

Docket No. 20000-519-EA-17
Witness: Cindy A. Crane

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Cindy A. Crane

November 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 testimony of Ms. Denise K.
8 Parrish of the Office of Consumer Advocate (“OCA”) and Mr. Kevin C. Higgins of the
9 Wyoming Industrial Energy Consumers (“WIEC”) on the Company’s proposal for
10 innovative or nontraditional ratemaking treatment for the 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 OCA’s and WIEC’s comments relating to
15 the repowering project, the Company demonstrates that it has recognized and
16 reasonably managed many of the potential risks and concerns. This includes the risk of
17 near-term changes in federal corporate income tax rates and production tax credits
18 (“PTCs”) that could adversely affect the project’s benefits. The Company will manage
19 this and other potential risks either through the off-ramps built into the project or by
20 seeking additional direction from the Commission before or during project
21 implementation.

1 (Higgins Direct, page 40, lines 16-17.) As demonstrated in the rebuttal testimony of
2 Mr. Hemstreet, the Company's project development team has worked to apply Internal
3 Revenue Service guidance on each relevant issue, and to calibrate the project scope,
4 expenditures, and timelines to ensure compliance. This testimony shows that the
5 Company has actively managed and mitigated all areas of potential PTC risk, including
6 the risk of delays.

7 **Q. WIEC also points to the risk that benefits will not materialize as claimed by the**
8 **Company, and that the repowering project may prove uneconomic in the long run**
9 **for reasons beyond the Company's control. (Higgins Direct, page 24, lines 18-20.)**
10 **Do you agree?**

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

17 **Q. WIEC has concerns over whether the Company presented the most cost-effective**
18 **portfolio of facilities for repowering and recommends a site-by-site analysis**
19 **(Higgins Direct, page 6, lines 12-16.) Has the Company performed additional**
20 **economic analysis to validate the benefits of the wind repowering project?**

21 A. Yes. In direct response to these concerns, the Company's updated economic analysis
22 includes a site-by-site review of the wind repowering project that demonstrates that

1 each of the facilities that are included in the Company's proposal are economic and will
2 produce substantial customer benefits.

3 **Q. WIEC also indicated that potential changes to the federal tax code could adversely**
4 **impact the economics of repowering (Higgins Direct, page 25, lines 8-20.) Has the**
5 **Company accounted for this risk?**

6 A. Yes. Mr. Link's rebuttal testimony includes a sensitivity based on a potential reduction
7 of the federal corporate income tax rate from 35 percent to 25 percent. As Mr. Link
8 explains in his testimony, this additional analysis further substantiates the benefits of
9 the wind repowering project.

10 **Q. Based on the Company's economic analysis showing the increased benefits of the**
11 **wind repowering project, has the Company updated its forecast of the near-term**
12 **rate benefits of the project to Wyoming customers?**

13 A. Yes. As explained in the testimony of Ms. Steward, the Company's updated economic
14 analysis for years 2019 through 2022 estimates a Wyoming customer net benefit in each
15 year, with net benefits of up to \$5.0 million by 2022. Under the Resource Tracking
16 Mechanism ("RTM") proposed by the Company, these benefits will flow directly to
17 customers.

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

20 A. Yes. As addressed by Mr. Hemstreet, the Company has negotiated a fixed-price, turn-
21 key contract with General Electric for wind turbine supply and installation. It has also
22 established precautionary off-ramps in the General Electric contract to allow it to exit
23 the repowering project before issuing retrofit work orders if the project becomes

1 uneconomic. The timing of the execution of the Company's turbine supply contract
2 with Vestas also provides flexibility to allow the Company to reassess project
3 economics, if necessary, before executing the contract. These contractual arrangements
4 permit the Company to conduct additional up-to-date economic analysis on each
5 individual facility reflecting then-current market and policy dynamics before it moves
6 forward with the repowering project.

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

10 A. If there is an adverse change of circumstances that materially affects the wind
11 repowering project's economics, the Company will seek Commission review regarding
12 whether it should proceed with implementation of the approved resource decision. The
13 Company will apply this approach if there are material, adverse changes in the federal
14 tax law that occur prior to or during project implementation. But as Ms. Koblaha
15 explains the window for tax law changes is likely to close in early 2018, well before
16 the Company moves forward with executing retrofit work orders and turbine supply
17 contracts for the repowering project.

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

21 A. Yes. The Company has taken every precaution to ensure that each repowered facility
22 will meet the requirements and timelines of the five percent safe-harbor requirement,
23 as well as the 80/20 test, and has developed a construction schedule and negotiated

1 contract terms that minimize schedule risks. While we do not believe it is appropriate
2 for the Company to absorb risks beyond its control—such as those associated with the
3 actions of the U.S. Congress—we are prepared to accept risks associated with our
4 performance. We are confident that our 2016 investment will meet the five percent
5 threshold of total project costs, that we will complete the repowering project well in
6 advance of the 2020 deadline, and that the post-repowering fair market value of each
7 wind turbine will include at least 80 percent new investment.

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

10 A. This depends on the extent and the nature of the change. As Mr. Link’s tax sensitivity
11 analysis shows, the repowering project remains beneficial under the reasonable
12 assumption that a new effective corporate federal tax rate would not be below
13 25 percent, so the repowering project will be in the public interest even if the corporate
14 tax rate is substantially reduced.

15 If a tax rate change occurs before the Company executes retrofit work orders
16 and turbine supply and installation contracts in early 2018, the Company will refresh
17 the project economics to inform its decision to proceed or terminate. The Company will
18 either update its pending request, or if the change occurs during the implementation of
19 the repowering project, the Company will seek guidance from the Commission.

20 If a tax law change occurs after the repowering project is completed, then the
21 change should be addressed like any other factor that occurs after a resource decision
22 is approved by the Commission based on the facts known at the time. There is always
23 a risk that future changes in laws could affect decisions made today, and the Company

1 has to operate on the best information available at the time decisions are made. That is
2 why we are before the Commission now—to determine whether the Company has
3 adequately addressed the project risks and whether repowering is in the public interest
4 given the information currently available.

5 **Q. The OCA recommends treating the Company’s request here similar to a certificate**
6 **of public convenience and necessity, where the Commission would find the project**
7 **prudent, but parties would later have the opportunity to challenge specifics of the**
8 **costs, especially if substantially different from estimates in this filing, in a**
9 **subsequent ratemaking proceeding (Parrish, page 7, lines 17-29.) Do you agree**
10 **with this approach?**

11 A. Yes, the OCA’s proposal is generally consistent with the Company’s request in this
12 case. The Company is requesting approval of innovative or nontraditional ratemaking
13 for the repowering project, rather than a certificate of public convenience and necessity,
14 in order to properly match the timing of benefits and costs. Specifically, the Company
15 is requesting that the Commission find the decision to proceed with this project is
16 prudent, and the proposed ratemaking treatment in the RTM and the accounting
17 treatment on the replaced equipment is reasonable. To allow the Commission to review
18 and approve the projected costs as a part of its request, Mr. Hemstreet has provided the
19 Company’s current cost estimates on a facility-by-facility basis. Final review of the
20 reasonableness of the actual costs of the project, especially costs that substantially
21 differ from the current cost estimates, would occur at the time of cost recovery.

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

23 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE)
APPLICATION OF ROCKY MOUNTAIN)
POWER FOR AN ORDER APPROVING)
NONTRADITIONAL RATEMAKING)
RELATED TO WIND REPOWERING)

DOCKET NO. 20000-519-EA-17
(RECORD NO. 14780)

AFFIDAVIT, OATH AND VERIFICATION

Cindy A. Crane (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the President and CEO for PacifiCorp, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in her official capacity as President and CEO.

Further Affiant Sayeth Not.

Dated this 16th day of November, 2017



Cindy A. Crane
President & CEO
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801-220-4609

STATE OF Utah)
) SS:
COUNTY OF Salt Lake)

The foregoing was acknowledged before me by Cindy A. Crane on this 16 day of November, 2017. Witness my hand and official seal.

Lori Hughes

Notary Public

My Commission Expires: 10/19/19

