

I. INTRODUCTION

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. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE?

A. I have over 30 years of experience in the energy industry. During that time, I have held senior level positions as an economist and consultant with government agencies and private sector firms. I was formerly a Founder and Senior Officer of Reed Consulting Group, Inc. I also served as a Director with Navigant Consulting, Inc. after the acquisition of Reed Consulting Group by Metzler and Associates in 1997 and the subsequent formation of Navigant to integrate a number of the consulting firms acquired by Metzler and Associates. I have also been an Assistant Professor in the Economics Department at Northeastern University and an Adjunct Professor in the Finance Department at Babson College, where I taught courses in Risk Management (in the Masters of Business Administration program) and Futures and Options. I have a Masters Degree in Economics and completed all course work for a PhD in Economics. My resume is attached as Exhibit No. Utah-IE 2.0.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Public Service Commission of Utah (“Commission”). I was retained by the Commission to serve as Independent Evaluator (“IE”) for Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power”, “Company” or “PacifiCorp”), All Source Request for Proposal (“RFP”).

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

A. Yes. I have served as IE or Independent Monitor in approximately forty competitive bidding processes over the past twenty-two years on behalf of Public Utility Commissions, utilities and public agencies. During that time I have reviewed and evaluated hundreds of power supply proposals for both conventional and renewable resources. In particular, Merrimack Energy has served as Independent Evaluator on behalf of the Commission for PacifiCorp’s 2012 Base Load Request for Proposals, PacifiCorp’s acquisition of the Chehalis project (Verified Request for Waiver of Solicitation Process and for Approval of Significant Energy Resource Decision, Docket No. 08-035-35), Independent Consultant for PacifiCorp’s RFP 2008R-1 for Renewable Resources and for this All Source Request for Proposals since the beginning of the process. I have also worked with power generators and utilities in submitting power supply proposals, conducting market assessments, and conducting due diligence for power project acquisitions.

II. PURPOSE OF TESTIMONY

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

A. Utah Code Section 54-17-101 (known as the “Energy Resource Procurement Act”) requires the Commission to appoint an Independent Evaluator to monitor any solicitation conducted by an affected electrical utility under this chapter. As Independent Evaluator, I have been asked by the Commission to monitor all phases of the solicitation process to ensure the process is undertaken in a fair, consistent and unbiased manner and assess whether the acquisition of the selected resource(s) (in this case the CH2MHill Lake Side 2 project) is in the public interest. That is, does the acquisition result in the lowest reasonable cost to PacifiCorp’s retail customers taking into consideration long-term and short-term impacts, risk, reliability and the financial impacts on Rocky Mountain Power. As required by the Scope of Work for the IE, I have prepared a final report on the solicitation process which includes: (1) a detailed description of the solicitation process and the Independent Evaluators’ involvement, role, observations regarding the process, conclusions about the process and recommendations and (2) a fairness assessment of the process, including the treatment of third-party bids and benchmarks, contract negotiations, and access to necessary information and data by the Independent Evaluator. A copy of the report is included on the Commission website for Docket No. 10-035-126 and Docket No. 07-035-94. The original report, entitled Final Report of the Utah Independent Evaluator PacifiCorp All Source Request for Proposals, was filed on January 25, 2011. An errata version of the Final Report was filed by the IE on February 7, 2011.

Q. PLEASE SUMMARIZE ROCKY MOUNTAIN POWER'S REQUEST IN THIS PROCEEDING.

A. On December 21, 2010, Rocky Mountain Power Company, a Division of PacifiCorp submitted an application to the Public Service Commission of Utah for approval of a Significant Energy Resource Decision resulting from the All Source Request for Proposal and for a Certificate of Public Convenience and Necessity. In its application, the Company requests that the Commission approve its significant energy resource decision to acquire a 637 MW combined cycle combustion turbine generating plant ("CH2MHill Lake Side 2"), to be constructed by CH2MHill E&C, Inc., as engineering, procurement and construction contractor ("EPC"). The Company states that the basis for the Application is that the CH2MHill Lake Side 2 project is the lowest reasonable cost, qualifying resource resulting from the Company's Request for Proposals for Flexible Resources ("All Source RFP") approved by the Commission on September 25, 2008 in Docket No. 07-035-94.

III. SUMMARY OF TESTIMONY CONCLUSIONS

Q. PLEASE SUMMARIZE THE CONCLUSIONS OF YOUR TESTIMONY

A. Merrimack Energy was involved as Independent Evaluator from the very beginning of the All Source solicitation process. Overall, the IE concludes that the solicitation process was generally undertaken in a fair, equitable and unbiased manner by the Company. In particular, the Company's evaluation and selection of the CH2MHill Lake Side 2 project demonstrated that the project was clearly the lowest cost resource option in all scenarios evaluated and is in the public interest. The Company also followed its procedures and

processes in selecting and negotiating a contract with CH2MHill for the Lake Side 2 project. In addition, PacifiCorp expertly utilized the process, particularly the presence of the benchmark resource, to negotiate more favorable terms with CH2MHill in the best interest of customers. The IE concludes that the contract with CH2MHill for the Lake Side 2 project merits Commission approval.

The IE had some concerns with the Company's evaluation of the Apex combined cycle power plant, an existing facility located in Nevada, particularly PacifiCorp's decision to terminate due diligence and contract negotiations with the project sponsors in mid-December 2011. The IE felt that contract negotiations and due diligence were terminated prematurely, particularly since the economic evaluation of Apex conducted by PacifiCorp was illustrating widely changing results. With the exception of the above issues raised by the IE with regard to the Apex project, the IE feels the solicitation process overall was an exemplary process and was effectively implemented according to Utah statutes and in the best interest of customers.

IV. BACKGROUND

- Q. PLEASE BRIEFLY PROVIDE A BACKGROUND ON THE IMPLEMENTATION OF THE ALL SOURCE COMPETITIVE SOLICITATION PROCESS.
- A. On December 21, 2007, PacifiCorp through its Rocky Mountain Power Division, filed an application to the Public Service Commission of Utah for purposes of opening a Docket for the approval of a solicitation process for a flexible resource for the 2012 to 2017 time period. On February 15, 2008, the Company filed a notice and application to the

Commission for approval of the solicitation and solicitation process contained in the Company's Draft 2008 All Source Request for Proposals ("All Source RFP") to acquire or construct up to 2,000 MW of resources for calendar years 2012 to 2016. On September 25, 2008, the Commission approved the revised All Source RFP filed by the Company on August 5, 2008. On October 2, 2008, PacifiCorp issued the All Source RFP to the market and received proposals from bidders on December 16, 2008. On February 26, 2009, pursuant to UAC R746-100-3.A.1.a and R746-420-1(4)(c), the Company filed a motion requesting that the Commission approve suspension of the All Source RFP on an expedited basis, indicating the Company had determined it was not in the best interests of customers to proceed with the All Source RFP at that time in light of changes in economic and market conditions. On April 6, 2009, the Commission approved suspension of the All Source RFP subject to conditions. On October 6, 2009, the Company filed a notice of intent to resume the All Source RFP and requested approval of an updated schedule for the solicitation process. The All Source RFP was subsequently reissued to the market on December 2, 2009 and sought up to 1,500 MW of cost-effective resources consisting of base load, intermediate load, and summer peak resources to meet the Company's system position during calendar years 2014 to 2016. Rocky Mountain Power received proposals on March 1, 2010. In early December, 2010 after several months of bid evaluation, selection of three resources for the final short list, and contract negotiations, Rocky Mountain Power selected the CH2MHill Lake Side 2 project as the preferred resource.

V. EVALUATION AND SELECTION PROCESS

Q. DESCRIBE THE BID EVALUATION AND SELECTION PROCESS UNDERTAKEN BY ROCKY MOUNTAIN POWER BASED ON THE PROPOSALS RECEIVED.

- A. In the RFP, Rocky Mountain Power proposed a revised multi-step bid evaluation and selection process. In addition to the traditional three step bid evaluation process described below, the proposed process would include an initial bid and best and final offer. In Step 1, proposals received would be evaluated based on a combined price and non-price assessment with the purpose of determining an initial short list. The initial price submitted by the bidders would be the basis for short list selection along with the non-price assessment. PacifiCorp indicated it would select a short list for each resource category (i.e. base load, intermediate load, and summer peak). Once the initial short list had been established, short listed bidders and the benchmark resource would be required to provide their best and final pricing offer. Best and final pricing must be from the same site, using the same or equivalent technology bid and must be within 10% of the Bidder's original bid price for the project selected in the initial short list. In the All Source RFP, Rocky Mountain Power selected all six base load bids plus the benchmark and seven intermediate load bids for the short list.

In Step 2 of the bid evaluation and selection process, Ventyx Energy LLC's System Optimizer model was used to develop optimized portfolios under various assumptions for future emission expense levels and market prices based on the initial short list. An optimum portfolio would be established for each combination of emission and wholesale electric market and natural gas price assumptions. Each portfolio from the System

Optimizer scenarios would be a candidate for the optimum combination of resources to be selected through the RFP process and would therefore be advanced to the stochastic/deterministic analysis step.

In Step 3 (Risk Analysis), stochastic and deterministic analyses would be performed on each optimized portfolio in order to identify the resources in the highest performing (i.e. least cost, adjusted for risk) portfolios. Step 3 includes both a Step 3(a) stochastic analysis using the Planning and Risk (PaR) model and Step 3(b) deterministic scenario analysis using the System Optimizer model.

The first three steps identified and described above constitute the formal evaluation process and would lead to the compilation of the final short list of resources for further negotiations. After completing the formal evaluation process described above, but before making the final resource selections to be submitted for approval or acknowledgement, in Step 4, the Company would take into consideration, in consultation with the IEs, certain other factors that are not expressly factored into the formal evaluation process, but that are required by applicable law or Commission order to be considered. Utah Code Title 54 Public Utilities Chapter 17 Energy Resource Procurement Act (54-17-402) requires consideration of at least the following factors in determining whether a resource selected by the Company should be approved as in the public interest:

1. Whether it will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers of an affected electric utility located in this state;

2. Long-term and short-term impacts;
3. Risk;
4. Reliability;
5. Financial impacts on the affected electrical utility; and
6. Other factors determined by the Commission to be relevant.

Q. WHAT WERE THE RESULTS OF THE BID EVALUATION AND SELECTION PROCESS?

A. As previously noted, [REDACTED] base load bids plus the benchmark and [REDACTED] intermediate load bids were selected for the short list. After bidders submitted their best and final offer prices as required by July 15, 2010, Rocky Mountain Power removed the gas resources from the preferred portfolio in the 2012-2016 period in order to create a capacity deficit that the model fills with combinations of bid resources, and then evaluated resource portfolios for 13 cases with the objective of determining the optimal portfolio for each case. The thirteen cases reflect combinations of natural gas and CO2 price cases. Only two unique portfolios of bid/benchmark resources resulted from the System Optimizer model runs. The evaluation results of Step 2 illustrated that the CH2MHill proposal at Lake Side 2 was selected as part of the optimal portfolio in all scenarios evaluated. The LS Power Apex Asset Purchase option was selected as a second resource in five portfolios, primarily those with high CO2 prices. PacifiCorp then proceeded with Step 3 of the evaluation. The purpose of this step was to formulate stochastic cost and risk profiles for each of the unique portfolios developed from Step 2, and then identify the bid and benchmark resources that appear consistently in the top-performing portfolios based

on cost and risk measures. This stage in the process (Step 3a) provides information on the key risk parameters, including among others the Risk-Adjusted PVRR. PacifiCorp has proposed that the main stochastic performance measure used to assess each resource portfolio is Risk-Adjusted PVRR. Risk-Adjusted PVRR is calculated as the mean PVRR plus the expected value (EV) of the 95th percentile PVRR, where $EV = \text{Probability}(PVRR)_{95} \times 5\%$. Resource portfolios are ranked according to the average risk-adjusted PVRR across four CO2 cost levels: \$0/ton, \$19/ton, \$45/ton, and \$100/ton.

On October 7, 2010 PacifiCorp provided its Final Short List Development Report to the IEs supporting the selection of three proposals for the final short list: (1) CH2MHill Lake Side 2 bid; (2) the PacifiCorp benchmark resource also at the Lake Side site; and (3) the Apex project acquisition bid submitted by LS Power. The report provided a detailed step-by-step assessment of the process, the decision criteria used to screen bids and benchmarks for final short-list selection, and supporting tables and graphs to support the analysis at each step. PacifiCorp also provided the detailed back-up model outputs for each case to the IEs.

The results of this analysis indicated that Portfolio 2 (CH2MHill Lake Side 2 project along with the Apex project) performed well relative to Portfolio 1 (CH2MHill Lake Side 2 only) under various CO2 price cases. In particular, on a risk-adjusted PVRR basis, Portfolio 2 outperformed Portfolio 1 in all four CO2 scenarios evaluated (\$0/ton, \$19/ton, \$45/ton, and \$100/ton). As illustrated in Exhibit 10 of the IE report, the differences range

from [REDACTED] on a risk-adjusted PVRR basis based on a \$0/ton CO2 case to [REDACTED] based on a \$100/ton CO2 case.

Q. AS IE, DID YOU AGREE WITH THE SELECTION OF THE FINAL SHORT LIST?

A. Yes. It was clear from the analysis that the CH2MHill Lake Side 2 project was the best performing project in all cases evaluated. The benchmark resource was very close in terms of cost but since both projects were at the same site, only one project could ultimately be selected. As a result, the IEs agreed with PacifiCorp's decision to select both projects for the final short list as a hedge against failure of one project to proceed. It was also clear from the above analysis that from a portfolio perspective, based on risk-adjusted PVRR basis, the Apex project in combination with CH2MHill Lake Side 2 was the top performing portfolio.

PacifiCorp initially did not select the Apex project for the short list. At that time, PacifiCorp felt it had conducted a conservative analysis of the project based on available cost information and the transmission assumptions utilized. In the October 7, 2010 report, Rocky Mountain Power stated that the primary reason that Portfolio 2 does better than Portfolio 1 on a stochastic cost basis is the opportunity for the Apex plant to sell into markets, particularly the Mead market. This result assumes no future deliverability constraints into the Mead market or Utah. However, my view at the time was that given the performance of Portfolio 2 with the Apex project and CH2MHill Lake Side 2 project, PacifiCorp should undertake more detailed due diligence on the Apex project to assess the costs and benefits on a more detailed basis.

In the October 7, 2010 report, PacifiCorp indicated that it performed supplemental analysis to further evaluate the PVRR implications of including both the Apex project and CH2MHill Lake Side 2 project in the resource portfolio; specifically focusing on whether the Apex project would displace or defer the 597 MW 2016 Carrant Creek 2 combined cycle resource. This supplemental analysis showed that the 2016 Carrant Creek 2 resource was displaced by the Apex project. The PVRR benefit of the displacement was [REDACTED] in the \$19/ton CO2 case in combination with the base case gas scenario. Also, as presented in the October 7, 2010 report, the Step 3b Deterministic analysis illustrated that Portfolio 2 has a lower PVRR than Portfolio 1 in five of the thirteen scenario runs. When average CO2 prices exceed \$45/ton, Portfolio 2 is favorable to Portfolio 1.

In conclusion, based on the bid evaluation modeling and consideration of resource acquisition risks, PacifiCorp chose two 2014 resources (Ch2MHill Lake Side 2 and the Benchmark resource) and a 2011 resource acquisition bid (Apex) to include in the final short list. As IE, I agreed with the selection of the three resource options.

Q. WHAT ACTIVITIES WERE UNDERTAKEN BY PACIFICORP AFTER SELECTION OF THE FINAL SHORT LIST?

A. Subsequent to final short list selection, most of the activities undertaken by PacifiCorp and monitored by the IE focused on contract negotiations between PacifiCorp and CH2MHill for the Lake Side 2 project and with [REDACTED] for the Apex plant. At the

same time, PacifiCorp staff was in the process of conducting due diligence on the Apex plant to further assess the risks, costs, benefits, and reliability of the resource.

Q. WHAT ACTIVITIES WERE OCCURRING WITH REGARD TO THE CH2MHILL LAKE SIDE 2 PROJECT AFTER FINAL SHORT LIST SELECTION?

A. Several initiatives were undertaken with CH2MHill. First and foremost, after short list selection, PacifiCorp and CH2MHill began the contract negotiation process. The IEs were invited to every negotiation session and were also provided updates by PacifiCorp on the status of negotiations. Also, at the same time PacifiCorp was also reviewing the cost information for the CH2MHill Lake Side 2 project and the benchmark to ensure that both projects had accurately accounted for all applicable costs.

On December 9, 2010 PacifiCorp sent the IEs an analysis supporting the recommendation to execute the EPC contract with CH2MHill. PacifiCorp indicated the recommendation is supported by a [REDACTED] favorable net present value revenue requirement (PVRR) benefit for the CH2MHill project relative to the benchmark resource and the terms and conditions in the CH2MHill EPC contract for guaranteed performance and associated liquidated damage payments as compared to the EPC contract with [REDACTED] [REDACTED] supporting the benchmark resource alternative.

Q. WHAT IS YOUR OVERALL VIEW OF THE EPC CONTRACT BETWEEN PACIFICORP AND CH2MHILL FOR THE LAKE SIDE 2 PROJECT?

A. In my view the EPC contract with CH2MHill provides a significant amount of protection to PacifiCorp and its customers. Under the contract, PacifiCorp has a very active role in all facets of project design, engineering, and construction which provides PacifiCorp the opportunity to closely monitor project activities. The contract negotiation process also highlighted the fact that PacifiCorp was able to increase the amount of liquidated damages over the course of negotiations. The IEs assessment of the terms and conditions of the EPC contract illustrates a well managed balancing of risk among customer interests, Company interests, and EPC contractor interests. Within that structure, the risk is well managed in ways which are in the public interest. In particular, the Company has taken full advantage of the notice to proceed process by maintaining flexibility with limited exposure.

Q. DO YOU AGREE WITH PACIFICORP'S DECISION TO UNDERTAKE DETAILED DUE DILIGENCE ON THE APEX PROJECT ACQUISITION OPTION AFTER THE PROJECT WAS INCLUDED ON THE SHORT LIST?

A. Absolutely. Since the project is an existing project for which PacifiCorp was contemplating an acquisition based on a proposal submitted, conducting detailed due diligence is necessary and prudent. Only through detailed due diligence will a buyer be able to adequately assess the true costs and risks as well as opportunities to extract value or benefits by assessing creative options to utilize the resource to enhance its economic value. PacifiCorp's decision to undertake due diligence and develop more detailed information on the asset for evaluation purposes rather than relying on the information included in the proposal of the seller is prudent and necessary for such an asset.

Q. WHAT WAS THE NEXT STEP INVOLVING THE FINAL SHORT LISTED PROJECTS?

A. On December 8, 2010 PacifiCorp requested a conference call with the IEs to discuss the status of due diligence, contract negotiations, and economic analysis of the final short listed resource options. PacifiCorp prepared separate analysis for the Lake Side 2 options (i.e. CH2MHill and the Benchmark) and the Apex project. A conference call was held with PacifiCorp on December 10, 2010 to discuss the analysis memos. In its memos, PacifiCorp recommended executing the EPC contract with CH2MHill for the Lake Side 2 project and also recommended purchasing the 539 MW Apex combined cycle project. The Apex recommendation was supported by an estimated [REDACTED] favorable net present value revenue requirement benefit relative to the next best alternative, the Currant Creek 2 project. One of the reasons cited by PacifiCorp for the cost savings was the discovery during the due diligence process that PacifiCorp could [REDACTED]

[REDACTED]

Although based on due diligence the economic benefit had been reduced from [REDACTED] [REDACTED], the results still showed a system benefit associated with the Apex plant acquisition. According to PacifiCorp's analysis, the reduction in savings from the original [REDACTED] to [REDACTED] was to due to the following factors:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Q. PLEASE EXPLAIN THE NEXT STEPS ASSOCIATED WITH APEX

A. On Sunday, December 12, 2010 PacifiCorp sent an updated memo to the IEs announcing its recommendation to terminate negotiations with [REDACTED] for the purchase of the Apex plant. According to the memo, the recommendation was supported by the economic evaluation updated with assumptions consistent with due diligence efforts showing that the net present value revenue requirements (PVRR) is now [REDACTED] unfavorable to Apex relative to Carrant Creek 2. This was due largely to the realization by PacifiCorp that [REDACTED]

[REDACTED] A follow-up discussion was held with the IEs and Division staff on December 13, 2010 wherein PacifiCorp took questions and further explained its position.

Q. WHAT WAS THE IE's POSITION AT THAT TIME REGARDING THE DECISION TO TERMINATE NEGOTIATIONS WITH APEX?

A. Subsequent to the conference call, PacifiCorp asked the IEs for their position regarding the decision to terminate negotiations with [REDACTED] for the Apex plant based on the latest economic analysis. As IE, I felt I could not support or refute PacifiCorp's decision at that time. I requested that PacifiCorp provide copies of its due diligence memos and

supporting documentation. In addition, based on the assumptions used by PacifiCorp to conduct its evaluation and comments about the analysis made during the December 13, 2010 call, I conducted a high level assessment of the cost assumptions used for Currant Creek 2.

Q. WHAT WERE YOUR FINDINGS FROM THE HIGH LEVEL ASSESSMENT?

A. First, I felt that the capital costs used for the Currant Creek 2 project were understated based on the capital cost of Lake Side 2 and the information contained in PacifiCorp's 2008 IRP regarding the capital cost of a dry-cooled combined cycle project, similar to the Currant Creek plant. I also had some questions about the fixed and variable O&M cost assumptions used for Apex as well as the heat rate assumptions used for Currant Creek as a dry-cooled unit. While I didn't conduct an independent analysis of the impacts of these factors on the relative economics of Apex and Currant Creek, the resulting differences would appear to have a reasonable impact on the economic analysis of the Apex project.

Q. WHAT HAPPENED NEXT?

A. On January 13, 2011 PacifiCorp initiated a conference call with the Division and IE to inform the Division and IE that the company had discovered a few errors in its analysis of the Apex project. The Company indicated that the capital cost of the Currant Creek resource for 2016 was understated. Also, the Company found two errors in the evaluation of transmission costs. The company indicated that the net impact of these adjustments resulted in a [REDACTED] in the PVRR for Apex by [REDACTED], resulting in a [REDACTED] associated with the Apex project of [REDACTED]. PacifiCorp indicated that

although Apex offered a [REDACTED] relative to Carrant Creek, PacifiCorp had not changed its position with regard to Apex as being a resource that is not used and useful. During the discussion, PacifiCorp also informed the Division staff and IE that it was planning to file an errata to the testimony of Mr. Duval and that it would complete the response to DPU Data Request 2.7 which requested PacifiCorp to provide the Step 3a analysis with the latest information for the Apex Plant and the Carrant Creek 2 resources and provide a new table similar to the one provided as Table 5 in the Company's October 7, 2010 Report.

Prior to submitting the revised Table 5, PacifiCorp provided the IE an analysis, including spreadsheets developed as part of the due diligence process which contained detailed O&M cost information for Apex, supporting the higher O&M costs used by PacifiCorp in its evaluation of Apex.

Q. WHAT WERE THE RESULTS OF THE REVISED TABLE 5 ANALYSIS?

A. For this analysis, PacifiCorp provided the difference in Risk Adjusted PVRR for each CO2 scenario based on cases with unmet energy costs (similar to the results included in Table 5 in PacifiCorp's October 7, 2010 report) and without unmet energy costs. In all cases with unmet energy costs, Portfolio 2 (CH2MHill Lake Side 2 project and Apex) enjoys a competitive advantage over Portfolio 1 (CH2MHill Lake Side 2 only). In the base CO2 case, the [REDACTED]. The [REDACTED] reflects Unmet Energy Costs (i.e. Energy Not Served and Reserve Deficiencies) plus the Risk Adjustment value (95th Percentile Expected Value). PacifiCorp also provided in its

analysis an updated cumulative PVRR delta graph which illustrated that net benefits with Apex are not forecasted to materialize on an accumulated PVRR basis until 2023, assuming a \$19/ton CO2 tax is imposed in 2015.

Q. WHAT IS THE BASIS FOR YOUR CONCLUSION THAT PACIFICORP PREMATURELY TERMINATED DUE DILIGENCE AND CONTRACT NEGOTIATION?

A. Throughout PacifiCorp's analysis of the Apex project, the economic evaluation results changed significantly over the course of the evaluation, ranging from a [REDACTED] [REDACTED] in the initial analysis, to a slight [REDACTED], two days after reporting a [REDACTED]. Subsequently, PacifiCorp found errors in its analysis that resulted in the Apex project enjoying a [REDACTED] relative to Currant Creek as the next unit. This finding occurred after PacifiCorp had decided to terminate negotiations with the Apex project sponsors. With such fluctuations in the economic valuation of the Apex project it would have been reasonable to continue with due diligence efforts to assess the assumptions further and identify the basis for significant shifts in costs and benefits. Since PacifiCorp did not plan on taking ownership of the plant until 2012, the IE is of the opinion it did not make sense to terminate due diligence and negotiations at the time PacifiCorp decided to terminate.

VI. SUMMARY OF CONCLUSIONS REGARDING THE ALL SOURCE RFP PROCESS

Q. PLEASE SUMMARIZE THE MAJOR CONCLUSIONS OF YOUR TESTIMONY REGARDING PACIFICORP'S DECISION TO SELECT AND CONTRACT WITH CH2MHILL FOR THE LAKE SIDE 2 PROJECT.

A. The following are the major conclusions of my testimony regarding the selection of the Lake Side 2 project:

1. The CH2MHill Lake Side 2 project was the lowest reasonable cost option for customers taking into account all costs and risks. This project was selected in all portfolios in both Steps 2 and 3 of the evaluation process. In addition, PacifiCorp was able to effectively negotiate a contract with the project sponsor that balances risk to the developers and customers.
2. The IEs assessment of the terms and conditions of the EPC contract between PacifiCorp and CH2MHill for the Lake Side 2 project shows a well-managed balancing of risk among customer interests, company interests, and EPC contractor interests. The agreement is soundly structured. Within that structure, the risk is well managed in ways which protect the interests of the customers of the company.
3. PacifiCorp effectively utilized the benchmark resource to leverage contract benefits for customers through the negotiation process.
4. PacifiCorp took steps to ensure that all costs incurred by the benchmark and the CH2MHill project were equitably accounted for to ensure a fair and comprehensive evaluation.

5. Based on the closeness of the cost of the Lake Side 2 project and benchmark for similar technologies and projects, it is likely that project pricing reflects current market conditions.
6. The resulting cost of the project is also lower than the project cost at the time PacifiCorp suspended the All Source RFP in February 2009.

Q. PLEASE SUMMARIZE YOUR OTHER CONCLUSIONS REGARDING THE ALL SOURCE SOLICITATION PROCESS.

A. The overall conclusions from my assessment as IE on the All Source RFP process are detailed in Chapter X of my Report. A summary of several of the major conclusions are provided below:

- The solicitation process was largely undertaken in a fair, equitable, and unbiased manner by the Company with the oversight of the IEs. While PacifiCorp did follow its process for the evaluation and selection of resources, the IE is of the view that PacifiCorp prematurely terminated negotiations and due diligence on the Apex project;
- PacifiCorp treated the benchmark resource fairly and consistently relative to all other bids. In this regard, the benchmark resource was required to provide the same information as all other bidders and was evaluated consistently;
- The RFP process was a highly transparent process, providing detailed information to bidders about the requirements for bidding, the products requested, the evaluation methods and methodology, the evaluation process, bid evaluation

criteria, and information required of all bidders. Our view is that the transparency of the process exceeds industry standards;

- The initial or indicative bid/best and final offer process proved to be a very effective process. This process allowed PPA and other bidders the opportunity to develop firmer prices closer to the time of contract negotiations;
- The RFP offered a range of resource alternatives which allowed bidders to structure their proposals to take maximum advantage of their capabilities and project characteristics;
- PacifiCorp provided the IEs access to all information associated with the evaluation and selection process including individual model runs for the Step 1 analysis, model output and input files for Steps 2 and 3, and with very detailed and thorough reports at each stage of the process. The IE had access to all data, model results, input assumptions and other information necessary to render a thorough evaluation of the quality and comprehensiveness of the bid evaluation and selection process;
- Negotiations between PacifiCorp and CH2MHill and PacifiCorp and LS Power for the Apex plant were conducted in a fair and consistent manner, with no undue biases toward any bidder;
- PacifiCorp's project team was very responsive to the requests and requirements of the IEs throughout the process. We feel we had unfettered access to any reasonable and relevant information necessary to function in the role of IE;
- PacifiCorp was also responsive to bidder questions and information requests.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.