

Rocky Mountain Power  
Docket No. 20-035-04  
Witness: Rick T. Link

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Rick T. Link

October 2020

1 **Q. Are you the same Rick T. Link who previously provided direct testimony in this**  
2 **proceeding on behalf of PacifiCorp d/b/a Rocky Mountain Power (“PacifiCorp”**  
3 **or the “Company”)?**

4 A. Yes.

5 **I. PURPOSE AND SUMMARY OF REBUTTAL TESTIMONY**

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

7 A. My rebuttal testimony supports the Company’s position on the wind repowering  
8 projects and the Pryor Mountain wind project. Specifically, I respond to:

- 9 • The recommendation by witness Mr. Philip Hayet on behalf of the Office of  
10 Consumer Services (“OCS”) that Foote Creek I repowering costs be removed from  
11 the test year and excluded from the Company’s rate base.<sup>1</sup>
- 12 • The recommendation by Mr. Hayet that the costs of the Pryor Mountain wind  
13 project be removed from the test year and excluded from the Company’s rate base.<sup>2</sup>
- 14 • Testimony from Dr. Joni Zenger on behalf of the Division of Public Utilities  
15 (“DPU”) that the Company should exclude renewable energy credit (“REC”)  
16 benefits from the calculation of net benefits for the Pryor Mountain wind project.<sup>3</sup>
- 17 • Mr. Kevin C. Higgins’s recommendation that the terminal value for the Pryor  
18 Mountain wind project facilities be eliminated from the calculation of net benefits  
19 for the project.<sup>4</sup>

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<sup>1</sup> Direct Testimony of Philip Hayet at lines 82-96.

<sup>2</sup> *Id.* at lines 98-107.

<sup>3</sup> Direct Testimony of Dr. Joni S. Zenger at lines 26-32.

<sup>4</sup> Direct Testimony of Kevin C. Higgins at lines 803-815.

20 • Mr. Higgins’s recommendation that the Pryor Mountain wind project be treated like  
21 a power-purchase agreement (“PPA”), with the pricing set at avoided-cost prices  
22 prepared for precursor qualifying facility (“QF”) projects.<sup>5</sup>

23 **Q. Please summarize your rebuttal testimony.**

24 A. My rebuttal testimony addresses criticisms raised by Mr. Hayet, Dr. Zenger, and  
25 Mr. Higgins regarding the Company’s proposed treatment of wind repowering projects,  
26 as well as the Pryor Mountain project. My rebuttal testimony demonstrates that:

- 27 • The Foote Creek I repowering project will generate net benefits for customers, and  
28 the Company’s decision to move forward with that project was prudent. The costs  
29 of the project should therefore be included in base rates.
- 30 • The economic analysis for Foote Creek I should not be reconfigured to account for  
31 current market conditions or the COVID-19 pandemic, as Mr. Hayet suggests.
- 32 • The Company’s economic analysis of the Pryor Mountain wind project  
33 demonstrates that the project will generate net benefits for customers, and the  
34 Company’s decision to move forward with that project was prudent. The costs of  
35 the project should therefore be included in base rates.
- 36 • The calculation of net benefits for Pryor Mountain appropriately included REC  
37 benefits backed by an executed contract that establishes the term, volume, and price  
38 for REC sales.
- 39 • The Company’s estimates of the terminal value of the Pryor Mountain project are  
40 not speculative and should appropriately be included in the calculation of customer  
41 benefits for the project.

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<sup>5</sup> *Id.* at lines 880-945.

- 42 • Mr. Higgins’s comparison of QF pricing to the Pryor Mountain project costs  
43 included in the Company’s filing is inappropriate.
- 44 • The Pryor Mountain project should not be treated as a PPA as Mr. Higgins suggests  
45 because it is a Company-owned generating asset that should, as is the case with all  
46 generating assets, be appropriately included in rate base.

## 47 II. FOOTE CREEK I REPOWERING PROJECT

48 **Q. What is Mr. Hayet’s primary objection to including the Foote Creek I repowering**  
49 **project costs in the test year and base rates?**

50 A. Mr. Hayet expresses concern with the turbines used in the Foote Creek I project and  
51 the manner in which the Company acquired the turbines.<sup>6</sup> This concern is addressed in  
52 the rebuttal testimony of Mr. Timothy J. Hemstreet. Regarding the economics of the  
53 Foote Creek I repowering project, Mr. Hayet contends that the project is likely to show  
54 only modest benefits, particularly in light of the COVID-19 pandemic and ensuing  
55 economic recession. He also criticizes the Company for not updating its economic  
56 analysis for the Foote Creek I project or demonstrating that it was among the “least cost  
57 options.”

58 **Q. What is your response to Mr. Hayet’s economic arguments?**

59 A. The Foote Creek repowering project is expected to generate substantial customer  
60 benefits. Specifically, my economic analysis demonstrates that Foote Creek I will  
61 deliver present-value net customer benefits ranging from \$6 million to \$48 million  
62 under two different price-policy scenarios. My analysis projects net benefits of  
63 \$29/MWh in the expected case, which assumes medium natural gas and medium CO<sub>2</sub>

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<sup>6</sup> Direct Testimony of Philip Hayet at lines 478-535.

64 prices. On a per-megawatt-hour basis, the Foote Creek I repowering project is expected  
65 to match or beat the base case economics of nine out of 12 of the wind repowering  
66 projects the Commission approved in Docket No. 17-035-39.<sup>7</sup> As I explained in my  
67 direct testimony, the Foote Creek I repowering project is expected to generate net  
68 benefits even in the most conservative price-policy scenario, where it is assumed that  
69 natural gas prices will remain suppressed through the *entire* life of the project and there  
70 will *never* be a policy that imputes a charge on CO<sub>2</sub> emissions. If gas prices actually  
71 rise, or if a CO<sub>2</sub> policy is implemented that imputes a charge on emissions exceeding  
72 those assumed in the expected case, the project will be even more beneficial for  
73 customers. None of the modeled scenarios projected Foote Creek I will result in a net  
74 cost to customers, and Mr. Hayet does not provide any economic analysis showing  
75 otherwise. Because the project is expected to result in net benefits to customers, even  
76 when applying the most conservative price-policy assumptions, it was prudent for the  
77 Company to proceed with repowering.

78 **Q. How do you respond to Mr. Hayet’s criticism that the Company has not updated**  
79 **its economic analysis for Foote Creek I since July 16, 2019?**<sup>8</sup>

80 A. My testimony presents the economic analysis that the Company relied on when it made  
81 the decision to proceed with the Foote Creek I repowering project. I understand that  
82 this is the relevant timeframe for the Commission to assess the prudence of the  
83 Company’s decision. That analysis followed the same approach the Company used for  
84 other repowering projects that have been reviewed and approved by the Commission.

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<sup>7</sup> *In the Matter of the Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities*, Docket No. 17-035-39, Report and Order (May 25, 2018).

<sup>8</sup> Direct Testimony of Philip Hayet at lines 523-535.

85 This is not to say that the projects would be uneconomic if later analyses were also  
86 performed. The Company has every reason to believe that the Foote Creek I repowering  
87 project will be beneficial to customers. In fact, as noted above, under even the most  
88 conservative application of price-policy assumptions, the project is expected to deliver  
89 customer benefits. I reject Mr. Hayet’s contention that the Company must continually  
90 re-run economic analyses after the Company made its well-informed and reasonable  
91 decision to move forward with repowering Foote Creek I. The outcome of such an  
92 analysis would not have altered the Company’s decision to move forward with the  
93 project, which had already been made. Moreover, I have no reason to believe that such  
94 an analysis would have suggested the decision to repower Foote Creek I was a bad or  
95 imprudent decision. Economic conditions are constantly changing, and Mr. Hayet  
96 presents no analysis that shows the project will be uneconomic due to the pandemic.

97 **Q. How do you respond to Mr. Hayet’s criticism that the Foote Creek I repowering**  
98 **project was not among the “least cost” alternatives?<sup>9</sup>**

99 A. As an initial point, I reiterate that, on a per-megawatt-hour basis, the Foote Creek I  
100 repowering economics match or beat the base case economics of nine out of 12 the  
101 wind repowering projects the Commission approved in Docket No. 17-035-39, and is  
102 expected to generate net benefits even in the most conservative price-policy scenario.  
103 Further, Mr. Hayet’s analysis is flawed because his approach does not focus on the  
104 prudence of the Company’s decision at the time when it was made. While I am not a  
105 lawyer, I understand that a prudence determination looks at whether the decision to  
106 proceed with the project was reasonable as of the time the action was taken, in light of

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<sup>9</sup> *Id.* at lines 645-661.

107 knowable risks, and not simply whether it was the lowest cost alternative. The  
108 Company has demonstrated that repowering Foote Creek I will generate net value for  
109 customers by comparing cases with and without the Foote Creek I repowering project.  
110 These cases consider the wide range of resource alternatives that are used to develop  
111 the Integrated Resource Plan (“IRP”), and the case with the Foote Creek I repowering  
112 project is lower cost and lower risk than the case without the Foote Creek I repowering  
113 project.

114 **Q. How do you respond to Mr. Hayet’s concern that the benefits of the Foote Creek I**  
115 **repowering project are likely to be smaller than your analysis suggests in light of**  
116 **the COVID-19 pandemic?**<sup>10</sup>

117 A. Mr. Hayet’s concern is unsupported. He provides no basis to assume that the current  
118 pandemic will alter the long-term economic performance of Foote Creek I. As noted  
119 above, I have no reason to believe that the benefits of the Foote Creek I repowering  
120 project will be diminished by the COVID-19 pandemic. The pandemic has no impact  
121 on wind generation, and customers will benefit from federal production tax credits  
122 (“PTCs”) and zero-fuel cost energy regardless of the pandemic. Moreover, the  
123 pandemic occurred long after the Company prudently made its decision to proceed with  
124 the Foote Creek I repowering project

125 **Q. Do you agree with Messrs. Hayet and Higgins that the low gas, no CO<sub>2</sub> price-policy**  
126 **scenario (the “LN scenario”) in your analysis reflects current market conditions**  
127 **and should be given greater weight?**

128 A. No, it is misleading to suggest that the LN scenario in my analysis reflects current

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<sup>10</sup> *Id.* at line 531.

129 market conditions and therefore should be adopted as the most-likely scenario. The LN  
130 scenario assumes *sustained* suppressed prices for the entire life of the project. It is, in  
131 other words, a worst-case scenario analysis, not the likely scenario. It would be  
132 inappropriate to assume that the worst-case scenario will define market conditions for  
133 the entire life of the Foote Creek I repowering project.

134 **III. PRYOR MOUNTAIN AND WIND REPOWERING PROJECTS**

135 **Q. How do you respond to Mr. Hayet's criticism that the benefits of the Pryor**  
136 **Mountain project are negligible in relation to the project cost under the LN**  
137 **scenario?**<sup>11</sup>

138 A. The LN scenario is the most conservative, worst-case scenario, yet it still produces net  
139 benefits to consumers. As explained above, the LN scenario assumes sustained  
140 suppressed prices for the entire life of the project, which is unlikely. Given that the  
141 Pryor Mountain project will produce net benefits to customers, even in the worst-case  
142 scenario, it was prudent for the Company to pursue the project. Further, Mr. Hayet  
143 improperly suggests that there is no net benefit to customers when he states that the  
144 benefits of the Pryor Mountain project are negligible in comparison to the cost of the  
145 project. My analysis focuses on *net* benefits, which are the benefits to customers *taking*  
146 *into account the costs of the project*. There is no requirement that the net benefits  
147 exceed a certain amount of the costs of the project. Because the project provides net  
148 benefits to customers, customers are better off with the project than without it, even  
149 factoring in the costs of the project.

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<sup>11</sup> *Id.* at lines 572-644.



150 **Q. What is Dr. Zenger’s recommendation for the Pryor Mountain wind project?**

151 A. Dr. Zenger claims that the Company should calculate the net benefits from the Pryor  
152 Mountain wind project without including REC benefits.

153 **Q. Was it appropriate to include the REC benefits for the Pryor Mountain wind  
154 project in the calculation of the net benefits of that project?**

155 A. Yes. It is appropriate to include the revenues from REC sales in the calculation of net  
156 benefits because the Company has an executed contract with a buyer that sets the price  
157 and the term of the REC sales. It would only be appropriate to exclude revenues from  
158 REC sales if those sales were not tied to a specific contract. Here, the revenue received  
159 from the REC sales are more than just “upside” because they are tied to an executed  
160 contract.

161 **Q. Why did you separate out the RECs in your Energy Vision 2020 testimony?**

162 A. In my Energy Vision 2020 testimony, I calculated the customer benefits for the wind  
163 projects and did not include RECs in that analysis because, unlike here, the Company  
164 did not have an executed contract for the REC sales that set forth the actual terms and  
165 price.

166 **Q. Do you intend to update your Table 4 results with the REC benefits stated  
167 separately, as Dr. Zenger suggests?**

168 A. No, this would be inappropriate for the reasons stated above. My workpapers show the  
169 value of the REC sales, so this analysis can be performed by reference to the  
170 workpapers, to the extent Dr. Zenger believes it is relevant.

171 **Q. How do you respond to Dr. Zenger’s concern that the Pryor Mountain wind**  
172 **project does not result from a near-term energy or capacity need?**<sup>12</sup>

173 A. The Company’s recent IRPs show that the Company has a need for new resources to  
174 meet near-term energy and capacity needs. The Pryor Mountain wind project  
175 contributes to meeting those capacity shortfalls. Dr. Zenger is simply incorrect.

176 **Q. Why was the Pryor Mountain wind project not included in the 2017 IRP?**

177 A. The Company did not make its decision to build the Pryor Mountain wind project until  
178 long after the 2017 IRP was filed, so there would have been no reason to include this  
179 wind facility in the 2017 IRP. The 2017 IRP identified a resource need that could be  
180 met, in part, with PTC-eligible wind resources. Consequently, the 2017 IRP action plan  
181 included an action item to issue a request for proposals to acquire new wind resources.  
182 Ultimately, the Company issued the 2017R request for proposals (“RFP”) (and  
183 subsequently, an RFP seeking bids for solar resources—the 2017S RFP) to procure  
184 new resources consistent with the 2017 IRP. At that time, the Company did not have  
185 development rights to offer Pryor Mountain into the RFP as a benchmark. At that time,  
186 the project was known as Bowler Flats, and the Bowler Flats project, which was owned  
187 by third-party, was not selected to the 2017R RFP final shortlist.

188 **Q. Is Dr. Zenger correct that the Pryor Mountain wind project was not included in**  
189 **the 2019 IRP?**

190 A. No. In the May 2019 public-input meeting for the 2019 IRP, the Company began  
191 presenting resource portfolio results that included 240 MW of new wind resources in  
192 eastern Wyoming by the end of 2020—a wind resource that would contribute to

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<sup>12</sup> Direct Testimony of Dr. Joni S. Zenger at line 278.

193 meeting projected resource needs. Around that time, the Company communicated to its  
194 2019 IRP stakeholders that there remained limited opportunities to acquire wind  
195 resources that would not require significant incremental transmission upgrades and that  
196 could still come online by the end of 2020 to qualify for the 100 percent PTC. The  
197 Company also communicated to its stakeholders that a competitive solicitation process  
198 could not be implemented in a time frame that would enable procurement of such a  
199 resource. The Company further communicated to the IRP stakeholders that it was, in  
200 fact, evaluating opportunities to procure this type of resource outside of a competitive  
201 solicitation process, particularly given the fact that the proxy PTC-eligible resource  
202 was consistently showing up in draft resource portfolios being developed for the 2019  
203 IRP.

204 This is precisely what ultimately occurred. By the September 2019 public-input  
205 meeting, the near-term 240 MW proxy wind resource was no longer being presented in  
206 the draft resource portfolios because the transactions enabling the Company to build  
207 the project had been finalized. Pryor Mountain was subsequently included in all of the  
208 portfolios evaluated as part of the 2019 IRP in the same way that the Company's Energy  
209 Vision 2020 wind projects were included in all 2019 IRP resource portfolios.  
210 Consequently, Pryor Mountain is contributing to meeting the Company's resource  
211 needs and there is no doubt that this project was included in the 2019 IRP.

212 **Q. Has the Company provided evidence demonstrated that the Pryor Mountain wind**  
213 **project is the least-cost, least-risk option for customers?**

214 A. Yes. My economic analysis compares a case where the Pryor Mountain wind project is  
215 built to a case where the Pryor Mountain wind project is not built. In both of these

216 cases, the *all* resource alternatives used to develop the IRP are available and evaluated  
217 to establish the least-cost combination of resources needed to reliably serve customers.  
218 These resource alternatives include an assessment of incremental energy efficiency and  
219 demand-side management programs, market purchases, gas-fired resources, wind  
220 resources, solar resources, battery storage resources, and pumped storage resources.  
221 My economic analysis shows that the case with Pryor Mountain generates lower system  
222 costs than the case without Pryor Mountain when considering all of these different  
223 resource options. Moreover, this analysis considers how stochastic risks, like volatility  
224 in natural gas prices, volatility in energy prices, volatility in load, volatility in hydro  
225 generation, and uncertainty with generator outages affects system costs in both cases  
226 (with and without Pryor Mountain). My analysis also evaluates price-policy risks  
227 related to long-term forecasts of natural gas prices and CO<sub>2</sub> prices. As already stated,  
228 this price-policy analysis shows that Pryor Mountain is least cost and least risk relative  
229 to a wide array of alternative resource options even in the most conservative LN  
230 scenario.

231 **Q. Dr. Zenger further questioned the validity of including REC's in your analysis**  
232 **because the Company's Schedule 272 Agreement with Vitesse expires in 25 years,**  
233 **while the depreciable life of the Project is 30 years. Is the value of Pryor Mountain**  
234 **uncertain for the last five years of Project life?**<sup>13</sup>

235 A. No. As indicated in my direct testimony, the Company entered into a very favorable  
236 contract with Vitesse, which requires it to purchase all of Pryor Mountain's REC credits  
237 for 25 years. Our PaR value that was included in our initial filing, and which

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<sup>13</sup> Direct Testimony of Dr. Joni S. Zenger at lines 159-168.

238 demonstrates the considerable and robust economic value of the Project, only includes  
239 REC sales that are subject to written contracts. The value of this Project is not  
240 contingent on further REC revenues in years 26-30.

241 **Q. Do you agree with Dr. Zenger that REC uncertainties, including but not limited**  
242 **to the duration of the Vitesse contract, suggest that the Company should be**  
243 **required to provide a separate economic forecast without REC credits included in**  
244 **the calculation?**

245 A. No. As we have stated, the Company only included the economic impact of REC credit  
246 sales that are subject to binding written agreement. There is nothing speculative or  
247 uncertain about those values. Further, the Company ran two separate PaR  
248 simulations—one with incremental generation and one without—and neither  
249 simulation is impacted by potential swings in REC credit values.

250 **Q. What is Mr. Higgins’s concern with your economic analysis of the Pryor Mountain**  
251 **wind project?<sup>14</sup>**

252 A. Mr. Higgins expresses concern with the terminal value of \$106.7 million used for the  
253 Pryor Mountain wind project facilities. Mr. Higgins claims that this terminal value is  
254 speculative and argues that the net benefits of the project are negative if the terminal  
255 value is removed from the calculation.

256 **Q. How do you respond to Mr. Higgins’s testimony that the terminal value used in**  
257 **your analysis of Pryor Mountain is speculative?**

258 A. The Company’s estimates of the terminal value of the Pryor Mountain project are not  
259 speculative and should appropriately be included in the calculation of customer benefits

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<sup>14</sup> Direct Testimony of Kevin C. Higgins at lines 805-815.

260 for the project. Terminal value includes three reasonably estimated components. The  
261 first component is for value associated with transmission assets remaining at the end of  
262 the assumed life for the generating resource. This is calculated as the remaining net  
263 book value adjusted for inflation at the time the generating resource is assumed to retire.  
264 The second component represents the value of non-transmission assets remaining at the  
265 end of the assumed life of the generating resource (*i.e.*, roads, buildings, land, etc.).  
266 This is fully depreciated at the end of the resource's 30-year book life; however, it has  
267 a terminal value because the cost of these assets would not need to be incurred by a  
268 successor project or could be sold for value in exchange. Therefore, the terminal value  
269 is equal to the original cost adjusted for inflation multiplied by the portion of the  
270 original life remaining (50 percent). The third component represents the value of  
271 development rights which is escalated from the current value at inflation. The  
272 Company's valuation properly included values for each of these items in deriving the  
273 terminal value at issue. That process was no different from the Company's inclusion of  
274 terminal value in other benefit calculations performed for other utility assets in other  
275 matters, and Mr. Higgins does not claim otherwise. Mr. Higgins's criticism that the  
276 terminal value benefit is speculative and should be excluded merely because it based  
277 on a 30-year forecast is also illogical. The Company performs that same kind of forecast  
278 when it estimates benefits related to assets in many settings. When it does so, the  
279 Company checks the derived value under various analyses to test the expected benefits  
280 over a range of potential future scenarios to arrive at a reasonable estimated value  
281 range. The Company followed that same process with the Pryor Mountain project. The  
282 Company's decision to move forward with Pryor Mountain was based on the best

283 information available at the time, including the best forecasting information available  
284 to it, and the value range derived from the Company's analyses shows that the project  
285 is expected to generate significant customer benefits over time.

286 **Q. Is it appropriate to remove the terminal value from the analysis of net benefits?**

287 A. No. The terminal value included in the Company's analysis recognizes that, at the end  
288 of a utility-owned resource's life, there is residual value in the asset that accrues to  
289 customers. In determining the benefits of a utility asset, it is common practice to include  
290 a terminal value, even where that value may be years into the future. The terminal value  
291 includes the facilities supporting the resources, such as transmission facilities, that have  
292 longer useful lives and, in the case of generation tied to natural resources such as wind  
293 resources, there is inherent value in the site and property itself—particularly resources  
294 located in high-capacity-factor geographic areas like Montana. High-value, renewable-  
295 resource locations are often scarce or unique in their suitability for generation  
296 permitting and construction, as well as proximity to transmission. For a PPA, the  
297 terminal value accrues to the project owner, not customers. But for a utility-owned  
298 resource, retail customers retain the value of these assets at the end of the project's life.  
299 The Company's calculation of the terminal value benefit for the Pryor Mountain project  
300 should be included in the analysis. Furthermore, even if the terminal value benefit were  
301 eliminated from the analysis, which would not be appropriate, the Pryor Mountain  
302 project is still forecast to provide net customer benefits under the medium natural-gas  
303 scenario before accounting for all of the conservative assumptions used in the  
304 Company's economic analysis.

305 **Q. Does Mr. Higgins provide any evidence to support his claim that the terminal**  
306 **value used by the Company is highly speculative?**

307 A. No. Mr. Higgins simply claims the benefits calculated by the Company are speculative  
308 because of the period of time over which those benefits are expected to occur. He  
309 provides no independent valuation or analysis that challenges any of the assumptions,  
310 scenarios or inputs used in the benefits calculation.

311 **Q. Please describe Mr. Higgins’s proposal for the Company’s recovery of Pryor**  
312 **Mountain costs.<sup>15</sup>**

313 A. Mr. Higgins claims the Pryor Mountain project is imprudent, not on the basis of a lack  
314 of customer benefits, which he acknowledges exist, but rather because the Company-  
315 developed cost of the project exceeds the indicative, per megawatt-hour (“MWh”)   
316 avoided-cost pricing previously provided to several QFs proposed by a third-party  
317 developer that were the precursors of the Pryor Mountain project. He recommends that  
318 the project be treated like a PPA, with the pricing set at that stale indicative avoided-  
319 cost pricing prepared for those precursor QF projects. Consistent with and as a part of  
320 the PPA treatment proposed by Mr. Higgins, the Company would also retain the RECs  
321 and PTCs produced by the Pryor Mountain project.

322 **Q. Is Mr. Higgins’s comparison of a QF PPA price to the project cost relevant or**  
323 **valid?**

324 A. No. There are numerous differences between the QF pricing and the valuation as a  
325 Company-owned resource, none of which are addressed by Mr. Higgins. First, the QF  
326 pricing cited by Mr. Higgins is based on 20-year contract, while I used the 30-year life

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<sup>15</sup> Direct Testimony of Kevin C. Higgins at lines 886-896.



327 of the assets when I conducted my analysis of the Pryor Mountain project. Mr. Higgins  
328 is not accounting for the additional 10 years of value to customers in his comparison,  
329 which makes his analysis inaccurate. Extending the QF pricing Mr. Higgins relies on  
330 over a 30-year period, rather than the 20-year period he uses, alone would increase the  
331 nominal levelized value to \$29.19/MWh from December 2020 to through November  
332 2050.

333 Second, the location of Pryor Mountain is important to the valuation. Because  
334 it is a significant distance from other wind resources, the generation profile is different  
335 from other wind resources, and it provides additional value to customers by way of  
336 diversifying the Company's wind production. Third, Mr. Higgins uses avoided cost  
337 pricing developed with data from the Company's 2017 IRP. The data used in my  
338 economic analysis in this proceeding is based on more current data. Fourth,  
339 Mr. Higgins ignores that the methodology used to arrive at avoided cost pricing is  
340 different from the methodology I used to calculate the value of the Pryor Mountain  
341 project for purposes of this docket. The avoided cost pricing to which Mr. Higgins cites  
342 is based on a QF analysis that not only relied on dated information and assumed the  
343 deferral of 2030 wind, the analytical methods used to establish avoided cost prices are  
344 a proxy of the more robust type of analysis used to support the project economics of  
345 Pryor Mountain in this proceeding. My analysis was based on then-current data that  
346 was assessed under a dynamic portfolio re-optimization approach that included a  
347 reliability assessment—the avoided cost pricing methodology does not capture  
348 portfolio re-optimization nor does it include an assessment of system reliability. My  
349 analysis is therefore not only more current, but also more robust.

350 Fifth, Mr. Higgins ignores the additional benefits to customers that come from  
351 a Company-owned resource. The Company retains flexibility and control in operating  
352 and dispatching the resource and avoids the risks associated with contracted QFs, such  
353 as credit risk. With a QF resource, the Company has no ability to control the dispatch  
354 of that resource and must simply pay for power provided to it regardless of whether  
355 that power is economic or not. Furthermore, as I explained above, customers continue  
356 to receive the benefits of that resource for as long as it operates and even after the  
357 resource is no longer operational, because customers retain the value associated with  
358 the land and facilities that remain beyond the depreciable life of the generating  
359 resource. In short, Mr. Higgins is conducting an apples-to-oranges comparison when  
360 he compares 20-year avoided-cost pricing to the 30-year, more robust and more current  
361 economic analysis provided with my direct testimony.

362 **Q. Mr. Higgins recommends that the Pryor Mountain project be treated essentially**  
363 **as a PPA. Do you agree with this approach?**

364 A. No. Mr. Higgins's suggestion is inconsistent with my analysis and with the manner in  
365 which Company-owned resources are handled. The Pryor Mountain project investment  
366 is not a PPA; it is a Company-owned resource and traditional rate base item. Mr.  
367 Higgins does not provide any legitimate basis for his proposal, which would be a vast  
368 departure from historical regulatory treatment. Mr. Higgins's recommendation is  
369 effectively a disallowance for a prudent investment.

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

371 A. Yes.