Rocky Mountain Power
Docket No. 17-035-40
Witness: Cindy A. Crane

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Surrebuttal Testimony of Cindy A. Crane

May 2018

Q. Are you the same Cindy A. Crane who previously provided testimony in this case on behalf of Rocky Mountain Power ("Company"), a division of PacifiCorp?

A. Yes.

PURPOSE AND SUMMARY OF SURREBUTTAL TESTIMONY

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

A. I support the Company's request for approval of its significant and voluntary resource decisions for the Ekola Flats, TB Flats I and II, and Cedar Springs new wind projects ("Wind Projects") and for the Aeolus-to-Bridger/Anticline transmission line and network upgrades ("Transmission Projects") (collectively, the "Combined Projects"), as modified in this filing to remove the Uinta project from the requested approval. I also provide a policy response to the April 17, 2018 testimonies filed by the Division of Public Utilities ("DPU"), the Office of Consumer Services ("OCS"), and the Utah Association of Energy Users and the Utah Industrial Energy Consumers ("UAE/UIEC").

Q. Please summarize your testimony.

A. The Combined Projects are a time-limited resource opportunity that is part of the least-cost, least-risk portfolio to meet customers' resource needs. The costs and risks of the Combined Projects continue to decrease, confirming that the Company's resource decisions make sense for Utah customers. The 1,300 simulations performed by Company witness Mr. Rick T. Link thoroughly tested and confirmed the durability of the net benefits of the Combined Projects under a broad range of variables and uncertainties. The results demonstrate that the Combined Projects are in the public interest because they: (1) will most likely result in the acquisition, production, and delivery of service at the lowest reasonable cost to the customers; (2) serve customers' long-term and short-term interests; (3) minimize risk; (4) increase reliability; and (5) provide net benefits to customers without financial harm to the Company. The Company is withdrawing its request for approval of the Uinta wind project, to respond to parties' concerns and align this filing with the certificates for public and convenience ("CPCNs") issued in Wyoming, and the pending settlement in Idaho with commission staff. For these reasons, as explained in more detail below, and the reasons set forth in the Company's previously-filed testimony, the Combined Projects are prudent, in the public interest and should be approved.

UPDATE ON THE COMBINED PROJECTS

Q. Has the Company withdrawn the Uinta wind project from its request for resource approval?

A. Yes. The Company is now seeking resource approval for only three wind facilities, totaling 1,150 MW: (1) TB Flats I and II (500-MW benchmark project); (2) Cedar Springs (400-MW project, one-half build-to-own ("BTA"), one-half power-purchase agreement ("PPA"); and (3) Ekola Flats (250-MW benchmark project).

Q. Why did the Company narrow its request for significant resource approval?

A. In April 2018, the Company executed a stipulation with many parties in the Wyoming CPCN docket supporting issuance of CPCNs for the Combined Projects. In the stipulation, the parties agreed to remove the Uinta project. The Wyoming Public Service Commission approved the stipulation on April 12, 2018, and issued CPCNs for the Combined Projects, as modified to remove the Uinta project. The Wyoming CPCNs are conditioned on the Company obtaining rights-of-way, the status of which is addressed in the testimony of Mr. Chad A. Teply.

In May 2018, the Company executed a partial stipulation with the staff of the Idaho Public Utility Commission supporting the issuance of a CPCN and resolving all but one issue between the Company and Staff (whether or not an overall cost cap should apply to the Combined Projects.) That stipulation, now pending before the Idaho Commission after a hearing on May 10–11, 2018, also removed the Uinta project.

In this case, DPU witness Mr. Peaco raised concerns about the Uinta project. (Peaco Supplemental Rebuttal and Surrebuttal, lines 673–736.)

For all of these reasons, the Company removed the Uinta project from the Combined Projects in this case.

Q. Has the Company updated its filing to reflect this change?

A. Yes. Ms. Joelle R. Steward's surrebuttal testimony includes the updated, reduced overall costs for the Combined Projects and the updated revenue requirement impacts. Mr. Rick A. Vail supports the updated, reduced costs of the network upgrades. Mr. Link's testimony addresses the specific overall economics of the Combined Projects without Uinta.

THE COMBINED PROJECTS ARE IN THE PUBLIC INTEREST

Q. DPU, OCS, and UAE/UIEC claim that the Combined Projects are not in the public interest. (*See* Zenger Supplemental Rebuttal and Surrebuttal, lines 40–41; Vastag Second Rebuttal, lines 30–32; Mullins Supplemental Rebuttal, lines 49–51.) In your opinion, are the parties' concerns with the Combined Projects well-founded?

A. No. Although the parties criticize the Company for relying on allegedly speculative benefits, the parties' arguments largely ignore or dismiss the Company's factual evidence and robust analysis. The Company's economic analysis demonstrates—based on over 1,300 model simulations using conservative assumptions—that the Combined Projects are in the public interest and are most likely to result in the acquisition, production, and delivery of utility services at the lowest reasonable cost to customers. (Utah Code §§ 54-17-302, 54-17-402.) In addition, the following facts support a finding that the Combined Projects are in the public interest:

- It is clear that the Company has a capacity resource need today, which will persist even after the Combined Projects are added to the Company's generation portfolio. Thus, the real issue raised isn't whether there is a resource need, but rather whether the Combined Projects or some other option (such as front-office transactions) represent the least-cost, least-risk option to meet that need. This is discussed further by Mr. Link.
- There is a need for the Aeolus-to-Bridger/Anticline transmission line that is independent from the Wind Projects. This fact is discussed further by Mr. Vail.
- The Company has not "materially" altered its proposal over the course of this case and has been transparent about the fact that the request would evolve as the 2017R Request for Proposals progressed.
- The independent evaluators overseeing the 2017R Request for Proposals ("RFP") in Utah and Oregon concluded that the process was fair and supported the final shortlist of projects, as discussed in detail by Mr. Link.
- The Company has not "changed its story" from economic opportunity to need, as discussed in more detail by Mr. Link and Mr. Vail. These concepts

are not mutually exclusive. The Combined Projects are both needed *and* provide a time-limited economic opportunity. Even under the worst-case price-policy scenarios, customers will still receive the benefits of new zero-fuel-cost energy and much-needed transmission at a grossly discounted price due to the current (but limited) availability of federal production tax credits ("PTCs").

- The statutory construct in Utah, and the thorough oversight of this Commission, provide sufficient protections for customers from remaining risks. In addition, and contrary to some parties' claims, the Company has agreed to share in the risks that are within the Company's control.

Q. Why do you say that it is clear that there is a resource need today, and how does a finding of need affect this proceeding?

A. As discussed in more detail by Mr. Link, the Company is capacity deficient throughout the planning period. The parties assume that the Company will rely on front-office transactions to meet this need, and then claim that there is no such deficiency. This is true even though some parties have criticized the Company for many years for over-reliance on the market purchases to meet the Company's resource needs. But the 2017 Integrated Resource Plan ("IRP") selected the Combined Projects as part of the Company's portfolio of resources because they are lower cost and lower risk than market purchases and other resources. The analysis of the Combined Projects has continued throughout this proceeding and shows that the Combined Projects remain the lowest reasonable-cost option available, with the benefits improving and the costs declining as the case has progressed.

Almost all of the parties' arguments against the Combined Projects are premised on an alleged lack of need, including arguments that a heightened standard of review should apply. (*See, e.g.*, Peaco Supplemental Rebuttal and Surrebuttal, lines 136–150; Mullins Supplemental Rebuttal, lines 24–28.) Some of the witnesses even explicitly state that their positions would be different if there was a need for the resources. (*See, e.g.,* Peaco Supplemental Rebuttal and Surrebuttal, lines 136–150; Zenger Supplemental Rebuttal and Surrebuttal, lines 460–482; Hayet Second Rebuttal, lines 951–954.) Since there is a clear need, the Commission should reject these arguments.

Q. How has the Company's proposed resource decision to acquire the Combined Projects evolved from its initial filing in June 2017?

A. As indicated in the Company's initial filing, this time-sensitive opportunity required the Company to file its request for approval of the Combined Projects concurrently with its request for approval of the RFP. In its June 2017 filing, the Company informed the Commission and parties that it would supplement its filing once the results of the RFP were known. The Company supplemented its initial filing in January 2018, with the preliminary final results of its RFP process, and refined the final RFP results in its February 2018 filing. As the case has progressed through the past 12 months, the costs and benefits have become more well-defined and the risks have declined, demonstrating the improved economics of the Combined Projects.

Q. What are the requirements for approval of the Combined Projects under Utah Code Ann. §§ 54-17-302(3)(c) and 54-17-402(3)(b)?

A. I understand that the Commission must determine whether the resource decision is in the public interest, considering the following:

- Whether the decision will most likely result in the acquisition, production, and delivery of service at the lowest reasonable cost to the customers;
- Long-term and short-term impacts;
- Risk;
- Reliability;
- Financial impacts on the utility; and
- Other factors determined by the Commission to be relevant.

Q. Do the Combined Projects continue to meet the public interest standard considering the evaluation of the final RFP results and the Combined Projects' progressively well-defined economics and risks?

A. Yes. First, the 2017R RFP was monitored by two independent evaluators—one appointed by the Public Utility Commission of Oregon and one retained by this Commission. The independent evaluators monitored the 2017R RFP to ensure that the RFP was fair, unbiased, and conducted in the public interest. Both of these independent evaluators affirmed that the 2017R RFP process and results are in the public interest.

Second, the Aeolus-to-Bridger/Anticline line is a necessary investment for customers. The addition of this transmission line by 2024 is an important part of the Company's long-term transmission plan, and the line is needed to relieve congestion, provide voltage support, improve reliability, and reduce line losses. The robust response to the 2017R RFP, and the interconnection constraints faced by many of the bidders, reinforce the importance of adding more transmission capacity in eastern Wyoming to harness cost-effective generation resources for customers. The Wyoming Public Service Commission's approval of the Combined Projects confirms their agreement that Aeolus-to-Bridger/Anticline line is necessary for customers.

In addition, the Wind Projects are needed to provide zero-fuel-cost generation to serve customers, minimizing reliance on more-expensive front-office transactions and reducing net power costs. The Wind Projects provide significant benefits—which sum to approximately $1.2 billion over 10 years—from currently available PTCs. These benefits allow the Company to construct the Transmission Projects with small near-term rate increases and long-term savings. Since the Company's initial filing and the completion of the 2017R RFP, the near-term rate increases have remained modest, while the long-term benefits of the Combined Projects have increased and the risks have decreased. As explained further by Mr. Link, in the 18 scenarios studied (nine each for the 2050 and 2036 analyses) for the Combined Projects, 16 of 18 cases show net customer benefits. The Combined Projects (without Uinta) now show benefits of $174 million in the medium case through 2050, and benefits of $338 million in the medium case through 2036.

Q. Please summarize the conclusions of the Utah and Oregon independent evaluators regarding the 2017R RFP.

A. Both independent evaluators found that the 2017R RFP was conducted in a manner that produced the most competitive resource options for customers. The Utah independent evaluator specifically concluded that the 2017R RFP was fair, reasonable, and generally in the public interest. (Final Report of Merrimack Energy Group, Inc. to Utah Public Service Commission, PacifiCorp Renewable Request for Proposals (Feb. 2018) ("Utah IE Report"), Exhibit RMP__(RTL-2SR) at 70.) According to the independent evaluator, the RFP was designed to lead to the acquisition of wind-generated electricity at the lowest reasonable cost. (Utah IE Report, page 71.) The Company used a "detailed state-of-the-art portfolio evaluation methodology" demonstrating that the Combined Projects "should result in significant savings for customers," particularly in the near-term. (Utah IE Report at 71, 83.)

The Oregon independent evaluator concluded that the Wind Projects were the top viable offers and provide the greatest benefits to ratepayers. (Independent Evaluator's Final Report on PacifiCorp's 2017R Request for Proposal (Feb. 16, 2018) ("Oregon IE Report"), Exhibit RMP__(RTL-1SR) at 2–3.) The Oregon independent evaluator verified the Company's modeling with its own cost modeling of each bid and confirmed that the 2017R RFP aligned with the 2017 IRP. (Oregon IE Report at 2–3.)

Q. How did the independent evaluators conclude that the 2017R RFP was unbiased?

A. First, both independent evaluators conducted a detailed and independent assessment of the Company's benchmark resources. The Utah independent evaluator noted that the Company's benchmark information exceeded industry standards, the costs were reasonable, and there was no outward perception of bias. (Utah IE Report at 44–45.) The Oregon independent evaluator stressed that he took special care to confirm the selection of the benchmark resources, that the benchmark costs were disciplined by third-party bids for the same resources, and that his thorough assessment concluded that the benchmark costs were reasonable. (Oregon IE Report at 2–3, 10–11.)

Second, to confirm that there was no bias, the Oregon independent evaluator requested that the Company perform a sensitivity analysis to compare the Company's selected bids to an alternative portfolio of PPAs, as described in Mr. Link's supplemental direct and rebuttal testimony. (Link Supplemental Direct and Rebuttal, lines 252–277.) Both independent evaluators agreed that the results of this sensitivity showed that there was no bias. (Oregon IE Report at 32; Utah IE Report at 62–63.)

Q. Did the independent evaluators address the modeling and evaluation issues raised by the parties in this case?

A. Yes. Nearly every criticism leveled at the Company's solicitation process or modeling in the parties' testimony was addressed and rejected by the independent evaluators:

- The independent evaluators confirmed that the Company's refined modeling of PTC benefits to match how PTCs flow through rates did not bias the bid selection in favor of utility-owned resources.
- The independent evaluators reviewed the Company's solar sensitivity related to the 2017S RFP and neither disputed the Company's conclusion that solar resources do not displace the Wind Projects—meaning that wind and solar resources are not an either-or proposition.
- The independent evaluators confirmed that the Company's determination of project viability based on interconnection queue positions was reasonable.
- The independent evaluators confirmed the accuracy of the Company's terminal value benefits used to evaluate utility-owned resources, and both further noted that the benefit was modest.

Q. OCS and DPU allege that the Company is not assuming sufficient risks of the Combined Projects. (Hayet Second Rebuttal, lines 928–947; Peaco Supplemental Rebuttal and Surrebuttal, lines 275–305.) How do you respond?

A. Since the case was filed almost 12 months ago, the risks have decreased. The Company's economic analysis shows that in almost every future scenario, customers are better off with the Combined Projects than under the status quo (which requires greater reliance on the market, coupled with future acquisitions of non-PTC-eligible resources). Further, I understand Utah's statutes governing approval of resource decisions provide substantial customer protections against cost overruns by imposing a soft cost cap on recovery. (*See* Utah Code Ann. §§ 54-17-303 and -403.) Additionally, the Company has consistently asserted it will take every precaution to ensure that the Wind Projects meet the requirements and timelines to qualify for full PTC benefits and are prepared to accept risks associated with our performance.

The Company's assumption of project risks has also been more explicitly defined, as described by Mr. Teply and Ms. Steward. Generally, the Company will assume all risks associated with the qualification of PTCs with the exception of a force majeure event or a change of law. If there is a dispute on whether either of these triggering events has occurred, my understanding is that Utah Code Ann. § 54-17-304 (for requests for approval of a significant resource decision) and § 54-17-404 (for requests for approval of a voluntary resource decision) include a process for a change in circumstances, such as a force majeure event. This will give parties an opportunity to review the Company's position that a change in circumstances has occurred.

Q. Several parties suggest that solar PPAs resulting from the 2017S RFP may be a lower cost alternative to the Combined Projects. (*See, e.g.*, Mullins Supplemental Rebuttal, lines 368–370.) How do you respond?

A. Mr. Link's economic analysis refutes this claim. His analysis demonstrates that solar resources are best viewed as an incremental opportunity, not as an alternative to the Combined Projects. Mr. Link's testimony outlines the unique valuation risks associated with solar resources, which dramatically reduce the expected customer benefits associated with the solar PPAs resulting from the 2017S RFP. Moreover, if the construction of the Aeolus-to-Bridger/Anticline transmission line is included in the base case modeling in the 2050 analysis—consistent with the Company's and region's current long-term transmission plan—then the net benefits of the Combined Projects would be nearly $300 million higher than the solar PPAs in all cases. In addition, there is no immediate need to act to secure the potential tax benefits of solar resources. The Company intends to continue to evaluate solar resources in its 2019 IRP and in bilateral negotiations, building off the results of the 2017S RFP. In contrast, if the Company does not move forward on the Combined Projects now, it will lose the substantial customer savings resulting from the acquisition of PTC-eligible wind resources.

CONCLUSION

Q. Does this conclude your surrebuttal testimony?

A. Yes.