

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 1.0R
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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."¹ 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."²

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

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

² *Ibid*, p. 48.

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

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,

³ “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.