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

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Supplemental Rebuttal Testimony of Cindy A. Crane

March 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 SUPPLEMENTAL REBUTTAL TESTIMONY

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

A. I support the Company's application for certificates of public convenience and necessity ("CPCNs") to construct the Aeolus-to-Bridger/Anticline transmission line and network upgrades ("Transmission Projects") and construct or acquire the Ekola Flats, TB Flats I and II, Cedar Springs, and Uinta projects, which are the four new wind resources ("Wind Projects") included on the final shortlist of the 2017R Request for Proposals ("RFP") (collectively, the "Combined Projects"). I provide a policy response to the March 2, 2018 testimony filed by the parties.

Q. Please summarize your testimony.

A. The Company's application has been thoroughly reviewed since it was filed in June 2017. The process has included multiple rounds of testimony and analysis. At this juncture, most of the questions and concerns initially raised have been addressed—tax reform is behind us, the Company concluded the 2017R RFP and is negotiating contracts with the winning bidders, the Utah and Oregon Independent Evaluators ("IEs") have reported on the fairness of the RFP, and the process to acquire easements and rights-of-way for the Transmission Projects is underway. The benefits of the Combined Projects are now clear, with millions of dollars in benefits to customers, the addition of new resources that will enhance the ability of the Company to provide safe and reliable service to Wyoming customers with manageable risks while generating economic benefits to state and local economies. The Combined Projects are in the public interest and should be allowed to proceed under CPCNs conditioned on only the acquisition of transmission rights-of-way.

PUBLIC INTEREST

Q. In supplemental testimony, do any parties oppose the Company's request for CPCNs?

A. Wyoming Industrial Energy Consumers ("WIEC") and Rock Creek Wind, LLC are the only parties who appear to expressly oppose the CPCNs. Other parties propose certain conditions for CPCN approval, and some oppose the Company's request for the Regulatory Tracking Mechanism.

Q. What are the requirements for approval of the CPCNs in this case, as outlined in your direct testimony?

A. It is my understanding that W.S. §37-2-205(c) requires the Company to demonstrate: (1) that it has the financial ability to construct the facilities; (2) that it has acted in good faith; and (3) that the new facilities are necessary. In my direct testimony, I explained that the Combined Projects meet this public interest standard, emphasizing the Company's commitment to run a fair and unbiased RFP process and the need for the Combined Projects, as made clear in the Company's long-term transmission plan and the Company's 2017 Integrated Resource Plan ("IRP").

Q. Now that the Wind Projects have been selected through the 2017R RFP, do the Combined Projects continue to meet the public interest standard?

A. Yes, even more clearly. First, no party has challenged the Company's financial ability to construct or acquire the Combined Projects.

Second, the 2017R RFP was monitored by two IEs—one appointed by the Public Utility Commission of Oregon and one retained by the Public Service Commission of Utah. The IEs monitored the 2017R RFP to ensure that the RFP was fair, unbiased, and conducted in the public interest. Both of these independent experts affirmed that the 2017R RFP process and results served the public interest, establishing the Company's good faith.

Third, 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.

Additionally, the Wind Projects are needed to provide zero-fuel-cost generation to serve customers, minimizing reliance on front-office transactions and reducing net power costs. The Wind Projects provide significant benefits from currently available production tax credits ("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 I explained in my second supplemental direct testimony, the Combined Projects now show benefits of $167 million in the medium case through 2050, and a range of $357 million to $405 million in the medium case through 2036. In the 18 scenarios studied (nine each for the 2050 and 2036 analyses), 16 of 18 cases show net customer benefits.

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

A. As discussed in greater detail in Mr. Rick T. Link's testimony, both IEs found that the 2017R RFP was conducted in a manner that produced the most competitive resource options for customers. The Utah IE 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 at 70 (Feb. 2018) (hereinafter "Utah IE Report")[1]). According to the IE, the RFP was designed to lead to the acquisition of wind-generated electricity at the lowest reasonable cost. (Utah IE Report at 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 IE 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 Proposals at 2-3 (Feb. 16, 2018) (hereinafter "Oregon IE Report")[2]). The Oregon IE verified the Company's modeling with its own cost

[1] The highly confidential version of the Utah IE Report is attached to Mr. Link's testimony as Highly Confidential Exhibit No. __(RTL-1SR). Rock Creek Exhibit No. 1001.2 is the non-confidential version of the Utah IE Report. The Company's references to the Utah IE report in its supplemental rebuttal testimony refer exclusively to the non-confidential portions.
[2] The Company provided a highly confidential version of the Oregon IE Report as part of Replacement Exhibit RMP__(RTL-8SS). Rock Creek Exhibit No. 1001.1 is the non-confidential version of the Oregon IE Report. The Company's references to the Oregon IE report in its supplemental rebuttal testimony refer exclusively to the non-confidential portions.

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 IEs conclude that the 2017R RFP was unbiased?

A. First, both IEs conducted a detailed and independent assessment of the Company's benchmark resources. The Utah IE noted that the Company's benchmark information exceeded industry standards, the costs were reasonable, and that there was no outward perception of bias. (Link Second Supp., page 28, lines 4–21). The Oregon IE stressed that it 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 IE requested that the Company perform a sensitivity analysis to compare the Company's selected bids to an alternative portfolio of PPAs. Both IEs agreed that the results of this sensitivity showed that there was no bias.

Q. Did the IEs 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' direct and supplemental testimony was addressed and rejected by the IEs:

- The IEs 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 IEs 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 IEs confirmed that the Company's determination of project viability based on interconnection queue positions was reasonable.
- The IEs confirmed the accuracy of the Company's terminal-value benefits used to evaluate utility-owned resources, and both IEs further noted that the benefit was modest.

Q. On behalf of the Wyoming Office of Consumer Advocate, Mr. Bryce Freeman testifies regarding the Company's analysis of the Combined Projects. Does Mr. Freeman conclude that the Company's resource modeling is fair and reasonable?

A. Yes. Mr. Freeman states that the Company's analysis is "essentially an extension of the Company's Integrated Resource Planning (IRP) analysis," which "is a robust and exhaustive process with ample opportunity for input from interested stakeholders." (Freeman, Supp. Direct, page 9, line 6 to page 10, line 4). Mr. Freeman concludes that "it is more likely, on balance, that customers will benefit rather than be harmed." (Freeman Supp. Direct, page 10, lines 11–12).

Q. WIEC contends that the power purchase agreements in the solar 2017S RFP represent a superior resource option compared to the Combined Projects (Phillips Supp. Response, page 17, lines 7-13.) Does the Company agree with this contention?

A. No. As discussed by Mr. Link, while the base economic analyses of the now-completed 2017S RFP show that there are potential customer benefits from solar PPAs, solar resources are an incremental opportunity, not an alternative to the Combined Projects. Sensitivity analyses show valuation risks that are unique to solar resource opportunities and costs are expected to continue to fall. Because the expiration of the investment tax credit for solar is not imminent, the Company does not need to act now in order to capture these tax savings. PacifiCorp will continue to assess potential economic benefits from solar-resource opportunities in the 2019 Integrated Resource Plan, including a thorough review of valuation risks with full stakeholder engagement, to determine whether a new competitive solicitation process for projects capable of achieving commercial operation by the end of 2021 will provide customer benefits.

Q. WIEC alleges that the Combined Projects pose an undue risk to customers. Do you agree?

A. No. In the eight-and-a-half months since this case was filed, the risks have decreased. First, the updated economic analysis demonstrates that under the medium natural gas, medium CO_2 scenario, customer benefits increased over the life of the Wind Projects. Higher estimated benefits reduce risk by providing an additional cushion to allow for variability in forecasts through 2050.

Second, 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). WIEC incorrectly suggests forgoing the time-limited opportunity here would be essentially risk-free. WIEC has not demonstrated that the status quo is less cost and less risk in the face of current market opportunities.

Third, as project implementation has continued, there is now greater certainty related to the costs of the Combined Projects. Development of the Transmission Projects continues on schedule, and the Company is steadily progressing through the process to acquire necessary easements and rights-of-way in parallel with the regulatory-approval process. The risk of changes in the federal tax code has been resolved. The Company remains confident that the Combined Projects will be in service by 2020, and the Wind Projects will be eligible for 100 percent PTC benefits.

Fourth, the selection of primarily self-build or build-transfer agreements ("BTA") bids does not increase the risk profile of the Wind Projects as compared to power purchase agreements ("PPAs"). Contrary to WIEC's claims, the advantages of PPAs, solar or otherwise, is not clear-cut. As Mr. Link explains, PPAs have a different profile of risks and benefits relative to utility-owned resources, but they are not an inherently superior resource option for customers. The bids received in the 2017R RFP reflected both resource options, and the Company used an unbiased analysis to select the best option for customers. In one case, that was a PPA (one-half of Cedar Springs), in other cases it was a benchmark resource (TB Flats I and II and Ekola Flats) or a BTA (Uinta and the other half of Cedar Springs).

Q. Does the Company stand by its commitment to assume the risk of non-qualification for PTCs if it is related to the Company's performance?

A. Yes. If the Wind Projects are not 100-percent PTC eligible because of some occurrence within the Company's control, shareholders will hold customers harmless.

Q. WIEC recommends that the Company hold customers harmless even for events outside its control. (Phillips Corrected Supp. Response, page 3, lines 8–11). Is this a reasonable condition for approval of a CPCN?

A. No. As Ms. Steward, Mr. Teply, and Mr. Link discuss, WIEC's proposed conditions are unprecedented and contrary to well-established customer protections provided by the Commission through its traditional ratemaking process. Moreover, the basis for WIEC's conditions—that the Combined Projects are discretionary—is unfounded and undermined by WIEC's own position in prior cases, as described by Mr. Link. Notably, Mr. Freeman now agrees that the Company should not be solely responsible for risks that are beyond its control because requiring the assumption of such risks would preclude a utility from ever acquiring a resource to serve customers. (Freeman Supp. Direct, page 12, lines 12–29). The Company agrees with Mr. Freeman that the existing regulatory process, reflected in the Commission's past practice, is sufficient to address risks that are beyond the Company's control.

Q. Does this conclude your supplemental rebuttal testimony?

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 Rocky Mountain Power, a division of 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 12 day of March, 2018

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

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

The foregoing was acknowledged before me by Cindy A. Crane on this 12 day of March, 2018. Witness my hand and official seal.

Notary Public

My Commission Expires: 1/18/2020

MELINDA LA SENE
NOTARY PUBLIC -STATE OF UTAH
My Comm. Exp 01/18/2020
Commission # 687146