



**Acquiring and Using A  
Resource Portfolio In**

**— Open Access —**

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## Acquiring A Resource Portfolio

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- Resource Buyers:
  - Who are we?
  - Should we be/use middlemen?
- The Ultimate Customer Profile
- Moving Beyond PURPA
- Clark County As A Model
- Whither the RFP?
- Defining Risk
  - Who Are The Risk Takers?
  - Who Will Minimize Risk For Us?



# Resource Buyers

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## Who Are We?

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- McCullough Research clients range from large Investor Owned Utilities (IOUs) to industries served by small publics
- In one circumstance we are buying power for a public utility with one other customer
- The bottom line is that we are becoming deal driven -- not utility portfolio driven
- In both public and private power existing resources tend to be targetted to traditional customers



## Should We Use Middlemen?

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- Yes.
- The power marketers do provide a service to the ultimate consumer in their packaging and transmission efforts
- Middlemen should be seen and not heard



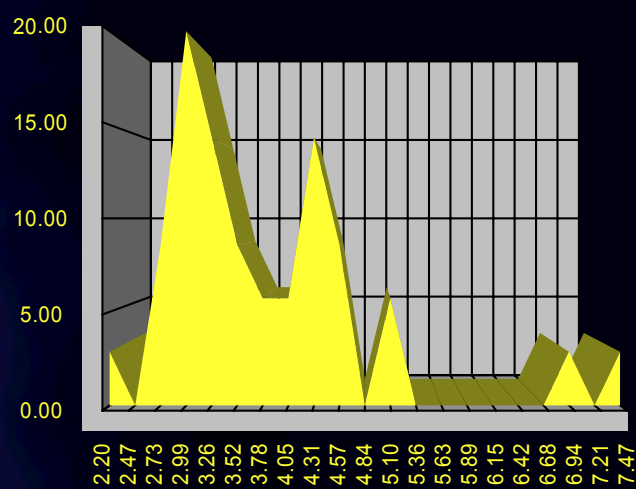


## **The Ultimate Consumer Profile**

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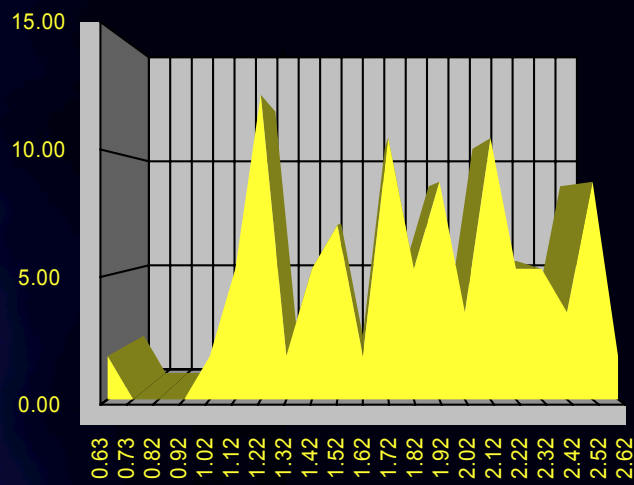
- Today, the ultimate consumer is primarily an industrial
- Most industrial customers are two to three times as risky (as a business) than a utility
- Electricity is a necessity -- short term supply risks are not acceptable
- The average electric plant has a life twice as long as the average U.S. industrial facility

# Output Price Risk





# Electric Spot Price Risk





## Moving Beyond PURPA

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### PURPA

- Resource based
- Mandated prices
- Institutional restrictions
- Finance determined durations
- Little fundamental economics

### Open Markets

- Deal based
- Market prices
- No institutional restrictions
- No mandated lifetimes or quantities
- Massive structural efficiencies



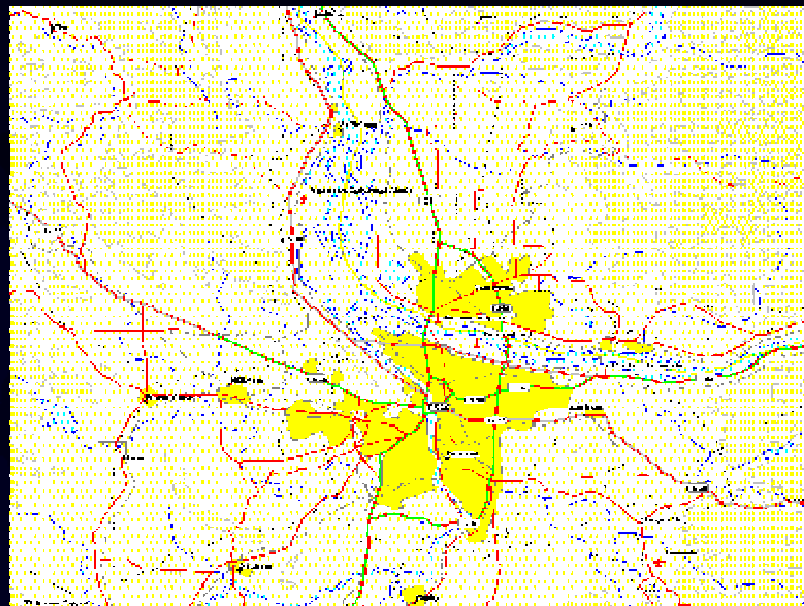
## **Clark County As A Model**

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- Clark County PUD is a retail utility serving the northern suburban communities of Portland, Oregon
- For the past 50 years they have been served by the Bonneville Power Administration
- In 1991 they issued an RFP designed to take them out of the retailing relationship with BPA

# Clark County, Washington

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## Clark County Supplies

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- Frame 7F Project (Cogentrix)
- Integration services from Pacific Power
  - Storage
  - Dispatch
  - Transmission
- Short term power supplies
- Long term power supplies from Pacific and Washington Water Power



## Whither The RFP?

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- The traditional RFP met regulatory and political purposes
- The new RFP is a communications tool
- The new RFP is multi-faceted and enables the utility (and the ultimate customer) to decide between qualitatively different options
- RFPs also work -- competition does lower prices significantly



# Defining Risk

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