

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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 1.0R
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Rebuttal Testimony of  
Artie Powell  
Division of Public Utilities

October 15, 2004

REBUTTAL TESTIMONY OF  
ARTIE POWELL  
DIVISION OF PUBLIC UTILITIES  
DOCKET NO. 04-035-30

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

2   A:   My name is Artie Powell; my business address is 160 E 300 S Salt Lake City, Utah  
3       84114; I am a Technical Consultant and acting manger with the Division of Public  
4       Utilities.

5   **Q:   Did you previously file direct testimony in this case?**

6   A:   Yes.

7   **Q:   What is the purpose of your rebuttal testimony?**

8   A:   I would like to address a few comments to UAE witness Mr. Roger Weir’s direct  
9       testimony.

10  **Q:   In direct testimony, Mr. Weir expresses the opinion that “PacifiCorp’s RF**  
11       **process has lost all outside credibility. Do you agree with Mr. Weir’s**  
12       **assessment of PacifiCorp’s RFP process?**

13  A:   No. While PacifiCorp’s process was not perfect, it was a fair and reasonable  
14       process. Because it was fair and reasonable, I do not believe that it has lost outside  
15       credibility.

16  **Q:   Why do you say that the process was fair and reasonable?**

17  A:   Navigant Consulting (“Navigant”), a nationally recognized and reputable  
18       consulting firm, was retained by PacifiCorp to monitor its RFP process. Navigant

1 participated in every aspect of the process including pre-bid workshops, screening  
2 the bids to assure proper blinding, clarifying discussions with bidders and  
3 PacifiCorp, and PacifiCorp's evaluation of each bid. In a report to the Commission  
4 Navigant states, "Each alternative [bid] considered by the Company was given an  
5 equal opportunity to be the resource option of choice for PacifiCorp to meet its  
6 projected supply needs. Bidders were also provided ample opportunity to put forth  
7 the best offers that they wanted PacifiCorp to consider."

8 Navigant further stated, "It [the RFP process] satisfied the primary criteria  
9 [Navigant] looked for in the process: equal opportunity, analytical objectivity,  
10 reasonableness and consistency. Having met these, [Navigant] supports the RFP  
11 process as having been managed in an effective manner with results that are readily  
12 supportable."<sup>1</sup> Navigant concludes, "PacifiCorp executed a fair and consistent  
13 process throughout the RFP to identify the most cost effective resources for  
14 meeting its supply needs."<sup>2</sup>

15 Additionally, independent consultants retained by the Division for this case reached  
16 similar conclusions. In direct testimony Mr. Wayne Oliver states, "[T]he  
17 competitive bidding process undertaken by PacifiCorp meets a number of  
18 characteristics of an effective bidding program". Mr. Oliver continues by  
19 explaining, "Navigant Consulting, as the outside observer, has concluded that the

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<sup>1</sup> "Navigant Consulting's Final Report on PacifiCorp's RFP 2003-A," (Public Version), September 8, 2004, p. 2.

<sup>2</sup> *Ibid*, p. 48.

1 process was fair and equitable. I have found no evidence to refute Navigant's  
2 conclusions."<sup>3</sup>

3 **Q: Do you agree with Mr. Weir's claim that Navigant was not an independent**  
4 **evaluator?**

5 A: No. Navigant's contract with PacifiCorp represents only a small fraction of  
6 Navigant's total revenues, which, according to Navigant's 2003 Annual report, was  
7 over \$317 million in 2003. (See DPU Exhibit 1.1R). With more than 1,200  
8 consultants nationwide, it is hard to see what incentive Navigant would have in  
9 jeopardizing its reputation and integrity by deliberately biasing its reporting to  
10 support the PacifiCorp.

11 **Q: Mr. Weir refers to real levelization – the evaluation methodology used by**  
12 **PacifiCorp – as a “landmine.” Do you agree with his assessment?**

13 A: Absolutely not. Real levelization was a major point of discussion in the Currant  
14 Creek proceedings (Docket No. 03-035-29), wherein the Division sponsored  
15 testimony indicating that real levelization is a valid methodology for comparing  
16 bids of different lives and capacities. Since the conclusion of that docket, I have  
17 found no evidence to refute the validity of this methodology. Indeed, all of the  
18 evidence I have seen indicates that real levelization is a valid methodology for  
19 comparing projects with different lives. For example, at a technical conference  
20 sponsored by the Commission, Calpine Corporation submitted a report by an  
21 independent consulting firm, Boston Pacific, which supports the use of real  
22 levelization. (See DPU Exhibit 1.2R). All parties, including the UAE,

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<sup>3</sup> “Direct Testimony of Wayne J. Oliver on Behalf of the Division of Public Utilities,” September 27, 2004, Docket No. 04-035-30, p. 31.

1 participating in the technical conference were asked to provide comments on the  
2 evaluation issue. While some participants at the technical conference expressed  
3 concerns about the use of real levelization, no party presented evidence refuting  
4 Boston Pacific's report and the validity of the real levelization methodology.

5 **Q: Does this conclude your rebuttal testimony?**

6 **A:** Yes it does.