

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

Supplemental Direct Testimony of Cindy A. Crane

February 2018

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

4 A. Yes.

5 **PURPOSE AND SUMMARY OF TESTIMONY**

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

7 A. In my testimony, I support the Company’s request that the Public Service Commission
8 of Utah (“Commission”) approve the wind repowering project. I provide an update on
9 the policy support for the Company’s decision to repower its wind facilities, and
10 describe a modest refinement to the Company’s requested relief based on the updated
11 economic analysis.

12 **Q. Please summarize your testimony.**

13 A. The repowering project continues to advance the public interest and is expected to
14 provide substantial net benefits to customers. As the project has progressed, the
15 contract negotiations and technical studies are nearing completion—meaning that the
16 expected costs and performance for the repowered facilities are now more certain. The
17 updated economic analysis, which accounts for updated market conditions, updated
18 cost and performance metrics, and federal corporate income tax reform, shows that the
19 repowering project is expected to provide customer benefits under all price-policy
20 scenarios.

21 Based on the changes in the federal income tax code, the Company proposes
22 one refinement to its proposed ratemaking treatment. The Company requests that the
23 proposed Resource Tracking Mechanism (“RTM”) continue to be capped in the early

24 years, but that the revenue requirement impact associated with the changes to the
25 federal tax code that exceed the cap be deferred for future ratemaking treatment.

26 **SUPPLEMENTAL DIRECT TESTIMONY**

27 **Q. Does the Company's supplemental direct testimony provide the updated economic**
28 **analysis that was agreed to when the procedural schedule in this case was**
29 **amended?**

30 A. Yes. As described by Company witness Mr. Rick T. Link, the Company has updated
31 the project-by-project economic analysis to account for changes in the federal corporate
32 income tax rate, updated market prices for natural gas and carbon dioxide, and updated
33 cost and performance information for the wind repowering project. *See In the Matter*
34 *of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision*
35 *to Repower Wind Facilities*, Docket No. 17-035-39, Unopposed Motion to Amend
36 Procedural Schedule at ¶4 (Nov. 22, 2017) (describing the updated analysis that would
37 be provided in the Company's supplemental testimony). The overall economics of the
38 wind repowering project remain favorable in all price-policy scenarios and demonstrate
39 a high likelihood that repowering will provide significant customer benefits.

40 **Q. Are the expected costs and benefits of the repowering projects now more certain?**

41 A. Yes. As described by Mr. Timothy J. Hemstreet, the technical studies and contract
42 negotiations are both nearing completion and both processes have largely confirmed
43 the Company's prior estimates—the cost of the repowering project increased by only
44 1.6 percent, while the expected incremental energy production decreased by only
45 0.2 percent. Because the costs and performance of the repowered facilities are now
46 more certain, the expected benefits modeled by Mr. Link are also more certain and the

47 overall risks associated with repowering have decreased.

48 **Q. Has the change in the federal corporate income tax rate modified the Company's**
49 **proposed rate treatment for the repowering project?**

50 A. Yes. The Company still requests that the Commission approve its proposed RTM as an
51 interim measure to better match the costs and benefits of the repowering project in
52 customer rates and prevent the need for year-after-year rate cases. In addition, the
53 Company stands by its proposal to cap the RTM. As described by Ms. Joelle R.
54 Steward, however, even though repowering still provides customer benefits over the
55 life of the project, tax reform has changed the revenue requirement impact of the
56 repowering project such the Company does not expect it to produce a revenue
57 requirement decrease until 2022. Because of the changes in the near-term rate impacts
58 in 2020-2021 due to tax reform, the Company proposes to separately defer the net costs
59 in excess of the cap related to tax law changes, and seek recovery through the offsets
60 to the deferral for the impacts from tax reform that the Commission is addressing in a
61 separate proceeding (Docket No. 17-035-69).

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

63 A. Yes.