

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of) Docket No. 10-035-126
Rocky Mountain Power for Approval) Direct Testimony
Of a Significant Energy Resource) of Cheryl Murray
Decision Resulting from the) For the Office of
All Source Request for Proposals) Consumer Services

March 3, 2011

REDACTED

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Cheryl Murray. I am a utility analyst for the Office of
3 Consumer Services. My business address is 160 East 300 South Salt
4 Lake City, Utah 84111.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. My testimony will address the concerns the Office has about the process
7 leading to the selection of Lake Side 2 based upon the Utah Independent
8 Evaluator's (IE) reports and the Office's internal analysis.

9 **Q. PLEASE IDENTIFY THE OFFICE'S CONCERNS.**

10 A. The Office does not object to the Company's request with respect to the
11 Lake Side 2 acquisition. However, the Office is concerned that without
12 Commission action in response to the IE's criticism of prematurely
13 rejecting available resources (particularly when the resource need is
14 great), consumers cannot have confidence that the RFP process in this
15 case or in the future will take advantage of the best possible resource
16 options available.

17 **Q. WHAT WERE THE INDEPENDENT EVALUATOR'S CONCERNS WITH
18 THE PROCESS?**

19 A. While the IE was generally complementary of the overall RFP process and
20 the negotiations with Lake Side 2, he did express concerns regarding
21 certain aspects of the negotiation process regarding the ■ plant. In the
22 January 25, 2011 Final Report of the Utah Independent Evaluator, the IE
23 makes a number of comments regarding his concerns.

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24 Page 3: “However, the IE is of the opinion that PacifiCorp did not follow its
25 procedures in later terminating negotiations and due diligence on the [REDACTED]
26 project prematurely and rejecting the [REDACTED] project even though the
27 resource was included in the lowest cost portfolio from a Risk Adjusted
28 PVRR basis, which PacifiCorp proposed as the key criteria underlying
29 resource selection.
30

31 Page 4: “...the IE feels that PacifiCorp may have deviated from its stated
32 procedures and evaluation methodology in its decision to suddenly and
33 prematurely terminate due diligence and negotiations with the [REDACTED]
34 project, after previously selecting the project for the final short list based
35 on its bid evaluation and selection process. While PacifiCorp did follow
36 the process for evaluation and selection of resources, the IE is of the view
37 that PacifiCorp prematurely terminated negotiations and due diligence on
38 the [REDACTED] project.”
39

40 Page 5: “PacifiCorp has identified several reasons for terminating
41 negotiations with the [REDACTED] project including the resource is not
42 used and useful and there are a number of uncertainties associated with
43 transmission availability and access to the markets to sell the power from
44 the project in the near term. As noted above, the IE is of the opinion that
45 PacifiCorp terminated due diligence and negotiations prematurely with [REDACTED]
46 [REDACTED] project.”
47

48 At Page 6 he notes: “The solicitation process led to the ultimate selection
49 of only one resource for 2014 capacity in the amount substantially less
50 than that requested in the RFP.”
51

52 Similar criticisms and concerns appear in conclusions to the IE report.
53

54 **Q. PLEASE DESCRIBE WHY THESE ISSUES ARE OF CONCERN TO THE**
55 **OFFICE WHEN EVEN THOUGH THE PROCESS SUCCESSFULLY**
56 **RESULTED IN A PROPOSAL TO CONSTRUCT A PLANT?**

57 A. While the Office is pleased to see a proposal to construct a new 637 MW
58 plant, the Office also notes that 637 MW is a small portion of the expected
59 total power needs in the near future. In fact the re-issued 2008 All Source

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60 RFP sought resources to meet up to 1,500 MWs of the Company's
61 capacity and energy needs for calendar years 2014-2016.

62 **Q. WHAT IS THE COMPANY'S EXPECTED LOAD AND RESOURCE**
63 **BALANCE IN THE NEXT TEN YEARS?**

64 A. As the table below illustrates PacifiCorp's projected system resource
65 deficit is (326 MW) in 2011 increasing to (3,852 MW) in 2020. In 2014 the
66 system resource deficit is (2,373 MW); with the addition of Lake Side 2 the
67 projected 2014 deficit is (1,736 MW).¹

PACIFICORP - 2011 INTEGRATED RESOURCE PLAN

CHAPTER 5 – RESOURCE NEEDS ASSESSMENT

Table 5.11 – System Capacity Loads and Resources (13% Target Reserve Margin)

Calendar Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
System										
Total Resources	12,468	11,802	11,810	11,404	11,399	11,397	11,412	11,433	11,395	11,192
System Obligation	11,497	11,973	12,264	12,256	12,403	12,595	12,728	12,961	13,145	13,376
Reserves	1,297	1,430	1,470	1,522	1,542	1,569	1,582	1,611	1,633	1,668
Obligation + 13% Planning Reserves	12,794	13,403	13,735	13,778	13,945	14,164	14,310	14,572	14,777	15,044
System Position	(326)	(1,601)	(1,925)	(2,373)	(2,546)	(2,767)	(2,898)	(3,139)	(3,383)	(3,852)
Reserve Margin	10%	(0%)	(3%)	(6%)	(8%)	(9%)	(10%)	(11%)	(13%)	(16%)

68
69
70
71 **Q. GIVEN THE LAKE SIDE 2 RESOURCE ADDITION ONLY SERVES TO**
72 **FILL A PORTION OF THE COMPANY'S 2,373 MW RESOURCE**
73 **DEFICIT POSITION IN 2014, WHEN DOES THE COMPANY PLAN TO**
74 **ACQUIRE OR BUILD ADDITIONAL RESOURCES?**

75 A. It appears that the next large resource – a 597 MW CCCT Plant – would
76 be acquired or built in 2016. Early draft IRP results described a preferred
77 portfolio that includes the addition of a second 597 MW CCCT in 2015.

¹ PacifiCorp Draft 2011 Integrated Resource Plan, Chapter 5 – Resource Needs Assessment.

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78 However, for various reasons the Company studied the impact of delaying
79 the new plant to 2016, which resulted in a very small \$23.6 million (.068%)
80 cost reduction to total PVRR. At this point in the IRP process (still in draft
81 form), the Company's proposed preferred portfolio includes the deferral of
82 the second CCCT plant to 2016. Since the Company has yet to consider
83 comments from parties on its draft 2011 IRP, there is the possibility that
84 the Company may reconsider the type of resources, and the timing of
85 those resources, in its recommended preferred portfolio.

86

87 While the Office understands that resource planning is a dynamic exercise
88 with constant updates, the Office remains concerned that the Company
89 may be incorporating unnecessary delays for additional plants into its
90 long-term planning² resulting in sub-optimal resource plans. If resources,
91 such as ■■■, are indeed available sooner, the Office would like to see
92 those resources properly evaluated both in the RFP and long-term
93 planning processes.

94 **Q. HOW WOULD THE COMPANY PROPERLY EVALUATE POTENTIAL**
95 **EXISTING RESOURCES IN THIS SITUATION?**

96 A. How this type of evaluation would be pursued is unclear. What is clear is
97 the IE's criticism of the Company's evaluation in this RFP. If the

² The Office notes that the IRP itself is in draft form and the process is still in its middle stages. It is not the Office's intention to pre-judge any of the issues within the IRP itself, rather to call attention to the uncertainty about when it would be best to acquire the next significant generating resource.

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98 Commission finds the IE's criticism warrants consideration, and the Office
99 believes it does, then the order in this Docket should address how the
100 Commission expects PacifiCorp to evaluate and incorporate such
101 resources into its RFP's and resource acquisition approval applications.
102 Only if the Commission addresses these circumstances and the IE's
103 concerns in this Docket can customers have confidence that subsequent
104 resource acquisitions will take advantage of the best possible options
105 available.

106 **Q. IF GUIDELINES AREN'T CLEAR, WHAT ARE THE OFFICE'S**
107 **CONCERNS?**

108 A. In short, the Office is concerned that an existing plant with known costs,
109 [REDACTED], was evaluated against a potential future plant ([REDACTED])
110 with great uncertainty. Further, it appears that the uncertainty is not
111 symmetrical. Although no one knows what costs for resources will be in
112 the future there is no expectation that they will be going down. We are
113 also concerned that less efficient long-term plans might be pursued and
114 that the timeline for acquiring future resources might be such that the
115 Company will have to rely even more heavily on market purchases with no
116 certainty as to their availability or cost.

117 **Q. WHAT DOES THE OFFICE RECOMMEND?**

118 A. The order in this Docket should address how in similar situations the
119 Commission expects PacifiCorp to evaluate and incorporate resources
120 into its RFP's and resource acquisition approval applications.

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121 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

122 A. Yes.

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