

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp (the Company).**

3 A. My name is Mark R. Tallman, my business address is 825 NE Multnomah, Suite
4 600, Portland, Oregon 97232, and I am the Managing Director of Trading &
5 Origination, Commercial & Trading.

6 **Q. How long have you been the Managing Director of Trading & Origination?**

7 A. I have been the Managing Director of Trading & Origination since
8 September 2003. Prior to then, I worked in the Origination Department, first as an
9 Originator (beginning March 1995), then as the Manager of Origination
10 (beginning January 1999), and finally as the Director of Origination (beginning
11 September 2000).

12 **Q. What did you do before working in the wholesale side of PacifiCorp's**
13 **business?**

14 A. I served in a variety of roles in PacifiCorp's engineering organization and retail
15 distribution organization, including five years as a District Manager. I have
16 worked at PacifiCorp for over 20 years.

17 **Q. Please describe your education.**

18 A. I have a Bachelor of Science degree in Electrical Engineering from Oregon State
19 University and a Masters of Business Administration from City University. I am
20 also a Registered Professional Engineer in the states of Oregon and Washington.

21 **Purpose of Testimony**

22 **Q. What is the purpose of your testimony?**

23 A. The purpose of my testimony is to provide information regarding the 525 MW

24 combined cycle combustion turbine Currant Creek project (the “Currant Creek
25 Project”), the 534 MW combined cycle combustion turbine Lake Side project (the
26 “Lake Side Project”), and two long term purchase power agreements (“PPA”); the
27 Wolverine Creek LLC (Wolverine Creek) PPA and the Deseret Generation and
28 Transmission (DG&T) PPA.

29 **Q. Would you please summarize your testimony in this proceeding?**

30 A. My testimony will discuss the procurement process for the Currant Creek Project,
31 the Lake Side Project, and the two long-term PPAs (Wolverine Creek and
32 DG&T).

33 **The Currant Creek Project**

34 **Q. On what basis did PacifiCorp determine that the Currant Creek project was
35 needed?**

36 A. On January 24, 2003, PacifiCorp formally published its 2003 IRP. The 2003 IRP
37 and the 2003 IRP Update concluded that PacifiCorp needed substantial new
38 supply-side resources to meet its projected loads by the summer of 2005. The
39 Company’s supply-side resource decisions relative to Currant Creek respond to
40 this conclusion.

41 **Q. Would you please describe the acquisition process for the Currant Creek
42 Project.**

43 A. PacifiCorp issued a request for proposal (RFP 2003A) on June 6, 2003. RFP
44 2003A employed a blind bid evaluation process wherein bid responses were
45 submitted to an external consultant Navigant Consulting Inc. (“Navigant”) which,
46 in turn, assured that the responses were adequately blinded such that the bidding

47 entity was not known to PacifiCorp. Navigant then supplied the blinded bid
48 responses to the Company for evaluation. After an evaluation process, a short-list
49 of bids was established and the Company, in consultation with Navigant,
50 compared the economics of the bids against the Currant Creek Project, which was
51 the Company's cost-based self build alternative or, as referred to in RFP 2003A,
52 the Next Best Alternative ("NBA").

53 **Q. What was Navigant's overall role?**

54 A. Navigant's overall role was: (1) to make certain that the Company evaluated its
55 own build option for the 2005 and 2007 resource need in a manner that is
56 reasonable, fair, unbiased, and comparable to the extent practicable, against other
57 bids, and (2) to report on whether the process followed by the Company
58 adequately met these objectives. Navigant prepared a report entitled "Navigant
59 Consulting's Final Report on PacifiCorp's RFP 2003-A, dated September 8,
60 2004." A copy of this report is included as Exhibit UP&L___(MRT-1).

61 **Q. What did Navigant's report conclude?**

62 A. Page 48 of the Navigant report concluded that:

63 "PacifiCorp executed a fair and consistent process throughout the RFP to
64 identify the most cost effective resources for meeting its projected supply
65 needs. The criteria, tools, and types of personnel used were similar to
66 other resource solicitations used by other investor owned and municipal
67 utilities elsewhere."

68 **Q. Was the decision to construct Currant Creek made due to RFP 2003-A?**

69 A. Yes. Upon evaluating the alternatives presented via RFP 2003-A, the Company

70 determined that the Currant Creek resource was the best alternative for the 2005
71 resource category in the RFP.

72 **Q. Did Navigant agree with that decision?**

73 A. Yes. Page 45 of the Navigant report states that PacifiCorp's Next Best Alternative
74 (NBA):

75 "...was determined to be the lowest cost resource option within the
76 context of the RFP process."

77 **Q. Has a Certificate of Public Convenience and Necessity been issued for the
78 Currant Creek Project?**

79 A. Yes. On March 5, 2004, the Commission issued an order granting a Certificate of
80 Public Convenience and Necessity authorizing the Company to proceed with
81 construction of the Currant Creek Project. In its Order, the Commission
82 examined five alternative courses of action that the Company could have followed
83 to meet its summer 2005 peak deficiency: (1) rely exclusively on wholesale
84 market power purchases, (2) re-bid the peak bid category of the 2003-A RFP,
85 (3) re-analyze the bids already received, (4) restart negotiations with bidders, and
86 (5) proceed with building a new resource. The Commission found that a review
87 of these alternative actions "shows no better alternative at the present time than
88 proceeding with building a new resource," and, therefore, concluded that the
89 Currant Creek Project is required by the public convenience and necessity.
90 (Docket No. 03-035-29, March 5, 2004 Order, p. 20.)

91 **Q. Please describe the size and location of the Currant Creek resource.**

92 A. The Currant Creek resource is adjacent to the Company's Mona Substation in

93 Juab County, Utah. Phase One of the Currant Creek project consists of two
94 natural gas-fired simple cycle combustion turbine generators, each with a nominal
95 140 MW capacity, for a total of 280 MW. Phase One came on line during
96 June 2005 and was included in the Company's revenue requirement filing in
97 Docket No. 04-035-42. Phase Two of the project, which has a 2006 commercial
98 operation date converts the plant to a combined-cycle combustion turbine design
99 with a total capacity of 525 MW.

100 **Q. How does Phase Two benefit PacifiCorp's customers?**

101 A. Phase Two responds to the Company's 2003 IRP and 2003 IRP Update, which
102 identified a need for substantial new supply-side resources to meet the Company's
103 projected loads. In addition, Phase Two substantially increases the overall
104 efficiency of the Currant Creek project by converting the simple-cycle
105 combustion turbines to a combined-cycle configuration. This combined-cycle
106 configuration not only reduces the cost of producing power by making the project
107 more efficient, but adds environmental benefits by significantly reducing nitrogen
108 oxide and carbon monoxide emissions through the addition of selective catalytic
109 reduction systems and oxidation catalysts. In addition, Phase Two adds
110 approximately 100 MW of duct firing capability. Completion of Phase Two
111 allows the Company to maximize the generating potential of the Currant Creek
112 project in a cost-effective manner.

113 **Q. What costs related to Currant Creek are reflected in the Company's revenue**
114 **requirement in this filing?**

115 A. As I mention earlier, Phase One was included in the Company's last rate filing

116 and both Phase One and Phase Two of Currant Creek are included in this filing.
117 As discussed in Mr. Widmer's testimony, the Company's net power cost
118 calculation reflects the inclusion of both phases of Currant Creek. Mr. Weston's
119 testimony describes the revenue requirement calculations associated with the
120 inclusion of this resource.

121 **Q. What is the expected cost of the Currant Creek resource?**

122 A. The total cost of the Currant Creek resource is approximately \$346 million. The
123 cost associated with Phase Two of Currant Creek is \$188 million.

124 **Lake Side Project**

125 **Q. On what basis did PacifiCorp determine that the Lake Side project was**
126 **needed?**

127 A. As described above, PacifiCorp formally published its 2003 IRP (and the 2003
128 IRP Update) which concluded that PacifiCorp needed substantial new supply-side
129 resources to meet its projected loads by the summer of 2007. The Company's
130 supply-side resource decisions relative to Lake Side respond to this conclusion.

131 **Q. Was Navigant's role in RFP 2003-A relative to the Lake Side Project any**
132 **different than its role relative to the Currant Creek Project?**

133 A. No.

134 **Q. Does the conclusion reached by Navigant in its September 8, 2004 report**
135 **(referenced above) hold true for the Lake Side project as well as the Currant**
136 **Creek project?**

137 A. Yes, as stated above, page 48 of the report concluded that:

138 "PacifiCorp executed a fair and consistent process throughout the RFP to

139 identify the most cost effective resources for meeting its projected supply
140 needs. The criteria, tools, and types of personnel used were similar to
141 other resource solicitations used by other investor owned and municipal
142 utilities elsewhere.”

143 This conclusion holds for Lake Side as well as for Currant Creek.

144 **Q. Was the decision to construct Lake Side due to RFP 2003-A?**

145 A. Yes. Upon evaluating the alternatives presented via RFP 2003-A, the Company
146 determined that the Lake Side resource proposed by one of the bidders was the
147 best alternative for the 2007 resource category in the RFP.

148 **Q. Did Navigant agree with that decision?**

149 A. Yes. Page 47 of the Navigant report states that:

150 “Taken in aggregate, it was apparent that the preferred transaction would
151 be with the selected bidder due to its lower risk and its equivalent cost
152 characteristics”.

153 **Q. Please describe the size and location of the Lake Side resource.**

154 A. Summit Power, via Summit Vineyard, LLC (Summit), submitted the bid to
155 develop, construct, and transfer, upon completion, ownership of a 534 MW power
156 plant to PacifiCorp. The name of the project is the Lake Side Power Project.
157 Summit is developing the Lake Side Power Project on the Geneva Steel site.

158 **Q. What costs related to Lake Side are reflected in the Company’s revenue
159 requirement in this filing?**

160 A. The investment for the Lakeside project is projected to be \$347 million. The
161 Company has included a portion of the \$347 million investment in this filing

162 related to the months the unit is operational during the rate effective period. The
163 Lake Side project is on track to be operational by the summer of 2007. As
164 discussed in Mr. Widmer's testimony, the Company's net power cost calculation
165 reflects the inclusion of Lake Side for the same number of months that the
166 investment is included in the revenue requirement. Mr. Weston's testimony
167 describes the revenue requirement calculations associated with the inclusion of
168 this resource.

169 **Q. Has a Certificate of Public Convenience and Necessity been issued for the**
170 **Lake Side Project?**

171 A. Yes. On November 12, 2004, the Commission issued an order granting a
172 Certificate of Public Convenience and Necessity authorizing the Company to
173 proceed with construction of the Lake Side project. In its Order, the Commission
174 said:

175 "We conclude and find the Lake Side Power Project resource addition as
176 proposed by the Company is required by the public convenience and
177 necessity, and that a certificate to that effect should be issued." (Utah PSC
178 Docket No. 04-035-30, November 12, 2004 Order, p. 18)

179 The Commission reached this conclusion, in part, based on the following facts:

180 1. The Utah Division of Public Utilities (Division) hired its own consultant (in
181 addition to Navigant) to evaluate the Company's certificate application. Both
182 the Division and its consultant testified they found no evidence to refute
183 Navigant's conclusion that the solicitation and evaluation of base load bids
184 (the 2007 resource category in RFP 2003-A) was fair and equitable. The

185 Division's consultant also testified the selection of the preferred resource (the
186 Lake Side project) was a reasonable decision given the parameters of the base
187 load bid category, and

188 2. The Company testified the Lake Side project proposal by Summit represented
189 the most prudent balance between cost and risk. At the Utah PSC certificate
190 hearing, no party opposed the granting of a certificate of convenience and
191 necessity to the Company for the Lake Side project, or challenged the
192 Company's selection of the Lake Side project as the best alternative.

193 **Long-term PPAs**

194 **Q. Please describe the Wolverine Creek PPA.**

195 A. The Company entered into the Wolverine Creek PPA to purchase the entire output
196 from a 64.5 MW wind project located in southeast Idaho and interconnected with
197 the Company's system at the Goshen substation. Wolverine Creek Energy LLC is
198 a special purpose entity owned and operated by Invenergy, a Chicago-based
199 developer, owner and operator of power generation and energy delivery assets.
200 The Wolverine Creek PPA is for twenty years, from December 1, 2005 through
201 November 30, 2025.

202 **Q. What process did the Company undertake to make this resource acquisition?**

203 A. The Company's 2003 IRP and 2004 IRP identified a need for 1,400 MW of
204 economic renewable resources as part of a least cost portfolio of resources to meet
205 the Company's growing resource need over a ten-year period. In February 2004,
206 the Company issued RFP 2003-B to acquire up to 1,100 MW of cost-effective
207 renewable resources. In response to the RFP, the Company received about 55

208 bids and 188 bid options, representing approximately 74 separate facilities, from
209 about 35 bidders. Each proposal went through a standardized evaluation and
210 verification process by various PacifiCorp internal departments. Separate scores
211 for pricing, conformation to PacifiCorp's generic power purchase agreement,
212 environmental impacts, quality of delivery (firmness), and performance
213 guarantees were assessed. Preliminary studies for network transmission
214 requirements were developed and added to the individual proposals as a cost.
215 PacifiCorp announced it had determined an initial short list of bidders in August
216 2004, but amended this list following extension of the Federal Production Tax
217 Credit (PTC) through December 31, 2005 and with a focus on bids that claimed
218 an ability to meet the revised PTC deadline.

219 **Q. What happened after this evaluation process?**

220 A. The Wolverine Creek wind project (referred to at that time as the "Goshen Wind
221 Farm") was selected as a short-listed project. Sixteen months of on-site wind data
222 from five on-site anemometers were used to validate the project's energy
223 potential. Following internal reviews and approvals, the Company entered into
224 the Wolverine Creek PPA.

225 **Q. Please describe the DG&T PPA**

226 A. The DG&T resource is a long-term PPA for the purchase of capacity and
227 associated energy for delivery to PacifiCorp's Mona 345 kV substation. The
228 DG&T PPA compares favorably to the Currant Creek resource which means it
229 was amongst the best long-term resource alternatives available to the Company
230 that could be made available by the summer of 2005. At the time DG&T

231 approached PacifiCorp to negotiate the DG&T PPA; PacifiCorp had the benefit of
232 the RFP 2003A “2005 bid category” responses for comparison purposes.

233 **Q. What is the amount and term of the DG&T PPA?**

234 A. The DG&T PPA is for 100 MW and has a term of June 1, 2005 through
235 September 30, 2024.

236 **Q. Does this conclude your testimony?**

237 A. Yes.