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UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE</b>	)	
<b>APPLICATION OF ROCKY</b>	)	<b>CASE NO. PAC-E-08-07</b>
<b>MOUNTAIN POWER FOR</b>	)	
<b>APPROVAL OF CHANGES TO ITS</b>	)	<b>Direct Testimony of A. Robert Lasich</b>
<b>ELECTRIC SERVICE SCHEDULES</b>	)	
<b>AND A PRICE INCREASE OF \$5.9</b>	)	
<b>MILLION, OR 4.0 PERCENT</b>	)	

**ROCKY MOUNTAIN POWER**

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**CASE NO. PAC-E-08-07**

**September 2008**

1 **Q. Please state your name, business address and present position with Rocky**  
2 **Mountain Power (the Company), a division of PacifiCorp.**

3 A. My name is A. Robert Lasich. My business address is 1407 West North Temple,  
4 Suite 320, Salt Lake City, Utah. My position is President of PacifiCorp Energy.

5 **Qualifications**

6 **Q. Briefly describe your educational and professional background.**

7 A. I have a Bachelor of Arts degree from Indiana University, a Master of Business  
8 Administration degree from the University of Cincinnati and a law degree from  
9 Indiana University. I joined MidAmerican Energy Company in October 1997 and  
10 have held positions of increasing responsibility, including Senior Attorney, Vice  
11 President, Gas Supply and Trading, and Vice President, MidAmerican Energy  
12 Holdings Company (MEHC), responsible for integration and transition matters  
13 related to the acquisition of PacifiCorp. Prior to that, I was with the law firm of  
14 Dale & Eke P.C., where I focused on real estate and corporate law. Prior to  
15 admission to the practice of law, I held several accounting and financial positions  
16 with Cabot Corporation and its successor organizations. I was appointed President  
17 of PacifiCorp Energy in August 2007 after 1 1/2 years as Vice President and  
18 General Counsel, and was elected to the PacifiCorp Board of the Directors in  
19 March 2006. As President, I have responsibility for the electric generation,  
20 commercial and energy trading, and coal-mining operations of the Company.

21 **Purpose of Testimony**

22 **Q. What is the purpose of your testimony in this proceeding?**

23 A. The purpose of my testimony is to demonstrate the prudence of major supply-side

1 resource additions and the planned increases to generation related operation and  
2 maintenance (O&M) expenses included in the this application. The new supply-  
3 side resources included in this case are described in the table below.

Resource Name	Location	In-Service Date	Capital Cost	O&M Included in GRC
Goodnoe Hills	Klickitat County, Washington	May 31, 2008	\$188.5 Million	\$2.5 Million
Marengo II	Columbia County, Washington	June 26, 2008	\$131.3 Million	\$2.3 Million
Chehalis	Lewis County, Washington	September 15, 2008	*	*

4 \*See Mr. Brian S. Dickman's Testimony, Confidential Exhibit No. 13 for  
5 pertinent information.

6 **Q. Please briefly explain how you will support the prudence of supply-side**  
7 **resources in your testimony.**

8 A. I will start by describing the integrated resource plan (IRP) and how that strategic  
9 tool is utilized to assist the Company in identifying and quantifying the need and  
10 timing of new supply-side resources. I will also provide an overview of the  
11 relevant MEHC transaction commitments. I will conclude with a description of  
12 each resource acquired by the Company and the decision-making process that led  
13 to the acquisitions.

#### 14 **Integrated Resource Plan**

15 **Q. Please briefly describe the IRP.**

16 A. The IRP is a strategic planning tool that presents a framework of future actions to  
17 ensure the Company continues to provide reliable, low-cost service with  
18 manageable and reasonable risk to its customers. The IRP builds on the

1 Company's prior resource planning efforts and reflects significant advancements  
2 in portfolio modeling and risk analysis.

3 **Q. What is the main purpose of the IRP?**

4 A. The mandate for an IRP is to assure that the Company has, on a long-term basis,  
5 an adequate and reliable electricity supply at the lowest reasonable cost and to  
6 ensure that such supply is provided or fulfilled in a manner consistent with the  
7 long-run public interest. The main role of the IRP is to serve as a strategic  
8 roadmap to assist the Company in determining and implementing the Company's  
9 long-term resource strategy. In doing so, it accounts for state commission IRP  
10 requirements, a current view of the planning environment, corporate business  
11 goals and MEHC transaction commitments that are related to IRP activities, such  
12 as the acquisition of renewable resources.

13 As a strategic business planning tool, the IRP supports informed decision-  
14 making on resource procurement by providing an analytical framework for  
15 assessing resource investment tradeoffs. As an external communications tool, the  
16 IRP engages numerous stakeholders in the planning process and guides them  
17 through the key decision points leading to the Company's preferred portfolio of  
18 generation, demand-side management activities and transmission resources.

19 The emphasis of the IRP is to determine the most robust resource plan for  
20 a reasonably wide range of potential outcomes, as opposed to the optimal plan for  
21 some expected view of the future. The modeling is intended to inform and support  
22 the expert judgment of the Company's decision-makers. The preferred portfolio is  
23 not intended to be static, but rather is expected to evolve as part of the ongoing

1 planning process as new information becomes available and new circumstances  
2 evolve. As a multi-objective planning effort, the IRP must balance several  
3 priorities and account for diverse and sometimes conflicting stakeholder views.  
4 However, the IRP cannot be all things to all people. As the owner of the IRP, the  
5 Company is uniquely positioned to determine the resource plan that best  
6 accomplishes IRP objectives on a system-wide basis, and meets customer,  
7 community and investor obligations collectively.

8 **Q. What is the outcome of the IRP process?**

9 A. The result is a preferred portfolio that represents a balance of resource additions  
10 that meet future customer needs, minimize cost, balance diverse stakeholder  
11 interests and address environmental concerns. To follow through on the findings  
12 of the resource plan, the Company's IRP includes an action plan that is intended  
13 to inform and provide guidance for the Company's resource procurement  
14 activities over the next few years.

15 **Q. Is there participation by others in the creation of the Company's IRP?**

16 A. Yes. Customer interest groups, regulatory staff, regulators and other stakeholders  
17 provide considerable guidance and input into the development of the IRP. The  
18 analytical approach used conforms to all state standards and guidelines.

19 **Q. How did the most recent IRP address renewable resources?**

20 A. Action item one of the 2007 IRP is to acquire 2,000 MW of renewable resources  
21 by 2013 and, in addition, to seek to add transmission infrastructure and flexible  
22 generating resources, such as natural gas, to integrate new wind resources.

1 **Q. Please describe the Company's other activities to implement item 1 of the**  
2 **2007 IRP action plan.**

3 A. The Company is currently implementing two renewable resource requests for  
4 proposals (RFPs). These RFPs are designated 2008R and 2008R-1. On  
5 January 31, 2008, the Company issued an RFP 2008R for long-term renewable  
6 resources less than 100 MW in generating capability, or alternatively, for a term  
7 less than five years if greater than 100 MW in generating capability to be in  
8 operation prior to December 31, 2009. The deadline for submission of bids under  
9 RFP 2008R was March 31, 2008. Developers submitted proposals in the form of a  
10 power purchase agreement or build-own-transfer agreement. The Company will  
11 not have a benchmark or other Company-owned alternative in this process. The  
12 Company has completed the evaluations for the 2008R RFP and is currently in  
13 negotiations with the final shortlist of bidders. The Company expects to finalize  
14 the agreements with project developers by September 30, 2008.

15 In addition, the Company filed the draft 2008R-1 RFP in Oregon and  
16 Washington on April 28, 2008. The 2008R-1 RFP is for system wide renewable  
17 resources, which are limited in size to no more than 300 MW, and which is the  
18 upper project size limit permitted by Utah Senate Bill 202.<sup>1</sup> The Oregon Public  
19 Utilities Commission selected Boston Pacific as the independent evaluator for the  
20 2008R-1 RFP and the Public Service Commission of Utah has selected  
21 Merrimack Energy as its consultant. As a part of this RFP, the Company is

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<sup>1</sup> Utah Senate Bill 202 requires the Company to issue a public solicitation of bids for a renewable energy source up to 300 MW in size each year in which it reasonably anticipates that it will need to acquire or commence construction of a renewable energy resource. (Utah Code 54-17-502(2)(a)(i))

1 proposing a process that will allow the Company to re-issue the solicitation in  
2 subsequent time periods to call for new bidders or updated bids on an as-needed  
3 basis. This ability to periodically re-issue solicitations will provide needed  
4 flexibility in the procurement of renewable resources. The Company anticipates  
5 that it will re-issue the renewable RFP annually, as long as it requires additional  
6 renewable resources.

7 **Q. How did the 2007 IRP address other resources?**

8 A. The system resource needs assessment conducted for the 2007 IRP showed the  
9 Company's incremental peak capacity need was over 2,400 MW by 2012. The  
10 2007 IRP identified a need for a west-side combined cycle combustion turbine in  
11 2011, high-capacity-factor resources in the east in 2012 and 2014 and east-side  
12 combined cycle combustion turbines in 2012 and 2016.

13 **Q. Please describe the Company's current activity with respect to other  
14 resource RFPs.**

15 A. In July 2006, the Company filed a proposal seeking approval of a proposed  
16 solicitation for an RFP for the 2012 – 2014 period (2012 RFP) which solicited up  
17 to 1,700 MW. The Company recently disclosed that the maximum resource  
18 outcome of the 2012 RFP will be well short of the intended target and a large  
19 system-wide shortfall will remain. As a result, the Company continues to pursue  
20 cost-effective resources through the ongoing RFP process and to pursue unique  
21 opportunity purchases such as the Chehalis plant.

1 **MEHC Transaction commitments**

2 **Q. Please provide an overview of the MEHC transaction commitments related**  
3 **to the acquisition of renewable resources.**

4 A. As part of the regulatory approvals related to the acquisition of the Company,  
5 MEHC and the Company committed to:

- 6 • Bring at least 100 MW of cost-effective wind resources in service within one  
7 year of the close of the transaction;
- 8 • Have 400 MW of cost-effective new renewable resources in the Company's  
9 generation portfolio by December 31, 2007; and
- 10 • Reaffirm the Company's commitment to acquire 1,400 MW of cost-effective  
11 new renewable generation resources.

12 **Supply-Side Resources**

13 **Q. Please describe the benefits of these renewable resources to Idaho customers.**

14 A. Idaho customers benefit from these renewable resources because it is more  
15 economical for the Company to generate electricity with these resources than to  
16 purchase it in the open market. The 2004 and 2007 IRPs specify that renewable  
17 resources (using wind resources as a proxy) are steadily added to the system with  
18 the target of reaching 1,400 MWs or more of renewable resources.

19 **Q. How else will these renewable resources benefit Idaho customers?**

20 A. These renewable resources further benefit Idaho customers by providing the  
21 Company with (i) a zero incremental cost fuel source (thus reducing commodity  
22 risk exposure), (ii) multi-shafted generation resources (thus diversifying the  
23 impact of individual generator failures), (iii) additional valuable ownership and  
24 operational experience with utility scale wind projects, and (iv) Idaho customers  
25 also receive a renewable energy credit benefit. Further, as a result of long-term

1 planning and the reasonable expectation that additional state and/or federal  
2 renewable portfolio standards will be established, the Company is expecting to  
3 have a robust need for renewable resources in the coming years.

4 **Q. What factors does the Company consider before acquiring new generation  
5 resources?**

6 A. Upon reviewing a detailed overview of the project including the contract support  
7 and counterparty guarantees, the risks, the need as established by the IRP, the  
8 financial assessment, and the justification of the project, Company executives  
9 make a decision as to whether it is in the best interests of our customers to  
10 proceed with the acquisition of a resource. The Company followed this process in  
11 determining that the resources discussed in the following paragraphs are prudent,  
12 have been acquired consistent with the MEHC transition commitments, and are in  
13 the public interest to pursue.

14 **Goodnoe Hills**

15 **Q. Please describe the size and location of the Goodnoe Hills resource.**

16 A. The Goodnoe Hills wind project is a 94 MW wind energy generation facility  
17 comprised of 47 ~ 2.0 MW REPower System wind turbines located in Klickitat  
18 county, Washington. Exhibit No. 16 shows a map of the plant location. The  
19 Goodnoe Hills wind project is interconnected to the Company's system via the  
20 Bonneville Power Administration's (BPA) transmission system. The Company  
21 owns 94 MW of interconnection rights with BPA.

1 **Q. What investment related to the Goodnoe Hills project is included in the**  
2 **revenue requirement?**

3 A. The Company has included \$188.5 million for the Goodnoe Hills project in this  
4 application. The O&M costs included in the case associated with the Goodnoe  
5 Hills resource are approximately \$2.5 million to cover wind turbine-generator  
6 maintenance agreement, permitting obligations, and local levy tax.

7 The Goodnoe Hills project began commercial operation May 31, 2008. As  
8 discussed in Mr. Gregory N. Duvall's testimony, the Company's net power cost  
9 calculation reflects the inclusion of Goodnoe Hills. Mr. Dickman's testimony  
10 includes the revenue requirement calculations associated with the inclusion of this  
11 resource.

12 **Marengo II**

13 **Q. Please describe the size and location of the Marengo II resource.**

14 A. The Marengo II wind project is a 70.2 MW wind energy generation facility  
15 comprised of 39 ~ 1.8 MW Vestas wind turbines located in Columbia county,  
16 Washington. Exhibit No. 17 shows a map of the plant location. The Marengo II  
17 wind project is interconnected directly to the Company's system. The Marengo II  
18 wind project will not incur third-party transmission expense.

19 **Q. What investment related to the Marengo II project is included in the revenue**  
20 **requirement?**

21 A. The Company has included \$131.3 million for the Marengo II plant in this  
22 application. The O&M costs included in this case associated with Marengo II are  
23 approximately \$2.3 million to cover wind turbine-generator maintenance

1 agreement, permitting obligations, local levy tax and land royalties and  
2 easements.

3 The Marengo II plant began commercial operation on June 26, 2008. As  
4 discussed in Mr. Duvall's testimony, the Company's net power cost calculation  
5 reflects the inclusion of Glenrock III. Mr. Dickman's testimony includes the  
6 revenue requirement calculations associated with the inclusion of this resource.

7 **Other Supply-Side Resources**

8 **Q. Are there other Supply-Side Resources that the Company has acquired since**  
9 **the last rate case?**

10 A. Yes. The Company is currently seeking approval for the purchase of the Chehalis  
11 combined cycle plant located in Chehalis, Lewis County, Washington. Exhibit  
12 No. 18 shows a map of the plant location. Chehalis is a nominal 500 MW natural  
13 gas-fueled electric generation facility.

14 Please refer to the testimony of Mr. Stefan A. Bird for a more thorough  
15 discussion of the necessity and prudence of this resource.

16 **Q. Please describe the benefits of this resource to the Company's Customers.**

17 A. The Chehalis combined cycle plant will add additional flexibility to the overall  
18 system and represents a low-cost resource when compared to other gas-fueled  
19 resources and the current cost to construct, own and operate a similar resource.

20 **Q. What investment related to the Chehalis combined cycle plant is included in**  
21 **the revenue requirement?**

22 A. The Company has included the revenue requirement, including O&M costs, for  
23 the Chehalis combined cycle plant in Mr. Dickman's Testimony, Confidential

1 Exhibit No. 13. The O&M costs will be incurred as a result of labor required to  
2 operate the plant, chemical cost, maintenance materials and contracts, and other  
3 miscellaneous operating expenses (e.g., utilities, rents, leases, insurance  
4 premiums, etc.

5 As discussed in Mr. Dickman's testimony, the Company's net power cost  
6 calculation reflects the inclusion of the Chehalis combined cycle plant. Mr. Bird  
7 will testify in support of the proposed Chehalis acquisition, including investment  
8 and prudence information

9 **Conclusion**

10 **Q. Please summarize your conclusions.**

11 A. The Company has included supply-side resources, including the investment, net  
12 power cost, and associated expenses, with in-service dates prior to  
13 December 31, 2008, in its application. These projects represent significant  
14 investments the Company is making on behalf of its customers to meet their  
15 energy needs on a prudent and cost-effective basis. Customers will receive the  
16 output of these facilities during the rate-effective period and, therefore, should  
17 pay for the costs associated with the facilities. The Company has been prudent in  
18 securing these facilities for the benefit of its Idaho customers and should be  
19 granted full cost recovery.

20 **Q. Does this conclude your testimony?**

21 A. Yes.

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Case No. PAC-E-08-07

Exhibit No. 16

Witness: A. Robert Lasich

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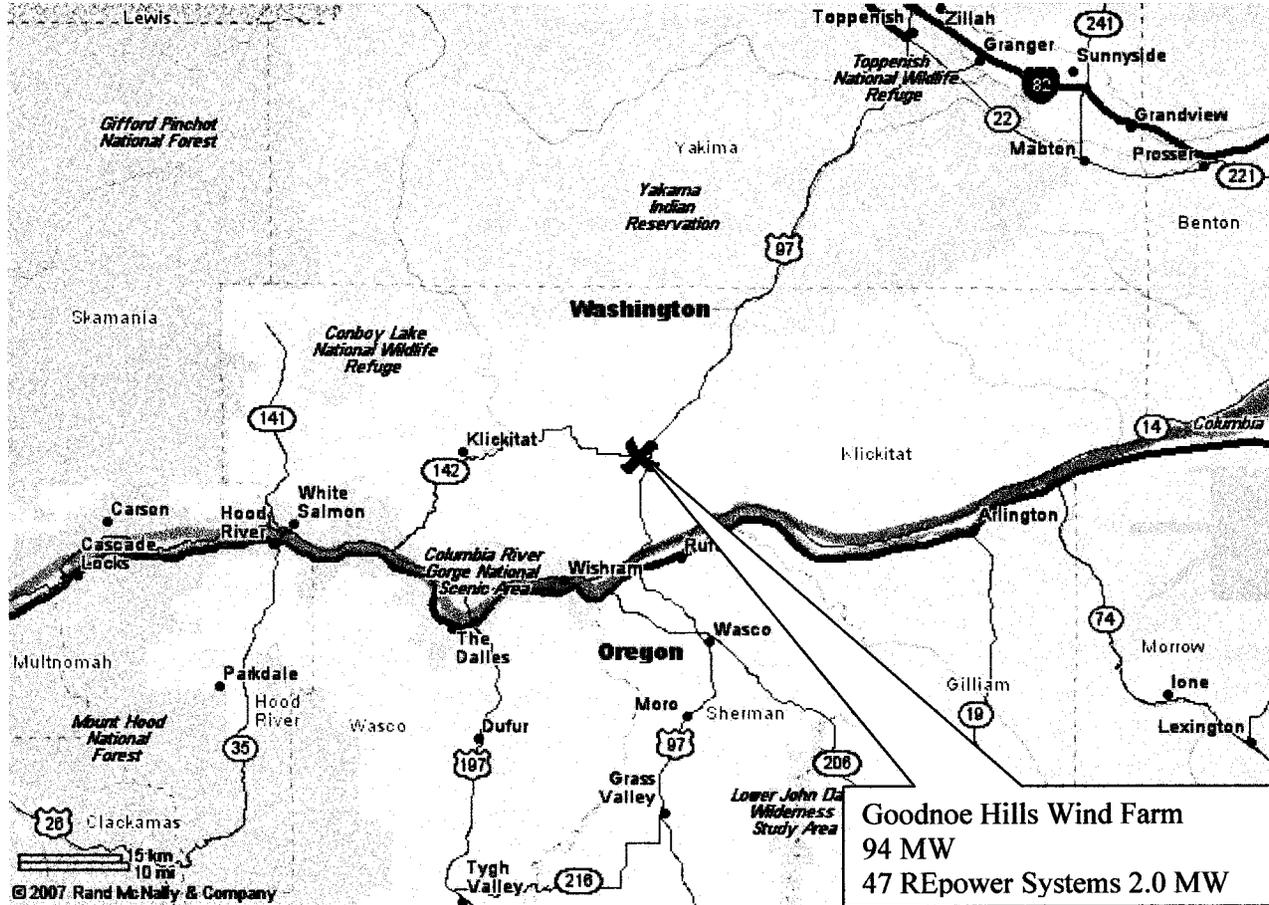
ROCKY MOUNTAIN POWER

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Exhibit Accompanying Direct Testimony of A. Robert Lasich

Map – Location of Goodnoe Hills

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Case No. PAC-E-08-07

Exhibit No. 17

Witness: A. Robert Lasich

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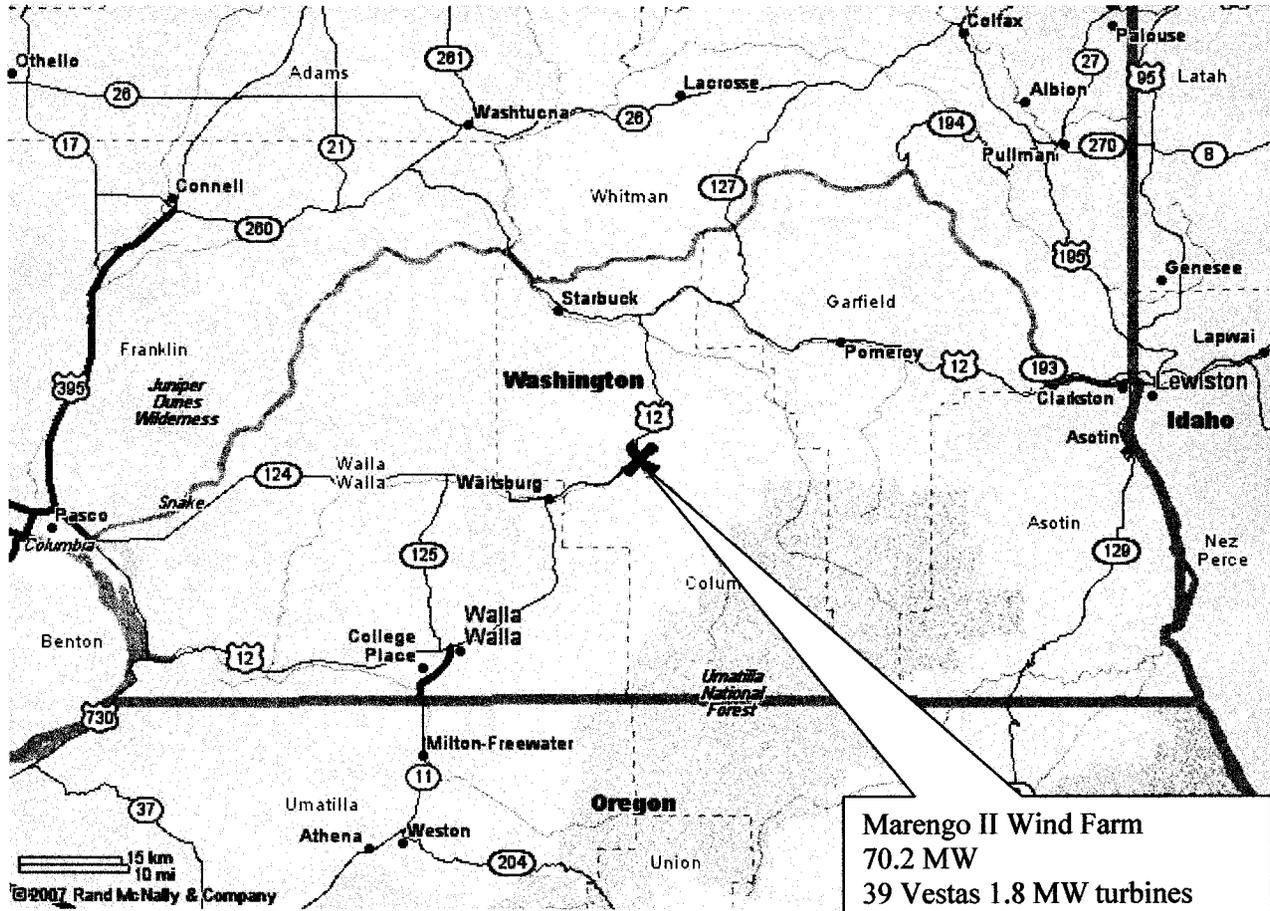
ROCKY MOUNTAIN POWER

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Exhibit Accompanying Direct Testimony of A. Robert Lasich

Map – Location of Marengo II

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Case No. PAC-E-08-07  
Exhibit No. 18  
Witness: A. Robert Lasich

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ROCKY MOUNTAIN POWER

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Exhibit Accompanying Direct Testimony of A. Robert Lasich

Map – Location of Chehalis

September 2008

