

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZING THE CONSTRUCTION OF THE LAKESIDE POWER PROJECT	DOCKET No. 04-035-30 DPU EXHIBIT 1.0
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Direct Testimony of

Artie Powell

Division of Public Utilities

September 27, 2004

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1 LAKESIDE POWER PROJECT
2 CERTIFICATE OF CONVENIENCE AND NECESSITY
3 Docket No. 04-035-30

4 **I N T R O D U C T I O N**

5 **Q: Please state your name, business address, employer, and title.**

6 A: My name is Artie Powell; my business address is 160 East 300 South Salt Lake City,
7 Utah 84114; I am employed by the Division of Public Utilities as a technical consultant.
8 I am also the acting manager for the Energy Section.

9 **Q: On whose behalf are you testifying?**

10 A: I am testifying on behalf of the Division of Public Utilities (“Division”).

11 **Q: Please summarize your educational and professional experience.**

12 A: I earned a doctorate degree in economics with an emphasis in econometrics and micro-
13 economic theory from Texas A&M University. Since 1985 I have taught college course
14 in economics and statistics, and currently teach at Weber State University as an adjunct
15 professor. Since 1996 I have worked full time for the Division. While at the Division I
16 have worked on a number of projects including demand side management, low-income
17 programs, special contracts for large industrial customers, qualifying facilities contracts,
18 cost of capital and rate of return, and utility avoided costs. I also successively completed
19 the annual NARUC Regulatory Studies Program in 1996.

20 **S C O P E A N D S U M M A R Y O F T E S T I M O N Y**

21 **Q: What is the purpose of your testimony in these proceedings?**

22 A: My purpose is to introduce the Division’s witnesses and to summarize the Division’s
23 recommendations. Including myself, the Division has four witnesses. Ms. Andrea Coon,

1 a Rate Analyst with the Division, will testify concerning PacifiCorp's need for generation
2 or power resources to serve Utah's electrical demand; Mr. Wayne Oliver, Principal and
3 Founder of Merrimack Energy Group, Inc., will testify concerning PacifiCorp's RFP
4 evaluation and selection process leading to the selection of the preferred bid or Lake Side
5 Power Project ("Summit"); and finally, Mr. Ed Selgrade, a private attorney under
6 contract with Merrimack, will testify concerning the structure of the contractual
7 arrangements considered for Summit and bidder 213, and the risk of delay or failure as
8 reflected in these contractual arrangements.

9 **Q: What are the Division's conclusions and recommendations?**

10 A: After reviewing the PacifiCorp's application and testimony, and conducting an
11 independent investigation the Division recommends that the Certificate of Convenience
12 and Necessity for the Lakeside Power Project be granted.

13 Additionally, the Division offers several recommendations for improving PacifiCorp's
14 RFP process. These recommendations are detailed in Mr. Oliver's direct testimony.

15 **DISCUSSION**

16 **Q: Is it the Division's position that the winning bid, bid 493, is the least cost bid?**

17 A: No. As Mr. Oliver points out in his testimony, depending on the assumptions regarding
18 CO₂ risk and debt equivalence or imputation, for several scenarios bid 213 is more
19 economical. For example, PacifiCorp calculates bid 493's value at \$3.07 on dollar per
20 kilowatt month basis. Bid 213's value ranges from \$0.77 to \$3.99, depending on the
21 assumptions. The lower value, \$0.77, is obtained if it is assumed that the bid's proffered

1 price does not include the CO₂ risk and an adjustment is made for debt imputation; the
2 value is \$3.99 if these two adjustments are taken out.

3 However, as Mr. Oliver and Mr. Selgrade conclude, when risks associated with bid 213
4 are taken into account, bid 493 is a reasonable choice. The testimony of Mr. Oliver and
5 Mr. Slegrade detail and discuss these risks. Therefore, based on the testimony of Mr.
6 Oliver and Mr. Selgrade, as well as Ms. Coon, the Division believes the choice of bid 493
7 is the best choice.

8 **Q: Mr. Oliver makes several recommendations as to the improvement of PacifiCorp's**
9 **RFP process. Does the Division concur with these recommendations?**

10 A: Yes, the Division concurs with Mr. Oliver.

11 **Q: Are Mr. Oliver's recommendations consistent with the Division's recommendations**
12 **in other dockets, specifically Docket No. 03-035-29, the Certificate hearing for**
13 **Currant Creek?**

14 A: Mr. Oliver's recommendations are, in general, consistent with the Division's
15 recommendations from the Currant Creek proceedings. There is an ongoing investigation
16 into competitive bidding procedures under Docket No. 03-035-03. The Division plans on
17 filing a report, which will contain these recommendations, as well as recommendations
18 from other parties, with the Commission in the very near future on the progress of Docket
19 No. 03-035-03.

20 **Q: Navigant Consulting, the outside evaluator hired by PacifiCorp, recently filed with**
21 **the Commission its final report on PacifiCorp's 2003-A RFP. Navigant concluded**
22 **that the RFP process was fair and equitable. Does the Division agree with this**
23 **conclusion?**

1 A: Yes. After reviewing the RFP documents, process, and evaluation tools, the Division's
2 consultant, Mr. Wayne Oliver, states that he found no evidence to refute Navigant's
3 conclusions. Based on its own review of Navigant's reports and participation in Carrant
4 Creek, the Division concurs with Mr. Oliver's statement: the Division has found no
5 evidence to refute Navigant's conclusion that PacifiCorp's RFP process was fair and
6 equitable.

7 Additionally, Ms. Coon concludes that the need for additional resources is real. Both Mr.
8 Oliver and Mr. Selgrade conclude that, given the risks associated with bid 213, bid 493
9 was a reasonable choice. Furthermore, as Mr. Oliver points out, the number of bids and
10 the number of unique entities behind those bids indicate that the RFP process was
11 competitive. Therefore, the Division concludes that the Certificate should be granted and
12 so recommends to the Commission.

13 **Q: Does this conclude your direct testimony?**

14 A: Yes.