
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Request of Rocky
Mountain Power for a Waiver of Solicitation
Process and for Approval of Significant
Energy Resource Decision

DOCKET NO. 08-035-35

Supplemental Testimony of

Wayne Oliver

Public Service Commission of Utah

July 10, 2008

I. INTRODUCTION

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Q. WOULD YOU PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS?

A. My name is Wayne J. Oliver. I am Principal and Founder of Merrimack Energy Group, Inc. (Merrimack Energy), 155 Borthwick Avenue, Suite 101, Portsmouth, New Hampshire, 03801.

Q. ARE YOU THE SAME WAYNE OLIVER THAT SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN THIS PROCEEDING?

A. I concluded in my Direct Testimony that while the results of the analysis conducted by PacifiCorp appeared to indicate that the acquisition of the Chehalis plant is a reasonable resource decision and is in the public interest, I did not have an adequate opportunity to verify the documentation supporting an important last minute adjustment made by PacifiCorp to its analysis to allow me to draw a conclusion whether the acquisition of the Chehalis plant is in the best interests of customers.

Q. PLEASE DESCRIBE THE NATURE OF THE ADJUSTMENT TO THE ANALYSIS AND THE IMPACT ON THE ANALYSIS OF THE CHEHALIS PLANT.

24 A. In response to data requests of the IE and the Division of Public Utilities, PacifiCorp
25 provided the results of a stochastic analysis of eleven portfolios considered in the
26 evaluation of the bids received in response to the 2012 Base Load Request for Proposals
27 (RFP) as well as a portfolio with Chehalis and two other bids submitted in response to
28 the RFP that were included on the short list. The original results submitted in response to
29 DPU 6.2 1st Supplemental Stochastic Result, June 17, 2008 indicated that the portfolio
30 with the Chehalis plant was ranked seventh on a Stochastic Average basis. PacifiCorp,
31 however, subsequently recognized that the analysis contained an error in the calculation
32 of pipeline demand charges for the short listed resources from the 2012 RFP and
33 proceeded to make revisions to the analysis to reflect the increase in pipeline demand
34 charges for each of the applicable portfolios. As a result of the revisions in the pipeline
35 demand charges, the cost of the applicable portfolios increased since the error made by
36 PacifiCorp understated the cost (on a Present Value Revenue Requirements basis) of
37 each portfolio. Upon correction of this error and subsequent adjustments to the cost of
38 each portfolio, the portfolio with Chehalis and two other bids was ranked first on a
39 corrected Stochastic Average basis, indicating that this portfolio was the lowest cost
40 portfolio and would have been selected had the Chehalis plant bid into the 2012 RFP.

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42 Q. PLEASE DESCRIBE THE NATURE OF THE ERROR.

43 A. PacifiCorp's analysis understated the pipeline demand charges associated with each
44 short listed gas-fired combined cycle bid into the RFP because of an error in the
45 interpretation of the pipeline demand charges from the Kern River Gas Transmission
46 Company's tariff. In summary, the firm rates in the tariff are presented as a Daily

47 Reservation or Daily Demand Charge rate. It appeared that PacifiCorp interpreted this
48 rate as a monthly rate rather than as a daily rate. To calculate annual pipeline demand
49 charges one should multiply the daily pipeline requirements to supply the plant times the
50 daily reservation rate times the average number of days in the month times 12 months.
51 Actual pipeline demand charges would be over 30 times higher than the costs originally
52 estimated by PacifiCorp.

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54 Q. HAVE YOU BEEN ABLE TO VERIFY THE BASIS FOR AND REASONABLENESS
55 OF THE ADJUSTMENTS TO THE ANALYSIS CONDUCTED BY PACIFICORP?

56 A. Yes. In response to IE 5th Set Data Request (IE 5.1), PacifiCorp provided the tariffs it
57 used and the supporting documentation underlying the calculation of the corrected fixed
58 gas pipeline demand charges. Based on review of the information presented by
59 PacifiCorp, I was able to verify the basis for and the actual adjustments made by
60 PacifiCorp to its stochastic analysis results.

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62 Q. WHAT IS YOUR CONCLUSION REGARDING PACIFICORP'S ACQUISITION OF
63 THE CHEHALIS PLANT?

64 A. Based on my review of PacifiCorp's evaluation and supporting analysis of the Chehalis
65 plant, I conclude that the acquisition of the Chehalis plant is in the public interest and
66 should provide economic benefits to customers while minimizing the construction cost
67 risk associated with the construction of new generating resource options.

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70 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

71 A. Yes.