

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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**VERIFIED APPLICATION OF ROCKY  
MOUNTAIN POWER FOR  
APPROVAL OF SIGNIFICANT  
ENERGY RESOURCE DECISION AND  
FOR CERTIFICATE OF PUBLIC  
CONVENIENCE AND NECESSITY**

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**DOCKET NO. 10-035-126  
Exhibit No. DPU 1.0  
  
Direct Testimony of  
Charles E. Peterson**

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**FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH**

**Direct Testimony of  
  
Charles E. Peterson**

**March 3, 2011**

**CONFIDENTIAL VERSION—SUBJECT TO UTAH PUBLIC SERVICE**

**COMMISSION RULE 746-100-16**

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**Direct Testimony of Charles E. Peterson**

**I. INTRODUCTION.**

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

A. My name is Charles E. Peterson; my business address is 160 East 300 South, Salt Lake City, Utah 84114; I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU). My resume is attached as DPU Exhibit 1.1.

**Q. On whose behalf are you testifying?**

A. The Division.

**Q. Have you testified before the Utah Public Service Commission (Commission) before?**

A. Yes. I testified in the PacifiCorp ECAM matter (Docket No. 09-035-15) providing both oral testimony and several rounds of written testimony. Additionally, among other projects, I have provided cost of capital testimony in PacifiCorp and Questar Gas Company general rate cases; I provided testimony in the PacifiCorp Chehalis plant acquisition matter; and I frequently provide testimony or memoranda on special contracts. I was the staff lead and provided testimony for the MEHC acquisition of PacifiCorp.

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23 **Q. What is the purpose of your testimony in this matter?**

24 A. My testimony presents the Division's position and recommendations regarding the request by  
25 PacifiCorp (Company), dba Rocky Mountain Power, for Commission approval of the  
26 acquisition of a combined cycle combustion turbine plant (CCCT) to be located at the  
27 Company's Lake Side site in Vineyard, Utah, along with the issuance by the Commission of  
28 a certificate of public convenience and necessity (CPCN) for the plant. I also present  
29 comments and recommendations regarding the Company's decision to terminate negotiations  
30 to purchase an existing plant in the Las Vegas, Nevada area which is known as the Apex  
31 plant. With regard to these issues, I summarize the testimony and recommendations of the  
32 Division's consultant Richard S. Hahn, a principal of La Capra Associates, Inc. located in  
33 Boston, Massachusetts (Mr. Hahn, or La Capra). Mr. Hahn is also providing testimony in this  
34 Docket.

35

36 **Q. What is the scope of your testimony?**

37 A. I will provide brief quotations and summarize the recommendations and conclusions of the  
38 Division's consultant Mr. Hahn, along with similar quotations and a summary of statements  
39 and conclusions made by the Utah Independent Evaluator, Merrimack Energy (Utah IE, or  
40 Merrimack). I will provide the Division's conclusions and recommendations. I will not  
41 provide the detailed analyses and comments performed by the Company in this lengthy RFP  
42 process or those of La Capra or the Utah IE since they can be found in their respective  
43 reports and testimony as well as in the Company's filings in this Docket.

44

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46

**II. SUMMARY AND RECOMMENDATIONS.**

47

48 **Q. What is the purpose of this Docket?**

49 A. This Docket was opened when PacifiCorp on December 21, 2010 filed an Application  
50 requesting that the Commission approve the acquisition of an addition natural gas power  
51 plant to be located at the Company's Lake Side site in Vineyard, Utah. The Application, filed  
52 under Docket No. 10-035-126, is the result of a PacifiCorp "All-Source" RFP process that  
53 had been underway for several years under Docket No. 07-035-94.

54

55 **Q. Please summarize what the Division's activities were within the All Source RFP, Docket**  
56 **No. 07-035-94.**

57 A. The Division was tasked to monitor the RFP and provide administrative support to the Utah  
58 IE who was hired by the Commission to monitor and evaluate the RFP process. The state of  
59 Oregon also hired its own independent evaluators (Oregon IEs).<sup>1</sup> In this capacity, the  
60 Division attended, primarily as an observer, many, but not all, conference calls between the  
61 Company and the Utah IE and the Oregon IEs. The Division was copied on e-mails and  
62 received copies of most documents provided to the IEs by the Company, or documents  
63 produced by the IEs.

64

65 **Q. The Division had an understanding of the status of the RFP process at all times, is that**  
66 **correct?**

67 A. Yes, at least at a high level.

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<sup>1</sup> When simply "the IEs" are referred to, it means both the Utah IE and the Oregon IEs together.

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68 **Q. Please briefly outline the history of the RFP process that resulted in the Company's**  
69 **application for approval of the acquisition of the Lake Side 2 plant and the CPCN in**  
70 **this Docket.**

71 A. The chronology of the RFP is extensively detailed in Merrimack's reports and also  
72 summarized by Mr. Hahn in his testimony. However, I provide the following brief outline of  
73 the RFP:

74  
75 The Company reissues its All-Source RFP on December 2, 2009, after a six-month  
76 suspension. On July 10, 2010, the Company adopts its initial short list. By October 7, 2010  
77 the Company narrows its initial short list to a final short list. [REDACTED]

78 [REDACTED] are the members of the final short list. On December 10,  
79 2010, [REDACTED]

80 [REDACTED]  
81 [REDACTED]

82 [REDACTED] Finally, December 21, 2010, the Company files the  
83 application in Utah for the Commission to approve the construction of the Lake Side 2 plant  
84 under Docket No. 10-035-126.

85  
86 **Q. Please review the activities which led to the Division's position in this Docket.**

87 A. First, as discussed above, the Division participated in the RFP process. Second, the Division  
88 has reviewed the reports of Merrimack in its capacity as Utah IE. Third, the Division has  
89 reviewed the application and testimony supplied by the Company. Fourth, the Division has  
90 reviewed the data requests written by the Division and others (primarily the Office of

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91 Consumer Services) and responses thereto. Finally, the Division has hired an outside  
92 consultant, La Capra Associates, and has reviewed the testimony by La Capra Associates  
93 along with questioning the experts at La Capra.

94

95 **Q. What is the Division's position of the RFP process?**

96 A. The Division agrees with the Utah IE that the RFP process was, in general well run, and, with  
97 one exception, worked the way it was supposed to. The Division believes that the process  
98 that produced the proposed acquisition of the Lake Side 2 plant to be built by CH2M Hill  
99 was well managed. [REDACTED]

100 [REDACTED]

101 [REDACTED] over the weekend of December 10<sup>th</sup> to December 12<sup>th</sup>.<sup>2</sup>

102

103 **Q. What are the Division's conclusions regarding the Company's request to acquire the**  
104 **Lake Side 2 plant to be built by CH2M Hill, along with the issuance by the Commission**  
105 **of a CPCN for the Lake Side 2 plant?**

106 A. The Division concludes that the acquisition of the CH2M Hill Lake Side 2 plant is the least  
107 cost, least risk single plant option available to fulfill the need shown in the Company's IRP  
108 and acknowledged by the issuance of the RFP. Through Mr. Bruce William's testimony the  
109 Company demonstrates that it has the financial wherewithal to make this acquisition. Based  
110 on the foregoing, the Division concludes that the acquisition of the CH2M Hill Lake Side 2  
111 plant is in the public interest.

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<sup>2</sup> Merrimack, "Final Report of the Utah Independent Evaluator, PacifiCorp All Source Request for Proposals, Confidential Version, Docket No. 07-035-94 And Docket No. 10-035-126," January 25, 2011, pp 3-4.

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112

113 **Q. What does the Division recommend to the Commission regarding the CH2M Hill Lake**  
114 **Side 2 plant?**

115 A. The Division recommends that the Commission approve PacifiCorp's acquisition of the  
116 CH2M Hill acquisition and issue a CPCN for the plant.

117

118 **Q. What is the Division's understanding of the status of the Apex plant?**

119 A. LS Power bid its Apex plant into this RFP in March 2010 along with the other bidders.

120 Originally the Apex plant [REDACTED]

121 [REDACTED]

122 [REDACTED]

123 [REDACTED]

124 [REDACTED]

125 [REDACTED]

126 [REDACTED]

127 [REDACTED]

128 [REDACTED]

129 [REDACTED]

130 [REDACTED]

131 [REDACTED]

132

133

134



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135 **Q. Does the Division have any comments regarding the current status of the Apex plant?**

136 A. Yes. [REDACTED]

137 [REDACTED]

138 [REDACTED]

139 [REDACTED]

140

141 **Q. What is the conclusion of the Division's consultant, La Capra?**

142 A. La Capra concludes that PacifiCorp [REDACTED].<sup>3</sup>

143

144 **Q. Does the Division support the conclusion of La Capra?**

145 A. Yes. As explained above and in additional detail below, [REDACTED]

146 [REDACTED]

147

148 **Q. What are the Divisions conclusions and recommendations?**

149 A. The Division at this point has reached the following conclusions:

150 a. The RFP process worked with respect to the CH2M Hill Lake Side 2 plant.

151 b. The CH2M Hill Lake Side 2 plant acquisition is in the public interest.

152 [REDACTED]

153 [REDACTED]

154 [REDACTED]

155 [REDACTED]

156

157 The Division makes the following recommendations:

158

159 f. The Commission should approve the acquisition of the CH2M Hill Lake Side 2 plant.

160 g. The Commission should issue a CPCN for the CH2M Hill Lake Side 2 plant.

161 [REDACTED]

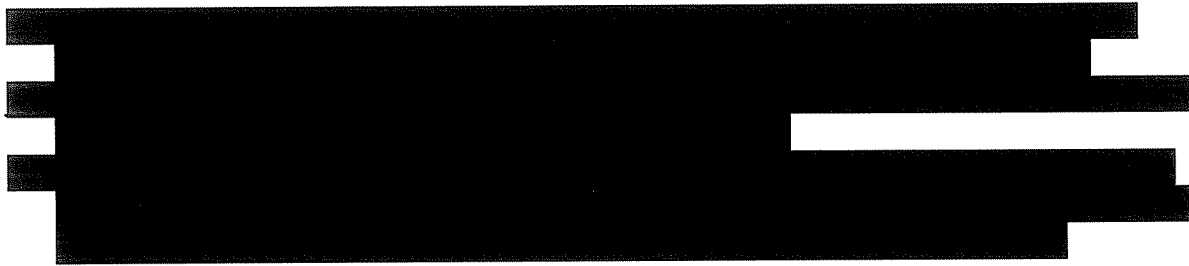
162 [REDACTED]

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<sup>3</sup> Direct Testimony of Richard S. Hahn, p. 4

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**III. ALL SOURCE REQUEST FOR PROPOSALS REVIEW.**

173

174 **Q. Please explain what the Division’s activities were within the All Source RFP, Docket No.**  
175 **07-035-94?**

176 A. The Division was tasked to monitor the RFP and provide administrative support to the  
177 Merrimack Energy Group, Inc., the independent evaluator hired by the Commission to  
178 monitor and evaluate the RFP process (Merrimack or Utah IE). In this capacity, the Division  
179 attended, primarily as an observer, many, but not all, conference calls between the Company  
180 and the Utah IE and the Oregon IEs. The Division was copied on e-mails and received copies  
181 of most documents provided to the IEs by the Company, or documents produced by the IEs.  
182 The Division also had the opportunity along with the IEs, but often did not avail itself of the  
183 opportunity, to listen in on negotiations between the Company and bidders. The Division also  
184 facilitated the scheduling of conference calls or other meetings and the exchange of  
185 documents as necessary, the Division also provided clerical and “back office” support to the  
186 IE in behalf of the Commission as necessary.

187

188

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189 **Q. The Division then had an understanding of the status of the RFP process at all times, is**  
190 **that correct?**

191 A. Including times when there was a few days' lag, the Division usually had a general idea of  
192 the status of the RFP. The Division did not follow actual negotiations between the Company  
193 and bidders closely, and so usually only had a very "high level" understanding of the status  
194 of negotiations.

195  
196 **Q. Please briefly outline the history of the RFP process that resulted in the Company's**  
197 **application.**

198 A. The history of the RFP is detailed in the Utah IE reports and also summarized in the Mr.  
199 Hahn's testimony. The Division does not repeat this history. However, the following is a  
200 brief outline of the RFP:

201 [REDACTED]  
202 [REDACTED]  
203 [REDACTED]  
204 [REDACTED]  
205 [REDACTED]  
206 [REDACTED]  
207 [REDACTED]  
208 [REDACTED]  
209 [REDACTED]  
210 [REDACTED]  
211 [REDACTED]  
212 [REDACTED]  
213 [REDACTED]

- 214 g. December 21, 2010, the Company filed the application in Utah for the Commission to
- 215 approve the construction of the Lake Side 2 plant.
- 216 h. January 4, 2011, a scheduling conference was held in this Docket.
- 217 i. March 3, 2011, the scheduled filing of direct testimony by intervenors.
- 218 j. March 29, 2011, the scheduled hearing in this Docket.

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**IV. LAKE SIDE 2 PROPOSALS.**

221

222 **Q. Please describe the Lake Side 2 proposals.**

223 A. There were two proposals to use the Company's site in Vineyard, Utah for a second natural  
224 gas unit. [REDACTED]

225 [REDACTED] The second proposal was  
226 submitted by CH2M Hill.

227

228 **a. [REDACTED] Benchmark Bid.**

229

230 [REDACTED]

231 [REDACTED]

232 [REDACTED]

233 [REDACTED]

234 [REDACTED]

235 [REDACTED]

236

237 [REDACTED]

238 A. Yes. Merrimack observes that

239

240 **PacifiCorp treated the benchmark option fairly and consistently relative to**  
241 **all other bids. The benchmark resource was required to provide the same**  
242 **information as all other bidders and was evaluated consistently.**  
243 **Furthermore, PacifiCorp took care in the evaluation to ensure all cost**  
244 **information provided by the bids at the Lake Side site was consistent and**  
245 **complete. PacifiCorp utilized the benchmark resource option expertly in this**

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246 **process to negotiate more favorable pricing and contract terms from**  
247 **competitive options.<sup>4</sup>**  
248

249 **Q. Was the bid competitive?**

250 A. Yes. Merrimack Energy reports that

251 **[t]he economic results from early on [in] the evaluation process pointed to a**  
252 **very competitive process between CH2M Hill and the benchmark resource at**  
253 **the same Lake Side 2 site. As a result, only one of the options could be**  
254 **successful. CH2M Hill would serve as the EPC contractor for their project**

255 [REDACTED]

256 [REDACTED]

257 [REDACTED]

258 [REDACTED]

259 [REDACTED]

260 [REDACTED]

261 [REDACTED]

262 [REDACTED]

263 [REDACTED]

264 [REDACTED]

265 [REDACTED]

266 [REDACTED]

267 [REDACTED]

268 [REDACTED]

269 [REDACTED]

270 [REDACTED]

271 [REDACTED]

272 [REDACTED]

273 [REDACTED]

274 [REDACTED]

275 [REDACTED]

276 **The EPC contract with CH2M Hill was executed on December 14, 2010.<sup>6</sup>**

277 [REDACTED]

278 [REDACTED]

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<sup>4</sup> Merrimack Energy, "Final Report of the Utah Independent Evaluator, PacifiCorp All Source Request for Proposals, Confidential Version, Docket No. 07-035-94 And Docket No. 10-035-126," January 25, 2011, p. 4.

<sup>6</sup> Merrimack, Final Report, pp. 82-84.

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279 **Q. What does the Division conclude regarding the Benchmark bid?**

280 A. The evidence suggests that the benchmark bid [REDACTED]  
281 [REDACTED] The Division accepts the determination that the CH2M Hill  
282 bid was somewhat superior for the reasons Merrimack presented, discussed above.

283

284 **b. CH2M-Hill**

285

286 **Q. Please describe the CH2M Hill bid.**

287 A. Initially the CH2M Hill bid was for a project at the Company's Lake Side 2 site for a 617  
288 MW CCCT. After significant negotiations, the negotiated terms were for a 637 MW CCCT  
289 for [REDACTED]. In the direct testimony of Company witness Stefan Bird, [REDACTED]  
290 [REDACTED]  
291 [REDACTED] The details  
292 of the negotiations and changes in terms as the negotiations developed are reported by  
293 Merrimack.<sup>8</sup>

294

295 **c. Merrimack Energy's Comments on Lake Side 2.**

296

297 **Q. What position did Merrimack Energy take with respect to the Lake Side 2 bids?**

298 A. Merrimack reports the following:

299

300 [REDACTED]

301 [REDACTED]

<sup>7</sup> Direct Testimony of Stefan Bird, December 2010, Lines 360-375.

<sup>8</sup> See Merrimack Energy, Final Report, p. 75.

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Merrimack Energy was in agreement with PacifiCorp’s decision to select the CH2MHill proposal at Lake Side as a preferred resource.**

**The acquisition of the CH2MHill project at Lake Side is in the public interest and should lead to the acquisition, production and delivery of electricity at the lowest reasonable cost to PacifiCorp’s retail customers taking into consideration long-term and short-term impacts, risks, reliability and financial impacts on PacifiCorp. In that regard, the resource selected through this process represents a resource that was subject to detailed scrutiny and evaluation, was vetted through a fair and equitable process, is subject to a contractual arrangement that ensures an effective balance of risk with benefits to customers.<sup>10</sup>**

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[REDACTED]

<sup>10</sup> Merrimack Energy, Final Report, p. 111.

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**The IE confirms that the negotiations between PacifiCorp and CH2MHill and PacifiCorp and LS Power for the Apex plant were conducted in a fair and consistent manner, with no undue biases toward any bidder.**

[REDACTED]

355 **d. La Capra's Comments on Lake Side 2.**

356

357 **Q. What comments did the Division's consultant, Mr. Hahn, have regarding the CH2M**  
358 **Hill proposal?**

359 **A. The following quotes summarize what La Capra concluded regarding the CH2M Hill Lake**  
360 **Side 2 plant:**

361 **The Utah IE supports the acquisition of the CH2M plant. According to the**  
362 **Utah IE's final report, CH2M Hill Lake Side 2 has been evaluated as one of**  
363 **the lowest reasonable cost qualifying resources including all costs and risks.**  
364 **This was determined through Company's Request for Proposals for Flexible**  
365 **Resources (RFP) approved by the Commission on September 25, 2008 in**  
366 **Docket No. 07-035-94...**

367  
368 **Based on these results, the Company submitted a draft report on September**  
369 **10, 2010 to Utah IE.**

370 [REDACTED]  
371 [REDACTED]  
372 [REDACTED]  
373 [REDACTED]  
374 [REDACTED]  
375 [REDACTED]  
376 [REDACTED]  
377 [REDACTED]  
378 [REDACTED]

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<sup>11</sup> Ibid. p. 115.



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[REDACTED]

[REDACTED]

**I concur with the Company and the Utah IE that this project is a very attractive resource that emerged from the RFP process. The Commission should approve the Significant Energy Decision to acquire this asset.<sup>12</sup>**

**e. The Division's Conclusions on Lake Side 2.**

**Q. The Company delayed this RFP and earlier canceled the acquisition of a plant at its Lake Side 2 site. Was this delay and cancelation ultimately beneficial to ratepayers?**

**A. Yes. While the final numbers won't be available until after the Lake Side 2 plant is completed, it appears that by waiting the Company saved ratepayers approximately \$** [REDACTED]

<sup>12</sup> Direct Testimony of Richard Hahn, March 3, 2011, pp. 10-15.

<sup>13</sup> [REDACTED]

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408 **Q. What is the Division's view of the Lake Side 2 bids?**

409 A. As highlighted above and detailed in their respective reports and testimony, both Merrimack  
410 Energy and La Capra support PacifiCorp's selection of the CH2M-Hill bid for the Lake Side  
411 2 site. The Division notes that the additional generating capacity that will be procured by the  
412 summer of 2014 from the site is within the 1,500 MW approved by the Commission for the  
413 All-Source RFP. The conclusion from the approval of the RFP is that the Commission, and  
414 by extension the Division and other interested parties, is that there was a demonstrated need  
415 for the acquisition of 1,500 MW. Although the details vary, the acknowledged 2008 IRP and  
416 the 2008 IRP Update indicated a need for future capacity roughly in the indicated time  
417 frames. The Division has no information from its own review and the comments of both the  
418 Utah IE and the Division's consultant, La Capra, to oppose the Lake Side 2 plant. Therefore  
419 the Division supports the acquisition of the Lake Side 2 plant through CH2M Hill and the  
420 issuance of a CPCN for that plant.

421

422 **V. LS POWER'S APEX PLANT.**

423

424 **a. Plant Description.**

425 **Q. Please describe the Apex plant.**

426 A. The Apex plant is an approximately 543 MW<sup>14</sup> CCCT natural gas plant located about 10  
427 miles northeast of Las Vegas, Nevada. It receives its natural gas fuel via Kern River Gas  
428 Transmission Company and primarily sells its power to the Mead, Nevada interconnect.  
429 While the Apex plant is operated under the name of Las Vegas Power, LLC, the effective

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<sup>14</sup> Merrimack, Final Report. p. 69

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430 owner is LS Power. In 2008 LS Power attempted to sell the plant to Nevada Power for  
431 approximately \$545 million; however in a controversial move, Nevada Power apparently  
432 with the support of Nevada regulators, went forward with a sell-build plant costing  
433 approximately \$780 million.<sup>15</sup>

434  
435 [REDACTED]  
436 [REDACTED]  
437 [REDACTED]  
438 [REDACTED]

439

440 **Q. What is the Division's understanding of the history of the Apex plant?**

441 A. LS Power bid its Apex plant into this RFP in March 2010 along with the other bidders.

442 [REDACTED]  
443 [REDACTED]  
444 [REDACTED]  
445 [REDACTED]  
446 [REDACTED]  
447 [REDACTED]

448

449 On Friday morning, December 10, 2010 [REDACTED]

450 [REDACTED]

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<sup>15</sup> Las Vegas Sun, "Court rules in favor of Nevada Power over natural gas plant" by Cy Ryan, September 28, 2010.  
<sup>16</sup> Ibid., p. 63.

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451 [REDACTED]

452 [REDACTED]

453 [REDACTED]

454 [REDACTED]

455 [REDACTED]

456 [REDACTED]

457 [REDACTED]

458 [REDACTED]

459 [REDACTED]

460 [REDACTED]

461 [REDACTED]

462 [REDACTED]

463 [REDACTED]

464 [REDACTED]

465 [REDACTED]

466 [REDACTED]

467 [REDACTED]

468 [REDACTED]

469 [REDACTED]

---

<sup>17</sup> [REDACTED]

<sup>18</sup> PacifiCorp witness Gregory N. Duvall, errata testimony, January 13, 2011.

<sup>19</sup> [REDACTED]

<sup>20</sup> Merrimack Op. Cit. pp. 76-82.

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470

471 **Q. Does the Division have any comments regarding the current status of the Apex plant?**

472 A. Yes. [REDACTED]

473 [REDACTED]

474 [REDACTED]

475 [REDACTED]

476

477 **b. Timeline.**

478

479 **Q. You have previously outlined the chronology of the RFP process. Are there details of**  
480 **the chronology that are relevant to a discussion of the Apex Plant?**

481 A. Yes. The details of the Apex plant chronology in the RFP highlight how anomalous the  
482 decision to terminate negotiations for the Apex plant was.

483

484 **Q. Please provide these details that you believe are relevant.**

485 A. DPU Exhibit 1.2 sets forth an annotated chronology of the events that are peculiar to the  
486 Apex plant.

487

488 [REDACTED]

489 [REDACTED]

490 [REDACTED]

491 [REDACTED]

---

<sup>21</sup> Merrimack, Final Report, p. 72, Footnote 28.

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492 [REDACTED]

493 [REDACTED]

494 [REDACTED]

495 [REDACTED]

496 [REDACTED]

497 [REDACTED]

498 [REDACTED]

499 [REDACTED]

500

501 [REDACTED]

502 [REDACTED]

503 [REDACTED]

504 [REDACTED]

505 [REDACTED]

506 [REDACTED]

507 [REDACTED]

508 [REDACTED]

509 [REDACTED]

510 [REDACTED]

511 [REDACTED]

<sup>22</sup> HIGHLY CONFIDENTIAL COMMENTS OF ICNU. Docket UM1360, December 10/14, 2010.

<sup>23</sup> There is some confusion about the date this report was filed. The Oregon Commission website indicates that the report was filed December 9, 2010. The date on the report itself is December 8, 2010. However, on the Division's copy there is a heading that it was faxed on December 10, 2010 at 13:48.

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512 [REDACTED]

513 [REDACTED]

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540 [REDACTED]

541 [REDACTED]

542 [REDACTED]

543

544 [REDACTED]

545 [REDACTED]

546 [REDACTED]

547 [REDACTED]

548 [REDACTED]

549

550 [REDACTED]

551 [REDACTED]

552 [REDACTED]

553 [REDACTED]

554 [REDACTED]

555 [REDACTED]

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<sup>24</sup> Pacific Power is the name of a division of PacifiCorp that provides local distribution service in California, Oregon, and Washington.



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556 [REDACTED]

557 [REDACTED]

558 [REDACTED]

559 [REDACTED]

560 [REDACTED]

561  
562 [REDACTED]

563 [REDACTED]

564 [REDACTED]

565 [REDACTED]

566 [REDACTED]

567

568 **c. Merrimack Energy's Comments on the Apex Plant.**

569

570 [REDACTED] What has Merrimack Energy stated [REDACTED]

571 [REDACTED]

572 [REDACTED]

573 [REDACTED]

574 [REDACTED]

575 [REDACTED]

576 [REDACTED]  
577 [REDACTED]  
578 [REDACTED]  
579 [REDACTED]  
580 [REDACTED]  
581 [REDACTED]  
582 [REDACTED]

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599

[REDACTED]

600 **d. La Capra's Comments on the Apex Plant.**

601

602 **Q. Please describe the analysis Mr. Hahn performed in evaluating the Apex plant.**

603

A. [REDACTED]

604

[REDACTED]

605

[REDACTED]

606

[REDACTED]

607

[REDACTED]

608

[REDACTED]

609

[REDACTED]

610

[REDACTED]

611

[REDACTED]

---

<sup>25</sup> Merrimack, Final Report, p. 3.  
<sup>26</sup> Ibid. p. 4.

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612

613 [REDACTED]

614 [REDACTED]

615 [REDACTED]

616 [REDACTED]

617 [REDACTED]

618 [REDACTED]

619 [REDACTED]

620 [REDACTED]

621 [REDACTED]

622 [REDACTED]

623 [REDACTED]

624 [REDACTED]

625 [REDACTED]

626 [REDACTED]

627 [REDACTED]

628 [REDACTED]

629 [REDACTED]

630 [REDACTED]

631 [REDACTED]

632 [REDACTED]

633 [REDACTED]

634 [REDACTED]

635 [REDACTED]

636 [REDACTED]

637 [REDACTED]

638 [REDACTED]

639 [REDACTED]

640 [REDACTED]

641 [REDACTED]

642 [REDACTED]

643 [REDACTED]

644 [REDACTED]

645 [REDACTED]

646 [REDACTED]

647 [REDACTED]

648 [REDACTED]

649

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<sup>27</sup> Richard Hahn, Op. Cit. pp. 3-4.

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650 **e. The Division's Conclusions.**

651

652 **Q. Did the Division originally support or oppose the prospect of acquiring the Apex plant?**

653 A. [REDACTED]

654 [REDACTED]

655 [REDACTED]

656

657 [REDACTED]

658 [REDACTED]

659 [REDACTED]

660 [REDACTED]

661 [REDACTED]

662 [REDACTED]

663 [REDACTED]

664

665 [REDACTED]

666 [REDACTED]

667 [REDACTED]

668 [REDACTED]

669 [REDACTED]

670 [REDACTED]

671 [REDACTED]

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672 [REDACTED]

673 [REDACTED]

674

675 [REDACTED]

676 [REDACTED]

677 [REDACTED]

678 [REDACTED]

679 [REDACTED]

680 [REDACTED]

681 [REDACTED]

682

683 [REDACTED]

684 [REDACTED]

685 [REDACTED]

686 [REDACTED]

687 [REDACTED]

688 [REDACTED]

689 [REDACTED]

690 [REDACTED]

691

692 [REDACTED]

693 [REDACTED]

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<sup>28</sup> To quote the cliché, “a bird in the hand is worth two in the bush.”

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694 [REDACTED]

695 [REDACTED]

696 [REDACTED]

697 [REDACTED]

698 [REDACTED]

699 [REDACTED]

700 [REDACTED]

701 [REDACTED]

702 [REDACTED]

703 [REDACTED]

704 [REDACTED]

705 [REDACTED]

706

707 [REDACTED]

708 [REDACTED]

709

710 [REDACTED]

711 [REDACTED]

712 [REDACTED]

713 [REDACTED]

714

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<sup>29</sup> Richard Hahn, Op. Cit. p. 4.

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715

[REDACTED]

716

[REDACTED]

717

[REDACTED]

718

[REDACTED]

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[REDACTED]

720

[REDACTED]

721

[REDACTED]

722

[REDACTED]

723

[REDACTED]

724

725

[REDACTED]

726

[REDACTED]

727

728

729

**VI. CONCLUSIONS AND RECOMMENDATIONS.**

730

731 **Q. What conclusions have you reached?**

732

A. Based upon the conclusions of Merrimack Energy and La Capra, plus the Division's own

733

review of the timeline and documents, at this point the Division believes that the Company

734

did well in its RFP process that determined the initial short list and the subsequent

735

negotiation with CH2M Hill for a Lake Side 2 plant. Based upon the approved RFP to seek

736

up to 1,500 MW in new resources and the need shown by the Company's 2008

737

acknowledged IRP and the 2008 IRP Update, the Division concludes that the Lake Side 2

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738 plant is needed and in the public interest. Therefore, the Division concludes that the  
739 acquisition of the CH2M Hill Lake Side 2 plant is in the public interest and that a CPCN  
740 should be issued for this plant.

741  
742 [REDACTED]  
743 [REDACTED]  
744 [REDACTED]  
745 [REDACTED]  
746 [REDACTED]  
747 [REDACTED]  
748 [REDACTED]  
749 [REDACTED]  
750 [REDACTED]  
751 [REDACTED]  
752 [REDACTED]  
753 [REDACTED]  
754 [REDACTED]  
755 [REDACTED]  
756 [REDACTED]  
757 [REDACTED]  
758 [REDACTED]  
759



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760 [REDACTED]  
761 [REDACTED]  
762 [REDACTED]  
763 [REDACTED]

764

765 **Q. Mr. Hahn recommends changes to future RFPs. What are these recommendations?**

766 **Does the Division support these recommendations?**

767 A. Mr. Hahn makes three basic recommendations for future RFPs. The first is to not fix IRP  
768 resources after the time period of the expected on-line dates of the proposed acquisitions. The  
769 second is to prohibit generic resources to compete against bids. Third, unmet energy costs  
770 and risk adjustments should be left in the RFP evaluations.

771

772 **Q. Does the Division support these recommendations?**

773 A. The Division believes these recommendations may have merit, but defers recommending  
774 them or discussing them further in this Docket but may bring them up in the Company's next  
775 RFP.

776

777 **Q. What do you recommend?**

778 A. The Division recommends that the Commission approve the acquisition of the CH2M Hill  
779 Lake Side 2 plant and issue a CPCN for that plant.

780

781 With respect to the Apex plant, the Division recommends the following:

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782 [REDACTED]  
783 [REDACTED]  
784 [REDACTED]  
785 [REDACTED]  
786 [REDACTED]  
787 [REDACTED]  
788 [REDACTED]  
789 [REDACTED]  
790 [REDACTED]  
791 [REDACTED]  
792 [REDACTED]  
793 [REDACTED]  
794 [REDACTED]  
795 [REDACTED]  
796 [REDACTED]  
797 [REDACTED]  
798 [REDACTED]

799

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

801 **A. Yes.**

802