

Rocky Mountain Power  
Docket No. 17-035-39  
Witness: Cindy A. Crane

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Cindy A. Crane

October 2017

1 **Q. Are you the same Cindy A. Crane who previously provided direct testimony in**  
2 **this case on behalf of Rocky Mountain Power (“Company”), a division of**  
3 **PacifiCorp?**

4 A. Yes.

5 **PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. I provide the Company’s overall policy rebuttal to the objections of the Division of  
8 Public Utilities (“DPU”), Office of Consumer Services (“OCS”), and the Utah  
9 Association of Energy Users (“UAE”) to the Company’s request for resource approval  
10 of its wind repowering project.

11 **Q. Please summarize your testimony.**

12 A. As the wind repowering project has developed, it has become an increasingly attractive  
13 resource opportunity for customers. The benefits are now greater and more certain, and  
14 the risks have decreased. In rebuttal to the parties’ objections to the repowering project,  
15 the Company demonstrates that it has recognized and reasonably managed all of the  
16 potential risks and concerns. This includes the risk of near-term changes in federal  
17 corporate income tax rates that could adversely affect the project’s benefits. The  
18 Company will manage this and other potential risks either through the off-ramps built  
19 into the project or by seeking additional direction from the Commission before or  
20 during project implementation.

21 **OVERVIEW OF WIND REPOWERING PROJECT BENEFITS AND RISK**  
22 **MANAGEMENT**

23 **Q. Based on the wind repowering project’s current status and the Company’s**  
24 **updated analysis of benefits, costs, and risks, does the project satisfy the public**  
25 **interest standard for resource approval under Utah Code Ann. § 54-17-402?**

26 A. Yes. The repowering project is the least-cost, least-risk path available to serve the  
27 Company’s customers. Company witness Mr. Rick T. Link’s rebuttal testimony and  
28 updated economic analysis demonstrates customer benefits of \$115 million in the 20-  
29 year medium case and \$471 million in the 2050 medium case—an increase of  
30 \$102 million and \$112 million, respectively, from the Company’s original analysis.  
31 Company witness Mr. Jeffrey K. Larsen’s rebuttal testimony shows how those  
32 increased benefits will flow through to customers. Company witness Mr. Timothy J.  
33 Hemstreet’s rebuttal testimony and project update details the Company’s extensive and  
34 ongoing efforts to minimize technical and construction risk with higher-performing  
35 equipment, fixed pricing, and penalties for non-performance. Company witness  
36 Ms. Nikki L. Kobliha’s rebuttal testimony addresses how the Company has maximized  
37 production tax credit (“PTC”) benefits and minimized risk related to the PTC  
38 qualification requirements. Together, this evidence shows that the repowering project  
39 satisfies the public interest standard for resource approval under Utah Code Ann.  
40 § 54-17-402.

41 **Q. The parties argue that there remain significant risks related to qualification for**  
42 **the PTC. Do you agree?**

43 A. No. As demonstrated in the rebuttal testimonies of Mr. Hemstreet and Ms. Kobliha, the  
44 Company’s project development and tax teams have worked together to apply Internal

45 Revenue Service guidance on each relevant issue, and to calibrate the project scope,  
46 expenditures, and timelines to ensure compliance. This testimony shows that the  
47 Company has actively managed and mitigated all areas of potential PTC risk raised by  
48 the parties.

49 **Q. The parties argue that there is a significant risk that benefits will not materialize**  
50 **as claimed by the Company, and that the repowering project may prove**  
51 **uneconomic in the long run for reasons beyond the Company's control. Do you**  
52 **agree?**

53 A. I do not. Mr. Link's sensitivity modeling is designed to capture a wide range of  
54 conditions and circumstances that could impact the economics of the repowering  
55 project. In the Company's updated economic analysis, the wind repowering project  
56 shows benefits under all sensitivities. While all resource decisions inherently include  
57 some risk, the Company has demonstrated a high likelihood that the repowering project  
58 will be beneficial to customers.

59 **Q. Both DPU and OCS object to the wind repowering project unless the Company**  
60 **provides additional economic analysis, such as a facility-by-facility review and a**  
61 **tax sensitivity. (Peaco Direct, lines 72 - 75; Hayet Direct, lines 589 - 592.) Has the**  
62 **Company addressed this request for additional economic analysis to validate the**  
63 **benefits of the wind repowering project?**

64 A. Yes. In direct response to these concerns, the Company's updated economic analysis  
65 includes both a facility-by-facility review of the wind repowering project and a  
66 sensitivity based on a potential reduction of the federal corporate income tax rate from

67 35 percent to 25 percent. As Mr. Link explains in his testimony, this additional analysis  
68 further substantiates the benefits of the wind repowering project.

69 **Q. Based on the Company's economic analysis showing the increased benefits of the**  
70 **wind repowering project, has the Company updated its forecast of the near-term**  
71 **rate benefits of the project to Utah customers?**

72 A. Yes. As explained in the testimony of Mr. Larsen, the Company's updated economic  
73 analysis for years 2019 through 2022 estimates a Utah customer net benefit in each  
74 year, with net benefits of up to \$12.4 million by 2022. Under the Resource Tracking  
75 Mechanism proposed by the Company, these benefits will flow directly to customers.

76 **Q. If circumstances arise that make the repowering project uneconomic, has the**  
77 **Company structured off-ramps to allow it to stop project development?**

78 A. Yes. As addressed by Mr. Hemstreet, the Company has negotiated a fixed-price, turn-  
79 key contract with General Electric for wind turbines supply and installation. It has also  
80 established precautionary off-ramps in the General Electric contract to allow it to exit  
81 the repowering project before issuing retrofit work orders if the project becomes  
82 uneconomic. The timing of the execution of the Company's turbine supply contract  
83 with Vestas also provides flexibility to allow the Company to reassess project  
84 economics, if necessary, before executing the contract.

85 **Q. How will the Company respond if it receives approval of repowering in this docket**  
86 **and a subsequent event occurs that adversely affects the economics of the project**  
87 **during implementation?**

88 A. As allowed under Utah Code Ann. § 54-17-404,<sup>1</sup> if there is an adverse change of  
89 circumstances that materially affects the wind repowering project's economics, the  
90 Company will seek Commission review regarding whether it should proceed with  
91 implementation of the approved resource decision. The Company will apply this  
92 approach if there are material, adverse changes in the federal tax law that occur during  
93 project implementation. But as Ms. Koblaha explains—and as OCS witness Ms. Donna  
94 Ramas also reports—the window for tax law changes is likely to close in early 2018,  
95 well before the final off-ramp for the repowering project. (Ramas Direct, lines 577 -  
96 578.)

97 **Q. If significant portions of the repowering project do not ultimately qualify for PTCs**  
98 **due to delays, or the project incurs unanticipated cost increases within the**  
99 **Company's control, is the Company prepared to bear those risks?**

100 A. Yes. The Company has taken every precaution to ensure that each repowered facility  
101 will meet the requirements and timelines of the five-percent safe-harbor requirement,  
102 as well as the 80/20 test, and has developed a construction schedule and negotiated  
103 contract terms that minimize schedule risks. While we do not believe it is appropriate  
104 for the Company to absorb risks beyond its control—such as those associated with the  
105 actions of the U.S. Congress—we are prepared to accept risks associated with our

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<sup>1</sup> Utah Code Ann. §54-17-404(1)(a) (“In the event of a change in circumstances or projected costs, an energy utility may seek a commission review and determination of whether the energy utility should proceed with the implementation of an approved resource decision.”).

106 performance. We are confident that our 2016 investment will meet the five percent  
107 threshold of total project costs, that we will complete the repowering project well in  
108 advance of the 2020 deadline, and that the post-repowering fair market value of each  
109 wind turbine will include at least 80 percent new equipment.

110 **Q. How will the Company respond if the federal corporate income tax rate is**  
111 **significantly altered, impacting the economics of repowering?**

112 A. This depends on the extent and the nature of the change. As Mr. Link's tax sensitivity  
113 analysis shows, the repowering project remains beneficial under the reasonable  
114 assumption that a new corporate federal tax rate would not be below 25 percent, so the  
115 repowering project will be in the public interest even if the corporate tax rate is  
116 substantially reduced.

117 If a tax rate change occurs before the Company executes turbine supply and  
118 installation contracts in early 2018, the Company will refresh the project economics to  
119 inform its decision to proceed or terminate. The Company will either update its pending  
120 request, or if the change occurs during the implementation of the repowering project,  
121 the Company will seek guidance from the Commission under Utah Code Ann.  
122 § 54-17-404.

123 If the tax law change occurs after the repowering project is completed, then the  
124 change should be addressed like any other factor that occurs after a resource decision  
125 is approved by the Commission based on the facts known at the time. There is always  
126 a risk that future changes in laws could affect decisions made today, and the Company  
127 has to operate on the best information available at the time decisions are made. That is  
128 why we are before the Commission now—to determine whether the Company has

129 adequately addressed the project risks and whether repowering is in the public interest  
130 given the information currently available.

131 **Q. Does this conclude your rebuttal testimony?**

132 A. Yes.