

**CONFIDENTIAL**

Docket No. 20000-520-EA-17

Witness: Chad A. Teply

BEFORE THE WYOMING PUBLIC SERVICE  
COMMISSION

ROCKY MOUNTAIN POWER

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Supplemental Rebuttal Testimony of Chad A. Teply

March 2018

1 **Q. Are you the same Chad A. Teply who previously submitted testimony in this case**  
2 **on behalf of Rocky Mountain Power (“Company”), a division of PacifiCorp?**

3 A. Yes.

4 **PURPOSE AND SUMMARY OF TESTIMONY**

5 **Q. What is the purpose of your supplemental rebuttal testimony in this proceeding?**

6 A. I support the Company’s request for conditional certificates of public convenience and  
7 necessity (“CPCNs”) for new wind resources (“Wind Projects”) and the Aeolus-to-  
8 Bridger/Anticline line and network upgrades (“Transmission Projects”) (collectively,  
9 the “Combined Projects”), by responding to the supplemental testimony submitted by  
10 Wyoming Industrial Energy Consumers (“WIEC”) witness Nicholas L. Phillips, and  
11 Anadarko witness Andrew Wurdack.

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

13 A. The conditions that Mr. Phillips proposes are completely unprecedented and  
14 unsupported, and none of them have ever been applied to the Company’s past resource  
15 acquisitions. Further, Mr. Phillips has presented no basis to upend the traditional  
16 regulatory compact as it pertains to the Combined Projects.

17 Now that the 2017R Request for Proposals has concluded, and as final contract  
18 negotiations progress, the risks associated with the Combined Projects continue to  
19 decrease. The Company is now better positioned to provide customer benefits through  
20 the timely development of the Wind Projects.

21 Anadarko’s concerns regarding both the inconsistency of the Company’s  
22 position on its mineral rights and the incompatibility of the Wind Projects with its  
23 mineral rights are unfounded, and are contradicted by the Company’s past development

1 experience in Wyoming and elsewhere.

2 **RESPONSE TO WIEC**

3 **Q. Mr. Phillips continues to recommend that the Commission impose several**  
4 **conditions if the CPCN is approved (Phillips Corrected Supp. Response, page 3,**  
5 **lines 8–30 and again on page 41, line 19 to page 42, line 20). Do you have any**  
6 **additional concerns about these proposed conditions?**

7 A. Yes. The Company addressed Mr. Phillips’s conditions in its rebuttal testimony (*see,*  
8 *e.g.,* Tepy Rebuttal, page 10, line 8 to page 17, line 8), and the Company continues to  
9 object to Mr. Phillips’s recommendation for the same reasons already stated—most  
10 notably because they represent an unprecedented departure from Commission practice  
11 that is not justified based on the nature of the Combined Projects. To propose an  
12 arbitrarily established cap on capital costs and overly onerous conditions regarding  
13 other project costs and performance criteria, as Mr. Phillips has done, is both frustrating  
14 and counterproductive to the ongoing proceedings. In particular, the \$1,781.44 million  
15 cost cap referenced in Mr. Phillips’s testimony does not in any way reflect the costs to  
16 deliver the Combined Projects. As Office of Consumer Advocate witness Mr. Bryce J.  
17 Freeman correctly notes, imposition of conditions like those WIEC proposes here  
18 would effectively stop utility investment in Wyoming (Freeman Supp. Direct, page 12,  
19 lines 28–29).

20 **Q. How is the Company mitigating the cost and performance risks that form the basis**  
21 **of Mr. Phillips’s proposed conditions?**

22 A. The Company relies extensively on the contract negotiation process to mitigate many  
23 of the risks discussed by Mr. Phillips. For example, the Company is currently

1 negotiating the engineering, procurement, and construction contracts for the  
2 benchmark Wind Projects and negotiating the build-transfer agreements (“BTA”) for  
3 the BTA Wind Projects. These contracts will have robust risk-mitigation provisions,  
4 including fixed construction costs, terms and conditions to guarantee on-time delivery  
5 of the resources, counterparty representation and warranties, and commercially  
6 available indemnities and securities. The Company is currently engaged with each of  
7 the Wind Project developers, and with the shortlisted benchmark construction  
8 contractors and wind turbine generator suppliers, to finalize definitive agreements in  
9 parallel with the ongoing regulatory reviews of the Combined Projects.

10 The Company is also continuing with its detailed due diligence and support of  
11 each of the Wind Projects as their individual project development activities continue  
12 with state and local permitting activities, public outreach, engagement of state and  
13 federal wildlife agencies, as well as landowners, leaseholders, and affected mineral  
14 rights holders, where applicable.

15 **Q. Can the Company also use contracting to mitigate the risk of greater-than-**  
16 **expected operational expenses and reduced equipment availability through the life**  
17 **of the Wind Projects?**

18 A. Yes. The Company has previously described its intent to negotiate third-party  
19 maintenance contracts for the Wind Projects that will address operations and  
20 maintenance cost and run-rate capital expenditure risks for the Wind Projects. The  
21 Company will also negotiate availability guarantees for the Wind Projects in any third-  
22 party-provided maintenance agreements, as provided by the competitive market. In the  
23 Company’s ongoing wind repowering project negotiations, the Company secured

1 performance guarantees established at a production rate of [REDACTED]  
2 [REDACTED]. It is reasonable  
3 to expect that similar guarantees can be negotiated for the Wind Projects. While the  
4 Company cannot guarantee future outcomes, development of the Wind Projects will  
5 include these important risk-mitigation measures, similar to those that have been  
6 included to support past investments.

7 **Q. Mr. Phillips recommends capping the Company’s qualifying facility (“QF”)**  
8 **project cost recovery and net fixed system costs to those levels assumed in the**  
9 **Company’s economic analyses for the life of the Wind Projects. (Phillips**  
10 **Corrected Supp. Response, page 3, lines 17–19, and page 42, lines 6–8.) Are these**  
11 **conditions reasonable?**

12 A. No. Mr. Phillips’s proposal to cap recovery of costs related to QF projects and net fixed  
13 system costs ignores the reality that the Company’s generation resources, QF  
14 obligations, and net system fixed costs will continue to evolve around the Combined  
15 Projects over their life as economic development opportunities, individual project  
16 developments, energy industry regulations and policies evolve. In addition, federal law  
17 requires that the Company purchase QF-generated energy, and the Commission  
18 establishes the appropriate avoided-cost pricing for these purchases. There is no basis  
19 to deny recovery of costs imposed by the federal government and calculated under the  
20 Commission-approved methodology.

21 Requiring the Company to guarantee these future outcomes is yet another  
22 example of Mr. Phillips proposing an unprecedented and unsupported condition that  
23 goes well beyond the existing regulatory compact.

1 **Q. Mr. Phillips also claims there is a risk that avian impacts may cause excessive**  
2 **curtailment of the Wind Projects (Phillips Corrected Supp. Response, page 37,**  
3 **lines 3–8). Has Mr. Phillips substantiated this concern?**

4 A. No. Mr. Phillips speculates that avian issues “could” require curtailment at any of the  
5 Wind Projects and follows with the general association that curtailment “could” then  
6 cause the output and related PTCs to be lower than assumed in the Company’s analysis.

7 The Company has significant experience operating its Wyoming wind resources  
8 to protect threatened and endangered avian species and has active curtailment programs  
9 at two existing wind plants. To meet its obligations, the three-year average megawatt  
10 hours of wind generation curtailment has been approximately ■■■ percent and ■■■  
11 percent of total megawatt-hours produced at the two respective facilities. Recognizing  
12 the variable nature of the wind resource, and that curtailment protocols have been  
13 allowed by the agencies having jurisdiction to balance protection of wildlife with  
14 optimizing use of these renewable resources, the Company does not consider  
15 curtailment protocols to be a risk driver that would justify disapproval of the Wind  
16 Projects or warrant specific CPCN conditions. In addition, the Company’s avoidance,  
17 minimization, and mitigation actions anticipated to be implemented at future projects  
18 are expected to reduce or eliminate the potential usage of informed curtailment. Those  
19 efforts include raptor nest buffers, habitat setbacks, and micro-siting of wind turbines  
20 based on known wildlife usage patterns. As with the Company’s objection to  
21 guaranteed capacity factors, any annual fluctuations in energy production due to  
22 curtailment protocols are well within the intended application of the existing energy  
23 cost adjustment mechanism.

1 **RESPONSE TO ANADARKO**

2 **Q. Anadarko witness Mr. Andrew Wurdack claims there is ambiguity in the**  
3 **Company’s position regarding dominance of the mineral estate. (Wurdack Supp.**  
4 **Response, page 17–18.) Can you clarify the Company’s position on this issue?**

5 A. Yes. The Company’s position since the time it filed its application with respect to the  
6 dominance of the mineral estate remains the same—Wyoming law does not allow  
7 mineral rights holders to *unilaterally* displace the Wind Projects and any mineral rights  
8 holder is required to enter into good faith negotiations to reasonably accommodate its  
9 mineral extraction objective. The Company has explained its references to planned  
10 engagements with landowners, leaseholders, and mineral rights owners to respond to  
11 their testimony and disentangle the parcel-by-parcel private ownership interests,  
12 potential near-term operational concerns, and long-term development interests that are  
13 more speculative in nature.

14 The Company, through coordination with the Wind Project developers, has also  
15 attempted to clarify its intent to engage, or continue discussions with, landowners,  
16 leaseholders, and mineral rights holders, as appropriate, on a project-by-project basis  
17 to facilitate co-existence of the Wind Projects and minerals activity on jointly-used  
18 surface lands as project-specific development activities progress. The Company has  
19 been consistent with its communications throughout the Wyoming CPCN process, in  
20 particular with respect to its plans to address split-estate issues, and the Company is  
21 continuing down that path of engagement with landowners, leaseholders, and mineral  
22 rights holders in parallel to these proceedings.

1 **Q. Do you agree with Mr. Wurdack's assertion that making mineral development and**  
2 **installed Wind Projects work together will call for extraordinary and costly**  
3 **cooperation or litigation? (Wurdack Supp. Response, page 16, lines 17–20.)**

4 A. No. Mr. Wurdack's assertion is a broad generalization and contradicts the Company's  
5 experiences in this regard. For example, PacifiCorp's Glenrock wind project currently  
6 hosts oil rigs and some surface mining, all of which have been coordinated with surface  
7 use and access agreements, without extraordinary costs or litigation.

8 **Q. Mr. Wurdack claims that because much of Anadarko's minerals are directly under**  
9 **proposed wind turbine locations, it will be difficult if not impossible to develop**  
10 **coal, oil, and gas in the future without a CPCN condition recognizing its right to**  
11 **do so. (Wurdack Supp. Response, page 19, lines 12–15.) What is your response?**

12 A. The Company is not aware of any identified coal deposits proceeding to development  
13 directly under the proposed wind turbine locations on the Wind Projects, but will  
14 continue its due diligence in this regard. With respect to oil and gas development  
15 opportunities, as discussed above, the Company's approach to oil exploration on the  
16 Glenrock wind project was to establish oil rig directional drilling sites generally over  
17 100 meters away from wind turbine generators on the surface, with directional drilling  
18 under the wind turbine generators. In the Glenrock example, the well depths are in the  
19 range of 8,000 to 10,000 feet deep. Fracking on these wells is planned to improve  
20 production.

21 As a proxy experience, the Company has also worked with a counterparty that  
22 is surface mining leonardite at the Glenrock wind project. While the surface disturbance  
23 in this example is relatively small, the mining boundary that has been established to

1 date is no closer than 100 meters to the nearest wind turbine generator. The Company  
2 recognizes that the future mining of coal would likely be more intensive and would  
3 require geological and geotechnical studies to establish appropriate solutions.

4 **CONCLUSION AND RECOMMENDATION**

5 **Q. What do you conclude in your supplemental rebuttal testimony?**

6 A. The conditions that Mr. Phillips proposes are completely unprecedented and  
7 unsupported, and none of them have ever been applied to the Company's past resource  
8 acquisitions. Further, Mr. Phillips has presented no basis to upend the traditional  
9 regulatory compact as it pertains to the Combined Projects.

10 Regarding Mr. Wurdack's concerns, the Company is confident that it can  
11 develop the Wind Projects in a manner that is fully compatible with the interests of  
12 landowners, leaseholders, and mineral rights holders. The Combined Projects remain  
13 well positioned to provide customer benefits, and the risks continue to decrease as  
14 development efforts continue and final contract negotiations progress.

15 **Q. Does this conclude your supplemental rebuttal testimony?**

16 A. Yes.

