

Docket No. 20000-520-EA-17  
Witness: Cindy A. Crane

BEFORE THE WYOMING PUBLIC SERVICE  
COMMISSION

ROCKY MOUNTAIN POWER

---

Rebuttal Testimony of Cindy A. Crane

December 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 Wyoming  
8 Industrial Energy Consumers (“WIEC”) witnesses Mr. Nicholas L. Phillips, Mr. James  
9 R. Dauphinais, and Mr. Kevin C. Higgins; the Wyoming Office of Consumer Advocate  
10 (“OCA”) witness Mr. Bryce J. Freeman; landowner Rocky Mountain Sheep Company  
11 witness Ms. Kristy V. Thompson; and leaseholder BP America Production Company  
12 witness Mr. Shannon W. Martin, to the Company’s request for conditional certificates  
13 of public convenience and necessity (“CPCNs”) and for nontraditional ratemaking  
14 treatment related to the Company’s proposal to construct or procure new wind  
15 resources (“Wind Projects”) and to construct the Aeolus-to-Bridger/Anticline  
16 transmission line and 230 kV Network Upgrades (“Transmission Projects”)  
17 (collectively, the “Combined Projects”).

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

19 A. The Combined Projects will provide substantial customer benefits over the long term  
20 and represent the least-cost, least-risk strategy for meeting the needs of Wyoming  
21 customers. In rebuttal to the parties’ objections, the Company shows the Combined  
22 Projects are necessary to meet an identified resource need and present no more risk  
23 than typical utility investments. Therefore, the parties’ proposed conditions that shift

1 nearly all risk onto the Company are both unprecedented and unwarranted.

2 The Company further demonstrates that it has mitigated many of the risks that  
3 could adversely impact the economics of the Combined Projects, and it intends to  
4 carefully manage future project risks either through the off-ramps built into the  
5 Combined Projects, or by seeking additional direction from the Commission before or  
6 during project implementation. The Company is on track to file supplemental testimony  
7 on January 16, 2018, which will update the costs of the Combined Projects, validate  
8 their economic benefits, and further demonstrate how the Company has managed and  
9 mitigated project risk.

10 Finally, the Company provides an update of the status of the federal, state, and  
11 county level siting permits, addresses the necessity of obtaining a conditional CPCN  
12 for the Transmission Projects, and explains the Company's plan for acquiring rights-  
13 of-way for the Transmission Projects.

#### 14 PUBLIC INTEREST

15 **Q. Do the Combined Projects satisfy the standard required for granting conditional**  
16 **CPCNs?**

17 A. Yes. It is my understanding that in order to grant a CPCN, the Commission must  
18 determine that there is a "present or future public convenience or necessity" that  
19 requires the construction of the resources.<sup>1</sup> As described in the rebuttal testimony of  
20 Company witness Mr. Rick T. Link, the Company has both a near-term and a long-term  
21 need for incremental generation resources, as set forth in the Company's 2017  
22 Integrated Resource Plan. Mr. Link also describes the solicitation processes now

---

<sup>1</sup> Wyo. Statute §37-2-205(a).

1           underway to ensure that the least-cost, least-risk resources are procured to meet the  
2           identified resource need. In his rebuttal testimony, Company witness Mr. Rick A. Vail  
3           provides an update on the proposed Transmission Projects and describes how the  
4           Company is prudently managing and mitigating development and construction costs  
5           and risks. Company witness Mr. Chad A. Teply provides an update on the Combined  
6           Projects, including the benchmark Wind Projects, and describes how the Company is  
7           prudently managing the costs and risks associated with project development and  
8           implementation. Company witness Mr. Roderick D. Fisher provides an update on the  
9           status of permitting and rights-of-way acquisition. Together, the evidence demonstrates  
10          that the Combined Projects satisfy the public convenience and necessity standard.

11   **Q.    Do the Combined Projects satisfy the standard for nontraditional ratemaking?**

12    A.    Yes. It is my understanding that the Commission can approve nontraditional ratemaking  
13          if it is consistent with the public interest, and that in making that determination, the  
14          Commission can consider whether the proposal would “encourage[. . .] the  
15          development of public utility infrastructure” within the state.<sup>2</sup> As described in the direct  
16          testimony of Company witness Mr. Jeffrey K. Larsen and the rebuttal testimony of  
17          Company witness Ms. Joelle R. Steward, the Company’s proposed Resource Tracking  
18          Mechanism is an innovative and nontraditional ratemaking approach that appropriately  
19          matches the costs and benefits of the Combined Projects so that, before the resources  
20          are reflected in base rates, customers receive the benefits from the Combined Projects  
21          while shareholders receive appropriate cost recovery of the prudent investments.

---

<sup>2</sup> Wyo. Statute §37-2-121.

1 **Q. WIEC and OCA argue that the forecasted benefits of the Combined Projects are**  
2 **speculative and, even in the best scenarios, are insufficient in comparison to the**  
3 **overall project costs. Do you agree?**

4 A. No. The parties' criticisms are largely premised on their claim that the Combined  
5 Projects are discretionary and therefore subject to a higher standard for approval than  
6 a project intended to meet customer need. But, as described by Mr. Link, the Combined  
7 Projects are not merely an economic opportunity. Instead, the projects are part of the  
8 Company's least-cost, least-risk plan for meeting resource needs. The innovation in  
9 PacifiCorp's plan is the opportunity to bring near-term and long-term benefits—in  
10 system reliability and flexibility as well as financial benefits—to our customers by  
11 capitalizing on the continued (but short-lived) availability of federal production tax  
12 credits ("PTCs") to acquire new resources without substantial increases in rates.

13 **Q. The parties argue that there is a significant risk that benefits will not materialize**  
14 **as claimed by the Company, and that the Combined Projects may prove**  
15 **uneconomic in the long run for reasons beyond the Company's control. Do you**  
16 **agree?**

17 A. I do not. Mr. Link's sensitivity modeling is designed to capture a wide range of  
18 conditions and circumstances that could impact the economics of the Combined  
19 Projects. The Company's economic analysis shows that the Combined Projects deliver  
20 substantial benefits under most sensitivities. As set forth in Mr. Link's rebuttal  
21 testimony, the Company intends to comprehensively update its economic analysis in  
22 its supplemental testimony on January 16, 2018.

1           While all resource decisions inherently include some risk, the Company has  
2 demonstrated a high likelihood that the Combined Projects will be beneficial to  
3 customers. Moreover, the risks associated with the Combined Projects are typical of all  
4 utility investments and, as Mr. Link explains in his rebuttal testimony, there are risks  
5 associated with foregoing the time-limited opportunity to secure PTC-eligible  
6 resources.

7 **Q.   WIEC proposes a series of conditions that it recommends the Commission apply**  
8 **if it approves the Combined Projects. (Phillips Direct, page 4, lines 8–28.) Are**  
9 **WIEC’s proposed conditions reasonable?**

10 A.   No. As explained in Ms. Steward’s and Mr. Teply’s rebuttal testimony, there is nothing  
11 novel or unique about the Combined Projects themselves that require such  
12 unprecedented conditions. WIEC’s proposed conditions would shift virtually all risk to  
13 the Company, and act as an automatic disallowance of a significant portion of the  
14 investment. This treatment is unwarranted because the Combined Projects do not  
15 present risks different than typical utility investments. In fact, just the opposite is true.  
16 The Combined Projects provide a unique opportunity to meet customer need while  
17 offsetting a large portion of the projects revenue requirement with a time-limited  
18 availability of PTC. Indeed, the proposed conditions presume that the projects are  
19 discretionary investments untethered to a resource need, which, as Mr. Link discusses  
20 in his rebuttal testimony, is untrue.

21 **Q.   If circumstances arise that make the Combined Projects uneconomic, has the**  
22 **Company structured off-ramps to allow it to stop project development?**

23 A.   Yes. The Company recognizes that changing circumstances require that the Company

1 continually reassess the project economics and establish off-ramps before development  
2 occurs. As addressed in Mr. Vail’s rebuttal testimony, the Company will soon negotiate  
3 and finalize most of the construction contracts for the Transmission Projects, which  
4 will lock in pricing. The Company will also prudently negotiate precautionary off-  
5 ramps in the contracts to allow it to exit the Transmission Projects if they become  
6 uneconomic. The timing and terms of the execution of the contracts necessary to  
7 procure or construct the Wind Projects will also provide flexibility to allow the  
8 Company to reassess project economics, if necessary, before executing the contracts.

9 **Q. How will the Company respond if it receives approval of the Combined Projects**  
10 **in this docket and a subsequent event occurs that adversely affects the economics**  
11 **of the Combined Projects during implementation?**

12 A. If an adverse change of circumstances materially affects the Combined Projects’  
13 economics, the Company will seek additional Commission review of whether to  
14 proceed with implementation.

15 **Q. If significant portions of the Wind Projects do not ultimately qualify for PTCs due**  
16 **to delays or because they incur unanticipated cost increases within the Company’s**  
17 **control, is the Company prepared to bear those risks?**

18 A. Yes. The Company will take every precaution to ensure that the Wind Projects meet the  
19 requirements and timelines to qualify for full PTC benefits. While we do not believe it  
20 is appropriate for the Company to absorb risks beyond its control—such as those  
21 associated with the actions of the U.S. Congress—we are prepared to accept risks  
22 associated with our performance. We are confident that we will complete the Combined  
23 Projects in advance of the 2020 deadline.

1 **Q. How will the Company respond if the federal corporate income tax rate is**  
2 **significantly altered, impacting the economics of the Combined Projects?**

3 A. The Company plans to model actual or potential tax law changes in its supplemental  
4 testimony in January 2018 to demonstrate the economic impacts on the Combined  
5 Projects. If a tax change occurs after the supplemental filing, the Company will refresh  
6 the project economics to inform its decision to proceed or terminate. The Company will  
7 either update its pending request, or if the change occurs during the implementation of  
8 the Combined Projects, the Company will seek guidance from the Commission.

9 If a tax law change occurs after the Combined Projects are completed, then the  
10 change should be addressed like any other factor that occurs after a CPCN is granted  
11 by the Commission based on the facts known at the time. There is always a risk that  
12 future changes in laws could affect decisions made today, and the Company has to  
13 operate on the best information available at the time decisions are made. That is why  
14 we are before the Commission now—to determine whether the Company has  
15 adequately addressed the project risks and whether the Combined Projects are in the  
16 public interest given the information currently available.

17 **Q. What happens if the actual costs of the Combined Projects exceed the estimated**  
18 **costs included in the January 2018 supplemental filing?**

19 A. As described in Mr. Vail's and Mr. Teply's rebuttal testimony, the Company intends to  
20 update and confirm its construction cost estimate for the Combined Projects in the  
21 Company's supplemental testimony. As discussed by Ms. Steward, the Company  
22 agrees to a soft cap based on the cost estimate included in the Company's supplemental  
23 filing. If the actual costs are greater than the final estimate here, the Company agrees

1 that it must demonstrate the prudence of the additional costs in a subsequent ratemaking  
2 proceeding.

3 **PERMITTING PROCESS AND RIGHT-OF-WAY ACQUISITION**

4 **Q. The OCA stated there is significant risk to the Combined Projects due to**  
5 **acquisition of all the state and federal permits that will be necessary to construct**  
6 **the Combined Projects. Can you please respond?**

7 A. As outlined in Mr. Fisher's, Mr. Vail's, and Mr. Teply's rebuttal testimony, the Company  
8 has received a Record of Decision from the Bureau of Land Management and is now  
9 in the process of obtaining the additional permits required for the construction of the  
10 Combined Projects. The Company is diligently working on obtaining all necessary  
11 permits in time to complete the Combined Projects by the end of 2020, and does not  
12 expect delays to the project from the permitting standpoint at this time.

13 **Q. Several parties also express concerns over the Company's acquisition of the rights-**  
14 **of-way ("ROW") necessary to construct the Transmission Projects. How do you**  
15 **respond to these concerns?**

16 A. As set forth in Mr. Fisher's rebuttal testimony, the Company is committed to working  
17 with affected landowners to mitigate, to the greatest extent possible, the Transmission  
18 Projects' impact on current land uses. The Company is still early in the acquisition  
19 process for ROW but will continue working with all affected parties, consistent with  
20 the Company's past transmission projects in Wyoming.

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

22 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE )  
APPLICATION OF ROCKY MOUNTAIN )  
POWER FOR CERTIFICATES OF )  
PUBLIC CONVENIENCE AND )  
NECESSITY AND NONTRADITIONAL )  
RATEMAKING FOR WIND AND )  
TRANSMISSION FACILITIES )

DOCKET NO. 20000-520-EA-17  
(RECORD NO. 14781)

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 Chief Executive Officer 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 Chief Executive Officer.

Further Affiant Sayeth Not.

Dated this 15<sup>th</sup> day of December, 2017



Cindy A. Crane  
President and Chief Executive Officer  
1407 W. North Temple, Suite 310  
Salt Lake City, UT 84116  
801-220-4609

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

The foregoing was acknowledged before me by Cindy A. Crane on this 15 day of December, 2017. Witness my hand and official seal.

Lori Hughes  
Notary Public

My Commission Expires: 10/19/19

