. Is 10 years a good working number for a contract? Contract for 2 in market. Is it 1-20? 5-10?
- A. We have interest in bringing it in quickly. If you can bring it in 1-2 years, we could leverage it with another that would come in 3 years. We will juggle how to bring renewables in quickly and also leverage new developments. We are hearing from the wind community that if we don't move fast that they will lose tax credits and they have the ability to make us attractive price offers. We want something that will work for the project developers, communities, and our ratepayers. We understand that wind tax credits are quite attractive. We also want to understand the timing constraints that developers of other types of renewable resource developers face as we would like to diversify our resource base.
- Q. The goal: A new resource online early with online guaranteed delivery date and cheap?
- A. Yes. Diversify resource, hydro based now. Look beyond hydro.
- Q. Could you make available marginal emission rate?
- A. Our marginal resource at present is the market place.
- Q. How many proposals are you planning to negotiate at a time? One 100AMW or a wide range of proposals?
- A. We are interested in diversification and will be talking to more than one party at a time. There may not be one proposal that would be optimal to meet all we need. Maybe more than one could be integrated better into our system. Interested in some degree of diversity, but not precluded. Some interest in diversity in emerging market.

Q. Is this one RFP for an extended period or will there be an RFP on an annual basis?

A. Hoping not to do this every year. Accomplishing our goal is real. Goal could be greater. Assume this is the only RFP but we will go out again as needed. This year the proposal may be shaky. Next year may be on more solid ground. If you signed in, you are on future RFP list. One of our concerns was how many people would come to the bidder's conference. Pleasantly surprised. We are also assuming a certain load growth. If more growth materializes, then we will need more resources. We have been approached by several new large loads that are not explicitly included in our base load forecast. Some of our existing large customers may be interested in partnering for renewable resource development. We will be looking at different ways to approach resource development.

Q. I detect disenchantment with hydro? Is this true?

A. There is no disenchantment with hydro per se but we do want to diversify our portfolio. We have a lot of hydro. If SCL signs a new contract with BPA, another large hydro resource is added. Issue: how much hydro do we have? Our preference to diversify into another resource.

Q. Can you suggest how you want to ramp up? 100aMW in 3 or 4 year time frame? If taking in new resources, can you phase in more than 100aMW?

A. We will step up to goal of more conservation. If that conservation goal is not achieved, we may need more renewables. We also have a need to replace the Centralia plant, which was sold earlier this year. Also, some new large loads may enter our service territory over the next few years. This could result in a need for additional resources.

Q. There are economies of scale and sequence in the process. In 5-year window, we could deliver more cheaply.

A. Include that in proposal.

Q. Is City Council final decision-maker?

A. We can sign 18-month contracts or less. Unless there is a change in this provision, City Council is the final decision-maker on any longer term contracts.

Q. In reading Resolution, there is a grandiose view of the environment in the NW, bigger things than stuff at City Light? Like WA State, outer universe?

A. Michaelanne Ehrenberg (Staff to Council Member Heidi Wills, Chair of the Energy and Environmental Policy Committee of the Seattle City Council): Yes, there is a strong commitment on Council's part to new renewable resource development as well as broader environmental issues and actions. Oregon has law governing CO2 mitigation and an Oregon Climate Trust has been developed to help implement that. Council would like to be leader in WA. The Earth Day Resolution is ground breaking. A lot of support in Council.

Q. Do you anticipate WA State action like Klamath Trust?

A. Some interest with Council and we will take some leadership to begin discussions of something like this in Washington.

Q. Expectations on how we bid. Things to receive from SCL.

- Interconnection points – location and capacity available
- Load curves
- List of attendees
- List of questions and answers

If more information is received, proposals can be more creative, otherwise just guesses.

If everyone puts in one bid with 3 options, SCL would be inundated. How will evaluation schedule be redefined?

If you ask for everything, you will get everything and then how will you evaluate? Is process practical? RFP is open to everything.

How about posting information on Web site?

A big black box – more information, the better. Want average load and peak. Cannot read SCL's mind.

A. Attendees' list will be distributed at end of meeting. Other information will be posted on Web site early next week. If SCL cannot make that deadline, information will be eMailed to attendees.

Q. If let timetable slips with wind power, there is a risk of losing tax credit, which is a 40-50% discount. Important for wind proposal to keep time frame moving.

A. We don't want to be perceived as a reason for missing opportunities.

Q. Who do you already have contracts with? Renewables will be outside of City limits. If knew who you have contracts with, can be creative.

A. How is this relevant to the RFP? We have established relationships with all utilities on the West Coast. Seattle is a member of WSPP.

Q. Transmission lines? Any established wheeling rates? How much does BPA charge? Proposals have to estimate wheeling charge? Existing transmission contracts fully loaded?

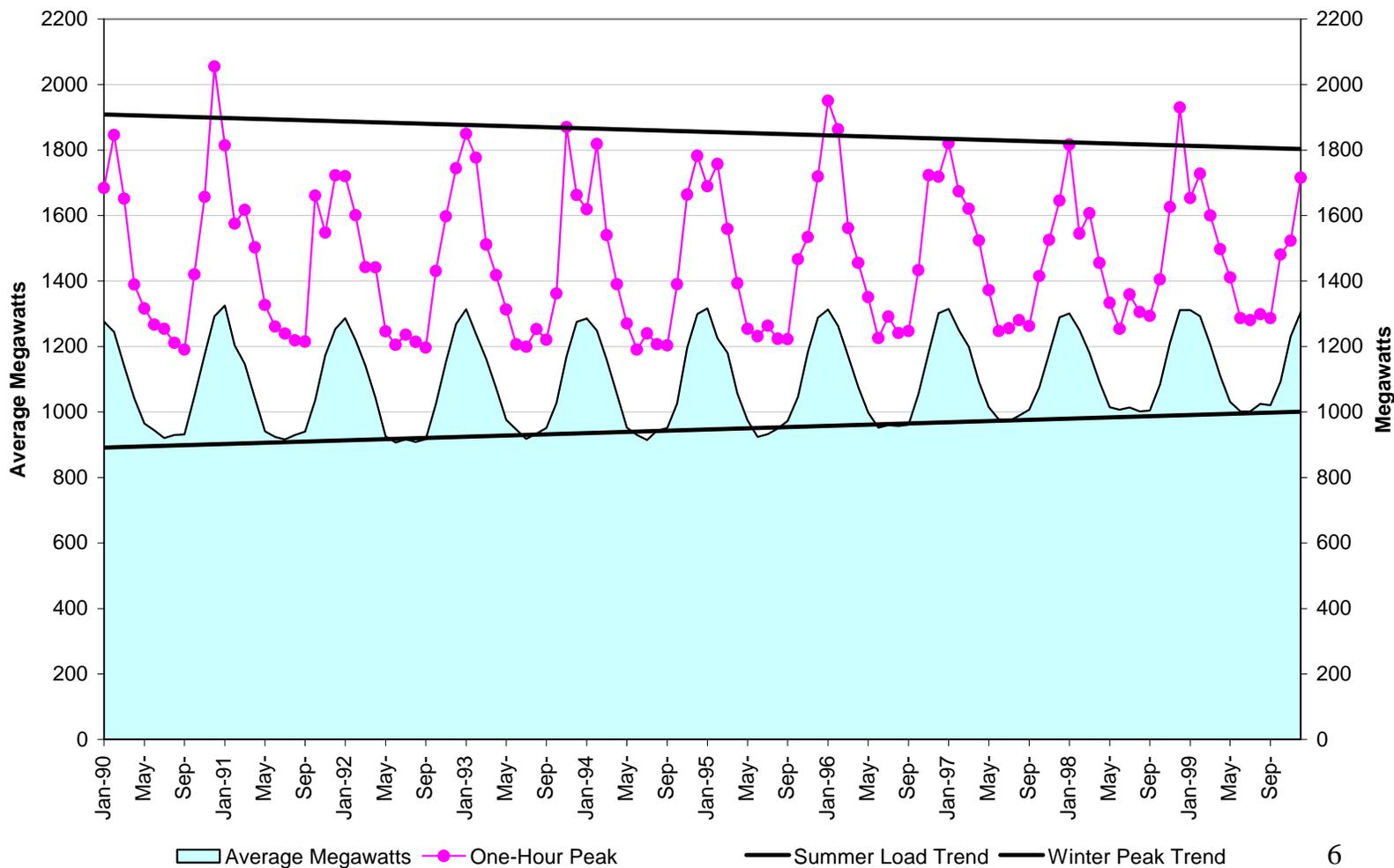
A. SCL uses some of BPA and Puget transmission lines. If on the BPA grid, can interconnect. Proposal needs to estimate wheeling charge. New contracts transmission charge will depend on load and shape. Changes every year. Have to value each resource within that box.

Q. If a City or customer is major consumer of electricity and reduces usage, would City Light buy back power? A buy back and sell arrangement of renewables power?

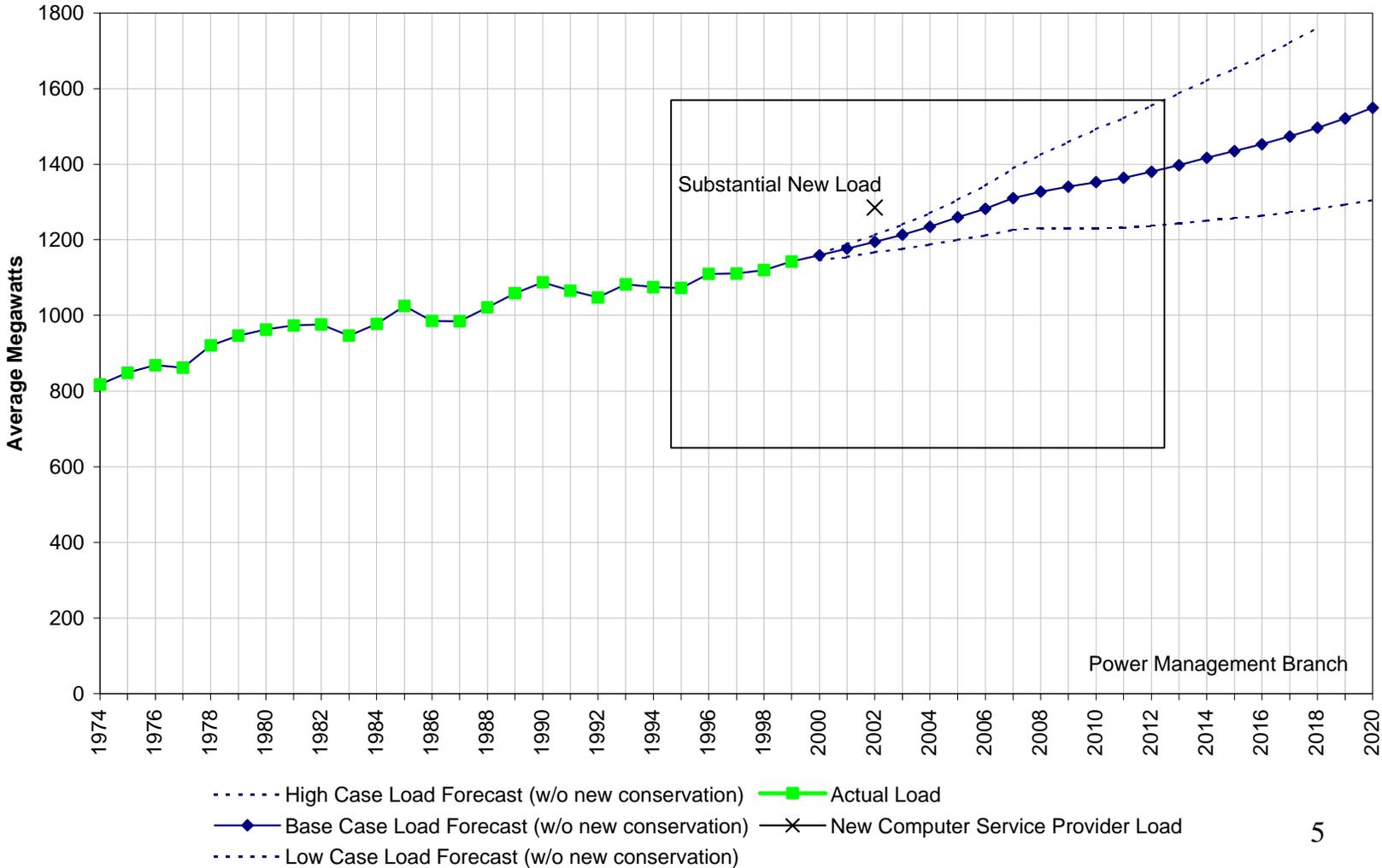
- A. We would need to understand the specifics of the proposal to understand the economics of such an offer from both the customer's and City Light's perspectives. Since when a customer reduces its load, it already receives the financial break of reduced retail rates, including both an energy and distribution system component, we would need review the particular proposal.
- Q. Post proposal submittal: ground zero contracts? Will we start with boilerplates? Can template or boilerplate with standard information be made available? Want boilerplate to see City Light thought process for contracts.
- A. We have over 200 contracts. We will start with a boilerplate and will develop it in time for negotiations this fall.
- Q. 100 aMW is your projected growth for the next 10 years. There are a lot of assumptions. Trying to understand the optimum timing of coming in. Can you comment?
- A. How we see load growth. We have base, low and high forecasts. Our base is 200 aMW over the next 10 years. Already aware of large new customers knocking on door for service. A lot of reason to believe more upside than downside risk, given the current economy, information technology changes, internet hotels coming into town, expansion of biomedical facilities, etc. We are planning now to meet base load and to protect somewhat against upside load growth. Yes, we could bring in 100 aMW right away. We may have to go out in the future for additional resources. If double conservation and 100 aMW of renewables are acquired, we meet 200 aMW of projected load growth. Looks like need more, plus fill deficit from sale of Centralia, given today's energy market.
- Q. Do you have a preference for fixed or variable price?
- A. No. We want to share risk with renewable resource development. Some contracts may be fixed and some may be variable. May want to propose a fixed and/or a variable price tied to an index so that we can explore the options. Tell us what the index is tied to. If we are paying too much of a premium for fixed price, may not be economical.
- Q. Are you looking for 100 aMW ASAP and beyond, and estimating how other customers may add to your load?
- A. Yes. 100 aMW ASAP and also if it is a good complement to our resource portfolio.
- Q. What is the address of your RFP on the Internet/WWW?
- A. http://www.cityofseattle.net/light/News/RFI_RFP/RFP_RenRes.htm
- Q. What is the address for Seattle City Light on the Internet/WWW?
- A. <http://www.cityofseattle.net/light/>

Seasonal Load Shape

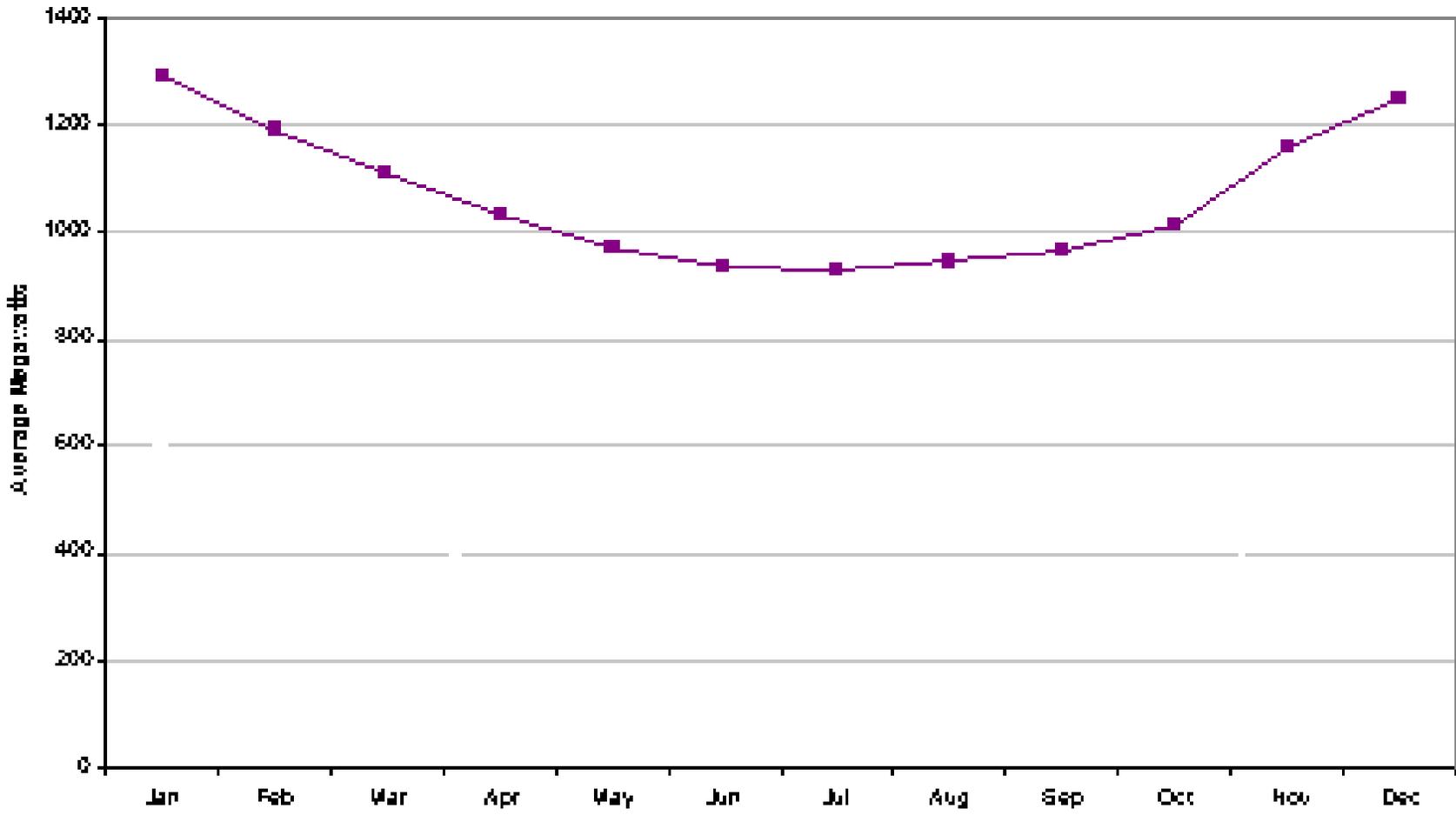
Monthly Load and Monthly One-Hour Peaks, 1990-1999



Load Growth Projections



Annual Load Shape
(estimates based on 1999 actual load)



Attachment 2
Renewable Resources RFP Bidders Conference
July 20, 2000

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