

1 I. INTRODUCTION

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

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

7
8 Q. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND
9 PROFESSIONAL EXPERIENCE?

10 A. I have over 30 years of experience in the energy industry. During that time, I have held
11 senior level positions as an economist and consultant with government agencies and
12 private sector firms. I was formerly a Founder and Senior Officer of Reed Consulting
13 Group, Inc. I also served as a Director with Navigant Consulting, Inc. after the
14 acquisition of Reed Consulting Group by Metzler and Associates in 1997 and the
15 subsequent formation of Navigant to integrate a number of the consulting firms acquired
16 by Metzler and Associates. I have also been an Assistant Professor in the Economics
17 Department at Northeastern University and an Adjunct Professor in the Finance
18 Department at Babson College, where I taught courses in Risk Management (in the
19 Masters of Business Administration program) and Futures and Options. I have a Masters
20 Degree in Economics and completed all course work for a PhD in Economics. My
21 resume is attached as Exhibit WJO-2.

22
23 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

1 A. I am testifying on behalf of the Public Service Commission of Utah (“Commission”). I
2 was retained by the Commission to serve as Independent Evaluator (IE) for PacifiCorp’s
3 2012 Request for Proposals (“RFP”) for Base Load Resources.

4
5 Q. HAVE YOU SERVED AS INDEPENDENT EVALUATOR IN OTHER
6 PROCUREMENT PROCESSES?

7 A. Yes. I have served as Independent Evaluator or Monitor in over twenty five competitive
8 bidding processes over the past fifteen years on behalf of Public Utility Commissions,
9 utilities or public agencies. During that time I have reviewed and evaluated hundreds of
10 power supply proposals for both conventional and renewable resources. I have also
11 worked with power generators and utilities in submitting power supply proposals,
12 conducting power and gas market assessments, and conducting due diligence for power
13 project acquisitions.

14
15 II. PURPOSE OF TESTIMONY

16 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS
17 PROCEEDING?

18 A. One of the primary tasks associated with my role as Independent Evaluator for
19 PacifiCorp’s 2012 Request for Proposals for Base Load Resources (2012 Base Load
20 Solicitation), as included in the Scope of Work for Independent Evaluator Consulting
21 Services with the Commission, is to prepare a Final Report on the solicitation process. I
22 submitted the Final Report for filing in this Docket on January 12, 2009. The Final
23 Report on the Base Load Request for Proposals is attached as Exhibit WJO-3. My

1 testimony will address my findings and conclusions associated with the solicitation
2 process, including the bid evaluation and selection of the short listed resources as well as
3 the fairness of the process as undertaken by PacifiCorp. My findings and conclusions are
4 described and listed in the Final Report.

5
6 I have also been asked by the Commission to review and assess PacifiCorp's
7 implementation of its 2012 Base Load solicitation process and assess whether the
8 process was undertaken in a fair and equitable manner and is in the public interest. That
9 is, does the selection of the resource for which PacifiCorp seeks approval result in the
10 lowest reasonable cost to PacifiCorp's retail customers taking into consideration long-
11 term and short-term impacts, risk, reliability and the financial impacts on PacifiCorp.

12
13 Q. PLEASE SUMMARIZE PACIFICORP'S REQUEST IN THIS PROCEEDING.

14 A. PacifiCorp, through its Rocky Mountain Power Division, requests that the Commission
15 approve its significant energy resource decision to construct Lake Side 2, a 607 MW
16 gas-fired combined cycle generating plant to be developed by Summit Vineyard, LLC
17 (Summit), as developer, with CH2MHill as Engineering, Procurement and Construction
18 (EPC) contractor. In addition, Rocky Mountain Power requests that the Commission
19 issue a certificate of public convenience and necessity for the construction and operation
20 of Lake Side 2 pursuant to Utah Code Ann. Section 54-4-25. In its application the
21 Company states that the basis for the Application is that Lake Side 2 is one of the lowest
22 reasonable cost qualifying resources resulting from the Company's Request for

1 Proposals for Base Load Resources. The Project was the lone resource selected through
2 the 2012 Base Load RFP process, for which a contract was completed.

3
4 III. BACKGROUND

5 Q. PLEASE DESCRIBE YOUR ROLE AS INDEPENDENT EVALUATOR IN THE 2012
6 BASE LOAD RFP PROCESS.

7 A. The role and functions of the Independent Evaluator in this process are identified in
8 several documents. Merrimack Energy originally submitted a proposal to the
9 Commission in response to Utah Solicitation #RM5074 to serve as Independent
10 Evaluator. Merrimack Energy's Scope of Work, based on the requirements of the
11 Commission's Request for Proposals for Consulting Services, describes the tasks and
12 functions to be provided by the IE in the solicitation process, including submission of
13 the Final Report. Utah Code Section 54-17-101 ("Energy Resource Procurement Act")
14 requires the Commission to appoint an Independent Evaluator to monitor any
15 solicitation conducted by an affected electric utility under this chapter. The roles and
16 functions of the Independent Evaluator in Utah are defined in the Energy Resource
17 Procurement Act and in Rule R746-420-6. The activities and functions of Merrimack
18 Energy as the Independent Evaluator in the PacifiCorp solicitation process are
19 summarized in detail in Merrimack Energy's Final Report. In general, the objective of
20 the Independent Evaluator is to ensure the competitive solicitation process is undertaken
21 in a fair and unbiased manner, is in the public interest, and provides the best deal in
22 terms of lowest reasonable cost for consumers. In addition, it is the role of the IE to raise

1 any concerns along the way, if necessary, to ensure the process stays on track to meet
2 these objectives.

3

4 Q. PLEASE SUMMARIZE MERRIMACK ENERGY'S INVOLVEMENT IN THE 2012
5 REQUEST FOR PROPOSALS FOR BASE LOAD RESOURCES.

6 A. Merrimack Energy was originally retained as Independent Evaluator for PacifiCorp's
7 proposed 2009 RFP for Flexible Resources in 2005. Late in 2005, the schedule for the
8 2009 RFP was suspended. Subsequently, in 2006, PacifiCorp proposed to develop a
9 Request for Proposals to solicit for Base Load Resources beginning in 2012. Technical
10 Conferences were held in the spring of 2006. A draft RFP was filed by PacifiCorp in
11 July 2006. Interested parties subsequently submitted comments on the RFP and
12 Merrimack Energy reviewed the RFP documents and comments of interested parties and
13 submitted a report on the Draft RFP in August, 2006. Several meetings were held with
14 the Company and interested parties in Utah throughout the Fall of 2006 to work through
15 key RFP issues. The RFP was subsequently submitted to the Commission and was
16 approved by the Commission on April 4, 2007. The Final RFP was immediately issued
17 to the market. As Independent Evaluator, Merrimack Energy was involved in the process
18 from the beginning. Our involvement has therefore included participation in all stages of
19 the solicitation process, including (1) development of the RFP and related documents
20 and procedures; (2) pre-qualification of bidders; (3) receipt and evaluation/selection of
21 bids; and (4) monitoring contract negotiations. During the process, Merrimack Energy
22 has participated in project team meetings, conference calls and conversations regarding
23 decisions about the RFP and solicitation process, and all communications with bidders.

1 Merrimack Energy, along with members of the Utah Division of Public Utilities staff,
2 met several times with PacifiCorp during the RFP development process to review and
3 discuss the Company's evaluation models, methodologies and underlying assumptions
4 as well as discuss other key issues such as credit assurance requirements, non-price
5 criteria, and contract provisions. Merrimack Energy has participated in the bid
6 evaluation and selection process by monitoring, reviewing and commenting on the
7 results of the evaluation. We have prepared several major reports during the solicitation
8 process including a detailed report on the Draft RFP in August 2006, a report on the
9 Benchmark resources in June 2007, a detailed report on the Bid Evaluation and
10 Selection Process in September 2008, and the Final Report on January 12, 2009. The
11 Report on the Bid Evaluation and Selection Process is attached as Exhibit WJO-4. In
12 addition, we prepared a number of Status Reports during the process as well as issues
13 papers, as necessary, to raise awareness about key issues in the process. Both the Report
14 of the Utah Independent Evaluator entitled Evaluation and Selection of the Draft Final
15 Conditional Short List (September 2008) and the Final Report on the 2012 Base Load
16 Request for Proposal (January 2009) describe in detail the specific activities undertaken
17 by Merrimack Energy throughout the solicitation process.

18

19 Q. PLEASE DESCRIBE THE SPECIFIC ISSUES THAT ARE REQUIRED TO BE
20 ADDRESSED IN THE FINAL REPORT.

21 A. The Scope of Work prepared by the Commission for Independent Evaluator Services
22 identifies two specific issues that are required to be addressed in the IE's Final Report.
23 First, the Final Report should include a detailed description of the solicitation process

1 and the Independent Evaluator’s involvement, role, observations regarding the process,
2 conclusions about the process and recommendations, including the reasons and basis for
3 selecting the winning bid. Second, the Final Report should include a fairness assessment
4 of the process, including the treatment of third-party bids and the benchmarks, contract
5 negotiations and access to necessary information and data by the Independent Evaluator.

6 This includes the following:

- 7 • Confirmation that the resource selected is the lowest reasonable cost option
8 for customers taking into account all costs and risks;
- 9 • Confirmation that the solicitation was fair, equitable and unbiased;
- 10 • Confirmation that the benchmark option was evaluated in the same manner
11 as all other bids, with no inherent biases;
- 12 • An overall assessment of the performance of PacifiCorp in carrying out the
13 solicitation process relative to the criteria established by Merrimack Energy
14 for evaluating such performance.

15

16 Q. PLEASE DESCRIBE THE IE’S ROLE DURING THE CONTRACT NEGOTIATION
17 PROCESS.

18 A. The contract negotiation process with the selected Bidder took approximately eleven
19 months to complete as described in the Final Report. During that time there were
20 numerous negotiation sessions with the Bidder and EPC contractors. Merrimack Energy
21 monitored several of these sessions and also reviewed Issues Lists prepared by
22 PacifiCorp at our request. We also prepared several Status Reports focused on select
23 issues including (1) initial negotiations and issues with conditional short listed bidders;

1 (2) review of the pricing proposals submitted by EPC contractors; and (3) the status of
2 negotiations. We also completed a review of the final Master Development,
3 Engineering, Procurement and Construction Contract between PacifiCorp, the Developer
4 and the EPC Contractor. The Confidential version of the Final Report contains an
5 assessment of the risk allocation in the Contract, with a focus on key provisions such as
6 Milestone and Development Risk, Force Majeure, Capital Cost Risk, Change in Law
7 Risk and Risk of Associated Cost Increases, Liquidated Damages and Performance
8 Standards, and Events of Default.

10 IV. CONCLUSIONS

11 Q. WHAT ARE YOUR OVERALL CONCLUSIONS REGARDING THE
12 IMPLEMENTATION OF PACIFICORP'S 2012 RFP FOR BASE LOAD
13 RESOURCES AND THE SELECTION OF THE PROPOSED RESOURCE FOR
14 WHICH PACIFICORP SEEKS APPROVAL IN THIS DOCKET?

15 A. The solicitation process and procedures developed and implemented by PacifiCorp,
16 including the bid evaluation and selection process and methodologies are, in substance,
17 consistent with Utah competitive procurement requirements and industry standards and
18 led to a fair, consistent and unbiased evaluation and selection process. The results from
19 the 2012 competitive procurement process should lead to the acquisition, production and
20 delivery of electricity at the lowest reasonable cost to PacifiCorp's retail customers
21 taking into consideration long-term and short-term impacts, risks, reliability and
22 financial impacts on PacifiCorp. In that regard, the resource selected through this
23 process, the Lake Side 2 project, represents a resource that was subject to detailed

1 scrutiny and evaluation, was vetted through a fair and equitable process, is subject to a
2 contractual process and arrangement that ensures a reasonable and effective balance of
3 risk with benefits to customers should market conditions allow for more economic
4 resource options, and represents the lowest cost base load resource available through the
5 2012 competitive solicitation process to meet base load requirements. While we support
6 Commission approval of the significant energy resource decision, it is noteworthy that
7 this solicitation process was conducted during a very volatile (in terms of generation
8 project costs) and uncertain (in terms of financial issues) time in the power generation
9 industry, which complicates resource selection. PacifiCorp's objective of assessing the
10 cost of the resources bid into the 2008 All Source Request for Proposals relative to the
11 costs of the Lake Side 2 project should provide up-to-date market information which
12 should ultimately determine whether construction of this resource is in the public
13 interest based on the current market price for power and should ensure that the best
14 resources in the current market can be secured.

15

16 Q. PLEASE LIST YOUR CONCLUSIONS REGARDING THE SOLICITATION
17 PROCESS AND THE SELECTION OF THE PREFERRED RESOURCE.

18 A. Our conclusions are described in detail in the Conclusions and Recommendations
19 section of the Final Report of the Utah Independent Evaluator on PacifiCorp's 2012
20 Base Load Request for Proposals. I will summarize the important conclusions,
21 particularly those that pertain to the evaluation and selection of the resource in question
22 in this proceeding as well as those that pertain to the contract negotiations and review
23 process. These include:

- 1 • The solicitation process was undertaken in a fair, equitable and unbiased
2 manner by the Company with the oversight of the IE at all stages of the
3 process.
- 4 • The solicitation process was a highly transparent process, providing detailed
5 information about the requirements for bidding, the products requested, the
6 evaluation methods and methodology, the evaluation process, bid evaluation
7 criteria, information requirements for the bidders, and the risk parameters of
8 the company as identified in the RFP and related contracts. This should allow
9 all bidders to compete fairly and equitably in the process.
- 10 • The results of the Step 2 and Step 3 evaluation clearly illustrated that three
11 resources were dominant in the analysis (based on their frequency of
12 occurrence in a number of portfolios) and generally appeared in the highest
13 ranking portfolios. Therefore, the selection of these resources for the final
14 conditional short list should be in the public interest and was supported by
15 the Utah and Oregon IEs.
- 16 • The selected resource was one of the three resources selected for the final
17 conditional short list. This resource was the lowest cost base load resource
18 and should not possess the specific development risks that some other
19 resources faced. In the evaluation process, this resource was consistently
20 selected in all the top performing portfolios under a range of gas cost and
21 CO2 cost cases.
- 22 • Merrimack Energy generally concurred with the overall methodology used
23 by PacifiCorp in the bid evaluation process, the selection of the draft final

1 conditional short list and the classification of bids into the Top Tier and
2 Bottom Tiers.

- 3 • The solicitation process led to the ultimate selection of only one resource for
4 the 2012 capacity requirement in an amount substantially less than that
5 requested in the RFP. This was largely attributed to failure of the two other
6 resources selected for the short list to demonstrate a willingness to overcome
7 conditions placed on these bids.
- 8 • The results of the detailed evaluation highlight the importance of three
9 factors in the evaluation process: (1) CO2 costs, (2) transmission costs and
10 (3) electricity/gas prices.
- 11 • The IE confirms that the negotiations between PacifiCorp and bidders were
12 conducted in a fair and consistent manner, with no undue bias toward any
13 bidder. PacifiCorp negotiated fairly but aggressively throughout the
14 negotiation process. PacifiCorp was able to negotiate an option with the
15 selected developer and EPC contractor that provides value to the Company
16 and its customers and has effectively undertaken a procurement process (in
17 combination with the 2008 solicitation process) that allows the Company to
18 reflect recent changes in the power generation and fuel markets in its
19 resource decision process.
- 20 • Our assessment of the terms and conditions of the Master Development,
21 Engineering, Procurement and Construction (MDEPC) contract between
22 PacifiCorp, the project developer and the EPC contractor shows a well
23 managed balancing of risk among customer interests, Company interests, and

1 developer/EPC contractor interests. Consistent with industry practices
2 skillfully applied, the agreement is soundly structured. Within that structure,
3 the risk is well managed in ways which benefit the customers of the
4 Company. In particular, the Company has taken full advantage of a two-stage
5 Notice to Proceed process to ramp up its contractual exposure, while at the
6 same time continuing to track market price movements. The MDEPC
7 manages the possibility of contractual change and retains adequate controls
8 to protect its customer's interests and assure the completion of the Project in
9 the event of contractor default. Based solely on its terms and conditions, the
10 objectives in UCA section 54-17-302(3)(c) appear to have been met with
11 respect to the MDEPC and the MDEPC appears to be in the public interest
12 taking into consideration the applicable statutory factors.

- 13 • The IE audited and validated the cost, operating characteristics and back-up
14 information submitted by the benchmark team and concluded that the cost
15 and operations information was conservative, complete and consistent with
16 the information required of other bidders. The benchmark information was
17 not an unreasonably low cost estimate which could favor the benchmark
18 resources at the expense of third-party PPA bids.
- 19 • PacifiCorp withdrew its benchmark options (three coal projects) prior to
20 conducting the evaluation process. PacifiCorp, however, evaluated the
21 benchmark resources consistently with other bids in the Step 2 and Step 3
22 phases of the price evaluation, even though PacifiCorp had already

1 withdrawn the benchmarks. The benchmark resources were not subject to the
2 Step 1 price and non-price analysis.

- 3 • Credit and security issues proved to be the most challenging throughout this
4 process, notably PacifiCorp's insistence that Bidders provide a commitment
5 letter to pre-qualify. While we felt security requirements, schedule for
6 posting security and security levels were reasonable and consistent with
7 industry standards, one short-listed bidder decided not to abide by the
8 security posting schedule and was eliminated from the process.
- 9 • The negotiation process proved to be overly lengthy, taking nearly one year
10 to complete. While we recognize that several EPC contractors were involved
11 at various stages of the process and PacifiCorp maintained a competitive
12 negotiation process with the two finalists, it appeared that final completion of
13 the contract took longer than we would have expected.
- 14 • The timeframe for completing the solicitation process was much longer than
15 necessary, marked by several delays, including the time for securing the
16 commitment letters, two month delay initiated by PacifiCorp to propose new
17 benchmarks, and a longer than expected negotiation process.

18
19 Q. DID PACIFICORP'S DECISION TO WITHDRAW ITS BENCHMARK RESOURCES
20 HAVE ANY NEGATIVE IMPLICATIONS ON THE SOLICITATION PROCESS?

21 A. While we believe it is beneficial to include benchmark resources in the solicitation
22 process as potential resources the Company would build should the project be included
23 in a preferred portfolio or as a fall back resource to meet reliability requirements should

1 other projects fail, in the 2012 Base Load RFP withdrawal of the benchmark resources
2 did not have a negative effect on the process. PacifiCorp did follow all the appropriate
3 procedures involving the benchmarks and evaluated all benchmarks in Step 2 and Step 3
4 of the process. However, only the IPP3 project ranked reasonably highly in the process.
5 This project may have been included in a portfolio of resources had PacifiCorp selected
6 a portfolio of proposals to meet all its stated resource requirements, but did not rank as
7 one of the top three projects based on the robustness principle or frequency of
8 occurrence in the scenarios evaluated. As noted in the IE report, PacifiCorp withdrew
9 the IPP3 benchmark due to legal complications associated with the Los Angeles
10 Department of Water and Power withdrawing support for the project. The other two coal
11 benchmark resources were not ranked highly in a large number of portfolios.
12 Furthermore, as stated on page 5 of Mr. Bird's testimony, due to the uncertainty and
13 increased likelihood of new legislation that would impose new environmental
14 requirements, the Company withdrew its Bridger 5 benchmark as either a supercritical
15 unit or as an IGCC option.

16

17 Q. ON PAGE 11 OF YOUR TESTIMONY YOU IDENTIFIED THE VALUE OF THE
18 OPTION NEGOTIATED BY PACIFICORP. PLEASE ELABORATE ON THE
19 VALUE OF THE OPTION.

20 A. PacifiCorp has contractually implemented a two stage Notice to Proceed process which
21 is designed to minimize its cost exposure while "buying time" to assess market
22 conditions. The first stage involves a Limited Notice to Proceed (LNTP). As described
23 in the VERIFIED APPLICATION OF ROCKY MOUNTAIN POWER FOR

1 APPROVAL OF SIGNIFICANT RESOURCE DECISION AND FOR CERTIFICATE
2 OF PUBLIC CONVENIENCE AND NECESSITY and the testimony of PacifiCorp
3 witness Mr. Bird, in order for the Plant to be on line by July 2012, the Company must
4 issue the Limited Notice to Proceed to the EPC by no later than March 2, 2009 or the
5 EPC will not be able to guarantee substantial completion of the project by July 1, 2012.
6 The Agreement has been structured to allow the Company to terminate the Agreement
7 prior to issuing the LNTP with no cost to the Company prior to March 2, 2009. This
8 option allows the Company to evaluate the bids received in response to the 2008 RFP
9 and to further assess the probability of securing the necessary permits on time to
10 determine if it is in the best interests of the customers and the Company whether to issue
11 the LNTP.

12
13 PacifiCorp could terminate with limited cost exposure prior to issuance of the Final
14 Notice to Proceed (FNTP). The Company has up to a [REDACTED] option cap after it issues the
15 LNTP to determine whether to terminate the agreement prior to June 1, 2009. For
16 example, should it become likely that the Company will be unable to secure the
17 necessary environmental permits for the project it could terminate the contract with
18 limited cost exposure prior to June 1, 2009. Even within the cost cap for this option, it is
19 unlikely the cost exposure will approach the cap. For example, [REDACTED] of the cost is for
20 the acquisition of emission reduction credits; [REDACTED] needs to be paid to the EPC for
21 engineering work after the LNTP has been issued; and [REDACTED] is for third-party costs
22 incurred by the Developer between the time the LNTP and Final Notice to Proceed
23 (FNTP) are issued. The emission credits should have a market value. Thus, if the project

1 is terminated between the LNTP and FNTP, it is expected that all or at least a portion of
2 these costs could be recovered by sale of the emission credits. Also, the third-party costs
3 will apparently be incurred during the notice period. If the project is canceled within a
4 short period after issuing the LNTP, the cost exposure can be reduced.

5
6 Q. PLEASE LIST THE LESSONS LEARNED FROM THE 2012 RFP PROCESS THAT
7 MAY BE APPLICABLE IN THE DESIGN AND IMPLEMENTATION OF FUTURE
8 SOLICITATION PROCESSES.

9 A. There were a number of lessons learned, both positive and negative, from the 2012 RFP
10 process that can have positive impacts for designing and implementing future
11 competitive procurement processes. In fact, many of the lessons learned from the 2012
12 RFP have been incorporated into the design of the 2008 RFP process.

13

14 **Positive Aspects of the 2012 RFP**

- 15 • The RFP documents were reasonably transparent, comprehensive and effective
16 in describing the overall competitive bidding process and the requirements of the
17 bidders.
- 18 • All bidders were treated the same and provided access to the same information,
19 including both third-party bidders and the benchmark team. The PacifiCorp
20 management team for the RFP was very effective in providing consistent
21 information to all bidders.

- 1 • The IE was not able to identify any violations of PacifiCorp’s Code of Conduct
2 and communication protocol. The Company appeared to diligently follow the
3 Code of Conduct and did not deviate from the requirements.
- 4 • The Bid Pricing Sheets (Form 1) were clear and transparent and generally led to
5 consistent information provided by all bidders. PacifiCorp’s efforts to also offer
6 a workshop with bidders to review and explain the Bid Pricing Sheets was a
7 positive step for ensuring that bidders fully understood the information they were
8 being asked to provide.
- 9 • PacifiCorp offered a range of proposal alternatives which allowed bidders to
10 structure their proposals to take maximum advantage of their capabilities and
11 project characteristics. The definitions of the products and the information
12 required from bidders for each alternative were clearly described in the RFP.
- 13 • PacifiCorp offered their own sites to prospective bidders which provided several
14 options for bidders to consider in structuring their proposals. This is not a typical
15 industry practice but does add value to third-party bidders, which would
16 hopefully be transferred to customers in the form of lower prices.
- 17 • The bid evaluation models and methodologies are very applicable for the cost
18 and risk analysis undertaken by PacifiCorp. In particular, the models and
19 methodologies underlying Step 1, Step 2 and Step 3 analysis are state of the art
20 and provide very comprehensive and complete evaluation results.
- 21 • While the IEs did not have direct access to run the models themselves,
22 PacifiCorp set up a separate protected section on the Company website which
23 contained the model results for the bid evaluation along with the benchmarks and

1 input assumptions. This allowed the IEs to access the model results at any time
2 and to seek clarification of the results if required.

- 3 • PacifiCorp management was generally consistent in following the process
4 established in the RFP. Deviations in the process suggested by the IEs were
5 generally accepted. These included holding a workshop for bidders to explain the
6 credit requirements prior to receipt of proposals, holding conference calls with
7 bidders as necessary, and providing bidders with bid numbers even though the
8 bidders had not been pre-qualified.
- 9 • The Term Sheet process is an excellent process to ensure the Company and the
10 bidders fully agree to the proposal components prior to the beginning of the
11 evaluation.
- 12 • The blinding of the questions and answers from bidders prior to bid submission
13 was effective in encouraging bidders to ask questions without identifying their
14 affiliation.
- 15 • The IRP Group and quantitative analysis group within PacifiCorp were thorough
16 and responsive in completing the analysis over a very short timeframe. The
17 members of this group were always able to provide thorough responses and
18 explanations of the results and basis for the analysis.
- 19 • The RFP took several important steps in the right direction in moving toward
20 comparability for third-party power purchase agreements and cost of service
21 options. This included the allowance for indexing of capital costs, contract
22 provisions designed to balance risk, and the recognition that contract
23 negotiations would address both price and non-price factors.

- 1 • PacifiCorp made significant strides in developing a credit methodology, credit
2 support amounts and a security posting schedule that leads to credit requirements
3 that are consistent with industry standards and offer some flexibility to bidders.
- 4 • PacifiCorp's decision to address imputed debt impacts at the bid selection phase
5 of the process rather than in the initial evaluation phase is a positive step for
6 encouraging third-party bidder participation and putting projects from third-party
7 bidders on a more equal footing with utility cost of service options since the
8 application of imputed debt onto third-party bids generally provides a
9 quantitative benefit to utility options.
- 10 • The information provided by the benchmark resource options was totally
11 consistent with the information required of third-party bids. This led to a
12 reasonably consistent evaluation based on the same level of information provided
13 to all bidders.

14 15 **Negative Aspects of the 2012 RFP**

- 16 • PacifiCorp's insistence on maintaining the credit requirements for bidders
17 associated with securing a commitment letter from a guarantor during the pre-
18 qualification stage of the process even after comments from the bidders and the
19 IEs to the contrary certainly delayed the bid evaluation process.
- 20 • The RFP document contained some inconsistencies with regard to the credit
21 requirements and may have been confusing to bidders. For example, there were
22 references to both a comfort letter and commitment letter in the RFP.

- 1 • The Step 1 evaluation was not completed as outlined in the RFP. The non-price
2 evaluation was not completed or the results were not provided to the IEs and the
3 price evaluation did not include the evaluation of the benchmarks. Furthermore,
4 the IE's concerns at the beginning of the process were realized since all bids
5 were higher cost than the Company's forward curve. Fortunately, the Step 1
6 process was moot since all bids were included on the short list.
- 7 • The blinding of bids by the IEs proved to be time consuming without much value
8 to the process. In fact, it was our view that members of the PacifiCorp evaluation
9 team could probably identify the projects and their sponsors based on project
10 location, size, technology, etc. While blinding was valuable and effective for the
11 question and answer period, the value was limited in the evaluation stage of the
12 process.
- 13 • In our view, while a few bidders mentioned that indexing of capacity and capital
14 costs had some value, the limited application of the indices does not correspond
15 to the specific cost components or indices that are of most concern to bidders.
16 Bidders expect project costs, including equipment and EPC costs to continue to
17 change, with EPC contractors unlikely to offer a fixed price proposal in the early
18 stages of the bidding process for any type of resource alternative.
- 19 • The large increase in transmission costs calculated by PacifiCorp Transmission
20 after receipt of the bids (based on proposed delivery points) proved troubling and
21 could have had a significant impact on project costs. The basis for such an
22 increase, as discussed by PacifiCorp Transmission with the IEs, needs further
23 scrutiny.

- 1 • The delay in the process during the August-October 2007 timeframe and the
2 request of PacifiCorp to offer new benchmarks could have sent a negative
3 message to the market. We have seen in other RFP processes that Bidders are
4 most confident about the process when the utility follows its schedule and is
5 generally responsive to bidder issues.

6

7

V. SUMMARY OF CONCLUSIONS

8 Q. PLEASE SUMMARIZE THE MAJOR CONCLUSIONS OF YOUR TESTIMONY.

9 A. The 2012 Base Load solicitation process and procedures were generally consistent with
10 Utah competitive procurement requirements and resulted in a fair, consistent and
11 unbiased evaluation and selection process. The resource selected through this process,
12 the Lake Side 2 project, represents a resource that was subject to detailed scrutiny and
13 evaluation, was vetted through a fair and equitable process, is subject to a contractual
14 process and arrangement that ensures a reasonable and effective balance of risk with
15 benefits to customers should market conditions allow for more economic resource
16 options, and represents the lowest cost resource available through the 2012 competitive
17 solicitation process to meet base load requirements. On its own merits, the results from
18 the 2012 competitive procurement process should lead to the acquisition, production and
19 delivery of electricity at the lowest reasonable cost to PacifiCorp's retail customers
20 taking into consideration long-term and short-term impacts, risks, reliability and
21 financial impacts on PacifiCorp. As a savvy power buyer, PacifiCorp has created a
22 beneficial contractual opportunity to subject the Lake Side 2 project to a market test by
23 allowing the Company to evaluate the cost of this resource relative to the bids recently

1 submitted in response to the 2008 All Source RFP. This opportunity should ensure that
2 the ultimate resource decisions would reflect recent market prices, would be in the
3 public interest, and ensure the best arrangements in terms of lowest reasonable cost for
4 customers. I would therefore recommend approval of the Lake Side 2 project as long as
5 PacifiCorp can effectively demonstrate that the resource is competitively priced relative
6 to the resources bid into the 2008 All Source RFP.

7

8 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

9 A. Yes.