

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

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Cindy A. Crane

June 2017

1 **Q. Please state your name, business address, and present position.**

2 A. My name is Cindy A. Crane. My business address is 1407 West North Temple,
3 Suite 310, Salt Lake City, Utah 84116. I am the President and Chief Executive Officer
4 of Rocky Mountain Power (“Company”), a division of PacifiCorp.

5 **Q. Briefly describe your professional experience.**

6 A. I joined the Company in 1990 and have served as Director of Business Systems
7 Integration, Managing Director of Business Planning and Strategic Analysis, Vice
8 President of Strategy and Division Services, and Vice President of Interwest Mining
9 Company and Fuel Resources. My responsibilities in these positions included the
10 management and development of PacifiCorp’s 10-year business plan, directing
11 operations of the Energy West Mining and Bridger Coal companies, and coal supply
12 acquisition and fuel management for PacifiCorp’s coal-fired generating plants. In
13 October 2014, I was appointed to my present position as President and Chief Executive
14 Officer of Rocky Mountain Power.

15 **Q. Have you testified in previous regulatory proceedings?**

16 A. Yes. I have filed testimony with the public service commissions in all of the states
17 where the Company serves customers, including the Wyoming Public Service
18 Commission (“Commission”).

19 **PURPOSE AND SUMMARY OF TESTIMONY**

20 **Q. What is the purpose of your testimony?**

21 A. My testimony details the Company’s proposal to invest approximately \$2 billion in new
22 wind and transmission facilities, all of which would be operational by December 31,
23 2020, as required to leverage the full benefit of the federal wind production tax credit

1 (“PTC”), the value of which is essential to the combined projects’ overall economic
2 viability. The Wind Projects and Transmission Projects, as defined and described
3 below, are the cornerstones of PacifiCorp’s Energy Vision 2020 strategy. These projects
4 represent an exciting opportunity for PacifiCorp’s customers, who we expect to realize
5 approximately \$137 million in benefits over time, with initial rate impacts of less than
6 1.9 percent.

7 My testimony provides an overview of the Company’s Application, which
8 includes a request for certificates of public convenience and necessity (“CPCNs”) for
9 new wind and transmission facilities and a proposal for innovative and nontraditional
10 ratemaking to capture the costs and benefits of the new facilities. The Company
11 proposes to construct or procure four new Wyoming wind resources with a total
12 capacity of 860 megawatts (“MW”) (collectively, the “Wind Projects”) and to construct
13 the Aeolus-to-Bridger/Anticline Line and 230 kV Network Upgrades, as defined and
14 discussed in more detail later (collectively, the “Transmission Projects”). I explain why
15 these resource decisions are prudent and in the public interest, discuss the Company’s
16 financial ability to invest in the proposed facilities, and describe how the Company has
17 pursued them in good faith.

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

19 A. The Wind Projects and Transmission Projects (collectively, the “Combined Projects”)
20 are central to the Company’s current long-term energy strategy, Energy Vision 2020,
21 under which the Company plans to use the opportunities presented by the extension of
22 the federal PTC to make major resource investments that provide significant savings to
23 customers over the lives of the resources. The Company identified and presented this

1 opportunity in its 2017 Integrated Resource Plan (“2017 IRP”).

2 The Transmission Projects and Wind Projects are mutually dependent on one
3 another. The Wind Projects rely on the Transmission Projects for interconnection into
4 the Company’s transmission system. In turn, the Transmission Projects are supported
5 by the key economic attributes of the Wind Projects: zero-fuel-cost generation that
6 lowers net power costs and provides ten years of PTCs. The Wind Projects also generate
7 renewable energy certificates (“RECs”), which can be sold in the market and lower net
8 customer costs. The Wind Projects help decarbonize the Company’s resource portfolio,
9 mitigating long-term risk associated with potential future state and federal policies
10 targeting carbon dioxide (“CO₂”) emissions reductions from the electric sector.

11 The Transmission Projects also provide significant benefits to customers. The
12 Aeolus-to-Bridger/Anticline Line is a sub-segment of the Company’s Energy Gateway
13 West transmission project, and is an integral component of the long-term transmission
14 plan for the region. The Company, with stakeholder involvement, has pursued
15 permitting of the Energy Gateway West transmission project since 2008. The
16 Transmission Projects relieve congestion on the current transmission system in eastern
17 Wyoming, provide critical voltage support to the Wyoming transmission network,
18 improve overall reliability of the transmission system, enhance the Company’s ability
19 to comply with mandated reliability and performance standards, reduce line losses, and
20 create the potential for further increases to the transfer capability across the Aeolus-to-
21 Bridger/Anticline Line with the construction of additional segments of the Energy
22 Gateway project.

23 Timing is critical for both of these projects. The Combined Projects must

1 achieve commercial operation by the end of 2020 to qualify for the full benefits of the
2 PTCs and maintain favorable economics. Thus, the Company must move quickly,
3 particularly on the Transmission Projects, which will take several years to fully permit,
4 obtain the necessary rights-of-way, and construct. To complete construction of the
5 Combined Projects by December 31, 2020, the Company requests that the Commission
6 adopt the proposed expedited schedule for review set forth in the Application.

7 Because of the time-sensitivity of the Combined Projects, the Company is
8 conducting its 2017R Request for Proposals (“2017R RFP”) process simultaneously
9 with its request for CPCNs for the Wind Projects. Although unusual, this approach is
10 necessary in this case. If the Company waited until the conclusion of the 2017R RFP
11 to seek CPCNs, the Combined Projects could not be completed by the end of 2020, and
12 customers would lose significant PTC benefits. To allow the Combined Projects to
13 move forward, the Company has pursued the Wind Projects, which will be benchmark
14 resources in the 2017R RFP and proxy resources for purposes of the Application until
15 the 2017R RFP is completed.

16 The Company also requests approval of innovative and nontraditional
17 ratemaking treatment for the Combined Projects. The Company proposes to match the
18 costs and benefits of the Combined Projects through the Resource Tracking Mechanism
19 (“RTM”) until the costs and benefits are reflected in base rates. Variances in PTCs
20 would continue to be tracked through the RTM after all other costs and a base level of
21 PTCs are reflected in base rates. This proposed ratemaking treatment will ensure that
22 the costs and benefits of the Combined Projects are properly matched and customers
23 and shareholders are treated fairly while delivering long-term benefits.

1 Using medium price and CO₂ assumptions, the Company’s economic analysis
2 demonstrates a present-value reduction in revenue requirement due to the Combined
3 Projects of \$137 million over the life of the projects, with a year-one rate impact of less
4 than 1.9 percent.

5 **Q. What other witnesses will be testifying on behalf of the Company?**

6 A. In addition to my testimony, the Company’s Application is supported by the testimony
7 of the following witnesses:

8 **Mr. Chad A. Teply**, Vice President of Strategy and Development, provides a
9 detailed description of the Company’s proposed acquisition of the Wind Projects.
10 Mr. Teply describes the Wind Projects, addresses the impact and timing of PTCs on
11 their acquisition, and provides information to respond to the requirements of
12 Commission Rule Chapter 3, Section 21, for the Wind Projects.

13 **Mr. Rick A. Vail**, Vice President of Transmission, outlines the need for the
14 Transmission Projects, and provides a detailed description of the transmission facilities.
15 Mr. Vail also addresses the requirements of Commission Rule Chapter 3, Section 21,
16 for the Transmission Projects.

17 **Mr. Rick T. Link**, Vice President of Resource and Commercial Strategy,
18 testifies regarding the economic analysis that supports the prudence of the Combined
19 Projects, and describes the customer benefits resulting from the timely acquisition and
20 construction of the wind and transmission facilities. Mr. Link explains the planning and
21 analysis of the Combined Projects in the Company’s 2017 IRP. He also provides
22 background on the pending 2017R RFP for the wind resources.

23 **Mr. Jeffrey K. Larsen**, Vice President of Regulation, explains the Company’s

1 proposal for ratemaking treatment of the costs and benefits of the Combined Projects,
2 including introducing a new tariff, Schedule 97B – Resource Tracking Mechanism, and
3 the inter-jurisdictional allocation of costs.

4 **Q. Has the Company developed a schedule that allows the Commission to process**
5 **this case in an orderly and expeditious manner?**

6 A. Yes. The Company discussed a schedule for this Application with stakeholders before
7 filing. The Company proposes to bifurcate this proceeding into two phases and address
8 the CPCN request for the Transmission Projects first, with a conditional CPCN order
9 requested by December 29, 2017. A decision granting the CPCNs for the Transmission
10 Projects would be conditioned on the demonstration of the economic benefits of the
11 Wind Projects in the second phase of the proceeding, with an order requested by
12 April 16, 2018. The second phase of the proceeding would also address the RTM
13 ratemaking proposal. The CPCNs granted for the Transmission Projects would
14 necessarily be conditioned on the acquisition of all necessary rights-of-way; however,
15 receiving the order by December 2017 affords the Company a reasonable opportunity
16 to acquire those rights-of-way before construction.

17 **Q. Is the Company requesting approval of the Projects in any other states?**

18 A. Yes. Concurrent with this Application, the Company is requesting approval of the
19 Combined Projects from the Public Service Commission of Utah and the Idaho Public
20 Utilities Commission. There are rate-recovery mechanisms in Oregon and Washington
21 for investments in renewable resources that provide a path to seek recovery of the costs
22 and benefits of the Combined Projects closer in time to project completion. In
23 California, the Company is required to file a general rate case in 2019, which may

1 include the costs and benefits of the Combined Projects; alternatively, California's
2 Post-Test Year Adjustment Mechanism may be used to recover costs incurred after the
3 2019 general rate case.

4 **OVERVIEW OF COMBINED PROJECTS**

5 **Q. Please describe the Transmission Projects.**

6 A. The Transmission Projects include six major elements:

7 (1) The 140-mile, Aeolus-to-Anticline 500 kV line, which includes construction of
8 the new Aeolus and Anticline substations;

9 (2) The five-mile Anticline to Jim Bridger 345 kV line, which includes
10 modifications at the existing Jim Bridger substation to allow termination of the
11 new 345 kV line;

12 (3) Installation of a voltage control device at the Latham substation;

13 (4) A new 16-mile 230 kV transmission line parallel to an existing 230 kV line from
14 Shirley Basin substation to the proposed Aeolus substation, including
15 modifications to the existing Shirley Basin substation;

16 (5) The reconstruction of four miles of an existing 230 kV transmission line
17 between the proposed Aeolus substation and the Freezeout substation, including
18 modifications as required at the Freezeout substation;

19 (6) The reconstruction of 14 miles of an existing 230 kV transmission line between
20 the Freezeout substation and the Standpipe substation including modifications
21 as required at the Freezeout and Standpipe substations.

22 Throughout the Company's testimony, items 1-3 above are collectively referred to as
23 the Aeolus-to-Bridger/Anticline Line, and items 4-6 are collectively referred to as the

1 230 kV Network Upgrades.

2 **Q. What are the system benefits of the Transmission Projects?**

3 A. The benefits of the Transmission Projects fall into three broad categories. First, the
4 Transmission Projects will relieve congestion in eastern Wyoming, which will allow
5 greater resource interconnection in that part of the state. The Company's current
6 transmission system in eastern Wyoming is operating at capacity, which limits transfer
7 of existing resources from eastern Wyoming and precludes the ability to interconnect
8 additional resources east of the proposed Aeolus-to-Bridger/Anticline Line. The
9 Transmission Projects will increase the transfer capability from east to west by
10 750 MW. When the Transmission Projects are complete, they will allow
11 interconnection of up to 1,270 MW of incremental wind resources, including the Wind
12 Projects that are the subject of this Application.

13 Second, the Transmission Projects will provide critical voltage support to the
14 transmission system in southeastern Wyoming. Under certain operating conditions,
15 voltage control issues have limited the ability to add additional resources, particularly
16 wind resources. The addition of the Transmission Projects will solve the voltage control
17 issues.

18 Third, the Transmission Projects will also increase reliability, reduce capacity
19 and energy losses on the transmission system, and provide greater flexibility to manage
20 existing generation resources. Currently, outages on the existing 230 kV system in
21 eastern Wyoming result in deration of the transfer capacity in the area and some outage
22 scenarios require significant generation curtailment. The new 500 kV transmission
23 segment will significantly reduce, if not eliminate, many of the impacts caused by the

1 230 kV outages.

2 **Q. How will the Transmission Projects affect the dispatch of the Company's**
3 **Wyoming coal plants?**

4 A. As Mr. Link explains in his testimony, the Transmission Projects will allow greater
5 dispatch flexibility of the Company's existing generating assets, including the
6 Wyoming coal fleet. Overall, this greater dispatch flexibility will lead to a slight
7 reduction in coal-based generation from the Company's Wyoming coal fleet. Even with
8 this reduced dispatch, Wyoming will experience a net benefit in tax receipts, as the
9 projected property tax and wind production tax significantly exceed the projected
10 reduction in royalties associated with reduced coal utilization.

11 **Q. Please describe the proposed Wind Projects.**

12 A. The Company requests CPCNs for the construction or acquisition of 860 MW of new
13 wind resources, which are three 250 MW facilities (referred to as Ekola Flats, TB
14 Flats I, and TB Flats II) and a fourth 110 MW facility (McFadden Ridge II), all located
15 in Wyoming. Mr. Teply's testimony provides additional details on the Wind Projects.

16 **Q. Will the Company submit the Wind Projects into the 2017R RFP?**

17 A. Yes. Each of the resources will be included in the 2017R RFP as a benchmark resource.
18 Therefore, if other resources are ultimately selected, they will be equal to or better than
19 the Wind Projects in the Application. The Company submits this Application to
20 facilitate review of this time-limited opportunity to secure CPCNs under the expedited
21 schedule proposed by the Company.

1 **Q. What additional information will be provided once the 2017R RFP shortlist is**
2 **selected?**

3 A. After the 2017R RFP shortlist is selected, the Company will supplement this
4 Application to provide the Commission and intervening parties with detailed
5 information about the winning bid(s).

6 **Q. What is the status of the 2017R RFP?**

7 A. The Company filed for acknowledgment or approval of the proposed 2017R RFP in
8 Utah and Oregon, as required in those states. Following those proceedings, the
9 Company anticipates issuing the 2017R RFP to the market in August 2017. The
10 Company plans to complete its final shortlist bid evaluation and finalize the shortlist in
11 early January 2018. Mr. Link’s testimony provides additional details on the RFP
12 process.

13 **Q. Why is the Company requesting CPCNs for both the Transmission Projects and**
14 **Wind Projects?**

15 A. The Projects are mutually dependent on one another. The Transmission Projects are
16 necessary to relieve existing congestion and will enable interconnection of the proposed
17 Wind Projects into the Company’s transmission system. The Transmission Projects are
18 not economic without the incremental, cost-effective Wind Projects generating zero-
19 fuel-cost energy and PTCs. This interdependence requires the Combined Projects’
20 concurrent development.

21 The renewal of the PTCs has created a unique, time-limited opportunity for the
22 Company to construct critical transmission facilities in eastern Wyoming, while
23 providing substantial customer savings. The economics for the Combined Projects,

1 portfolio.

2 **Q. Do the Combined Projects provide significant benefits to customers?**

3 A. Yes. As outlined in Mr. Link’s testimony, the Combined Projects will produce customer
4 benefits that significantly outweigh costs. The Company’s economic analysis included
5 multiple electricity price and carbon-risk scenarios, measured over several different
6 time periods. In virtually all cases, the Combined Projects result in significant net
7 customer benefits. For example, with medium natural gas and medium CO₂ price
8 assumptions over the life of the facilities, the present-value reduction to the change in
9 revenue requirement due to the Combined Projects is \$137 million. Because the
10 Company did not quantify the added benefits associated with RECs, the economic
11 analysis is conservative.

12 **Q. What is the projected rate impact to customers of the Combined Projects?**

13 A. The rate impact to customers is less than 1.9 percent with the first full year of operation
14 in 2021. While this percentage change reflects the year-one impact to customers, it does
15 not fully reflect the value of the Combined Projects due to costs avoided over time.
16 Mr. Link’s analysis showing the present-value savings of \$137 million through 2050
17 demonstrates that although there is an initial increase in cost, the lifetime savings of
18 the Combined Projects are significant.

19 **Q. After the Company filed its IRP in April, did Company representatives meet with
20 Wyoming stakeholders to provide an overview of the Combined Projects?**

21 A. Yes. On May 11, 2017, the Company held an informal workshop with Wyoming
22 stakeholders to review the details of the Combined Projects, explain the RFP for the
23 wind resources, and discuss the scope and timing of this filing.

1 **Q. In addition to the customer benefits you have already mentioned, do the**
2 **Combined Projects benefit the public interest in other ways?**

3 A. Yes. The proposed investment of more than \$2 billion in wind and transmission
4 facilities also furthers the public interest by strengthening Wyoming's economy
5 through energy resource diversity, new jobs, and substantial revenue at the state and
6 local levels. The Company estimates that these Combined Projects will result in 1,000
7 to 1,400 new construction jobs in Wyoming, and will add approximately \$70 million
8 in tax revenue through construction and another \$11 million of additional property tax
9 revenue annually starting in 2021. Wind production taxes are expected to add
10 approximately \$3 million in tax revenue annually starting in 2024.

11 In addition, the Transmission Projects will relieve transmission constraints that
12 have limited energy resource interconnection in eastern Wyoming. Once constructed,
13 the Transmission Projects will allow the Company to more efficiently deliver cost-
14 effective energy from Wyoming wind and coal plants.

15 The Combined Projects can deliver cost-effective energy to Wyoming
16 customers and can do so while saving customers money over the life of the investment.
17 Thus, these investments help diversify Wyoming's energy supply while providing
18 economic benefits to the counties and state and ensuring that Wyoming electricity
19 prices remain low and competitive so that the state remains well positioned to attract
20 new business.

21 Coal and gas will remain important industries in Wyoming. The Combined
22 Projects can provide the benefits of diversifying the economy without threatening
23 existing industries and jobs.

1 **REQUIREMENTS FOR A CPCN**

2 **Q. What are the requirements for a CPCN?**

3 A. It is my understanding that W.S. § 37-2-205(c) requires that the Company demonstrate:
4 (1) that it has the financial ability to construct the facilities; (2) that it has acted in good
5 faith; and (3) that the new facilities are necessary.

6 **Q. Does the Company have the financial ability to construct the Combined Projects?**

7 A. Yes. The Company intends to finance the Combined Projects through its normal sources
8 of capital, both internal and external, including net cash flow from operating activities,
9 public and private debt offerings, and the issuance of commercial paper, the use of
10 unsecured revolving credit facilities, capital contributions, and other sources. Although
11 the Combined Projects are a significant Company investment, the financial impact will
12 not impair the Company's ability to continue to provide safe and reliable electricity
13 service at reasonable rates.

14 **Q. How will approval support the Company's current credit rating, thereby
15 providing customer benefits?**

16 A. Ratings agencies consider the Company's regulatory treatment when establishing its
17 credit rating, and particularly focus on the treatment of capital investments. Supportive
18 treatment through approval of an investment of this magnitude provides assurance to
19 ratings agencies and helps maintain the Company's credit rating. A solid credit rating
20 directly benefits customers by ensuring access to capital markets and reducing
21 immediate and future borrowing costs related to the financing needed to support
22 regulatory operations, and strong ratings will often allow the Company to avoid having
23 to meet costly collateral requirements that are typically imposed on lower-rated

1 companies when securing power in the market. If the Company does not have
2 consistent access to the capital markets at reasonable costs, its debt issuances and the
3 resulting costs of constructing the new facilities become more expensive than they
4 otherwise would be.

5 **Q. Is the Company acting in good faith?**

6 A. Yes. The Company's development efforts have all been in good faith—the Company's
7 plans are for the benefit of its customers and the Company has acted reasonably during
8 the course of the development efforts. Moreover, the Company's submission of the
9 Wind Projects into the 2017R RFP process will be done in good faith and the process
10 will be designed to ensure that the Company's benchmark resources are not given an
11 unfair advantage over other bids. Additionally the Company will act in good faith as it
12 executes all of the contracts necessary to construct the Combined Projects.

13 **Q. Are the Combined Projects necessary?**

14 A. Yes. As discussed above, the Aeolus-to-Bridger/Anticline Line is a sub-segment of the
15 Company's Energy Gateway West transmission project, and has been an integral
16 component of the long-term transmission plan for the region for a decade. The
17 Transmission Projects relieve congestion on the current transmission system in eastern
18 Wyoming, provide critical voltage support to the Wyoming transmission network,
19 improve overall reliability of the transmission system, enhance the Company's ability
20 to comply with mandated reliability and performance standards, reduce line losses, and
21 create the potential for further increases to the transfer capability across the Aeolus-to-
22 Bridger/Anticline Line with the construction of additional segments of the Energy
23 Gateway project.

1 control of the Company. Mr. Larsen’s testimony provides additional detail on the
2 proposal and further demonstrates how it is consistent with the public interest.

3 **Q. Is the RTM a proposal for innovative or nontraditional ratemaking?**

4 A. Yes. The RTM proposal is authorized by W.S. § 37-2-121, which I understand allows a
5 utility to apply to the Commission to use “innovative, incentive or nontraditional rate
6 making methods.” The Commission may approve such proposals if they are supported
7 by substantial evidence and “consistent with the public interest.” Mr. Larsen’s
8 testimony provides additional detail on the proposal and further demonstrates how it is
9 consistent with the public interest.

10 **CONCLUSION**

11 **Q. What is your recommendation to the Commission?**

12 A. The Company recommends that the Commission grant CPCNs for the Combined
13 Projects on the timeline requested by the Company. The Combined Projects will
14 provide substantial customer benefits and advance the public interest in Wyoming. The
15 Company also requests that the Commission approve the Company’s proposed
16 ratemaking treatment for the investment in the Combined Projects.

17 **Q. Does this conclude your direct testimony?**

18 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	
MOUNTAIN POWER FOR)	DOCKET NO. 20000-__-EA-17
CERTIFICATES OF PUBLIC)	(RECORD NO. _____)
CONVENIENCE AND NECESSITY)	
AND NONTRADITIONAL)	
RATEMAKING FOR WIND AND)	
TRANSMISSION FACILITIES)	

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 of 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 29 day of June, 2017



Cindy A. Crane
President and CEO
1407 W. North Temple, Ste. 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 29 day of June, 2017. Witness my hand and official seal.



Notary Public

My Commission Expires: 10/19/2019

