Q. Please state your name.

A. My name is Darrell T. Gerrard.

Q. Are you the same Darrell T. Gerrard who filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my rebuttal testimony is to address the direct testimony of Dr. Joni Zenger of the Utah Division of Public Utilities ("DPU") and the direct testimony of Mr. Bela Vastag from the Utah Office of Consumer Services ("OCS"). No other party that intervened in this docket submitted direct testimony. I also will provide a status update on the permitting of the Sigurd to Red Butte No. 2 – 345 kV transmission line ("Transmission Project" or "Project"), for which PacifiCorp ("Company") is requesting a Certificate of Public Convenience and Necessity ("CPCN").

Q. Does Dr. Zenger support the Commission's granting of a CPCN for the Project?

A. Yes. Dr. Zenger concludes that "[the] Company's requirement to service its current and future network customers, coupled with its requirement to meet stringent reliability standards for the electric transmission grid, supports the construction of the Project."[1]

Q. Do you agree with the findings and conclusions in Dr. Zenger's direct testimony at lines 205 to 243?

A. Yes.

[1] Zenger, Direct Testimony p. 2, lines 33-36.

Q. Does Mr. Vastag support the Commission's granting of a CPCN for the Project?

A. Yes. Mr. Vastag concludes "the Office does not oppose the granting of a CPCN in this case,"[2] and acknowledges the Company's current need for the Project based on conformity with North American Electric Reliability Corporation ("NERC") Standard TPL-002, stating "[with] the UAMPS loss of the NV Energy agreement and the lack of agreements to operate local generation during peak periods, the redundancy that the SRB No. 2 line will provide becomes evident."[3] However, Mr. Vastag also suggests that "the combination of [local generation and a lower growth rate for UAMPS loads] can delay the need for SRB No. 2 well past 2021."[4] My testimony will clarify that the Project is needed immediately for compliance with the TPL standards and transmission service reliability for customers.

Q. What is the basis for Mr. Vastag's conclusion that "the Company has not adequately justified the timing of the need for the SRB No. 2 line"?[5]

A. The basis for Mr. Vastag's suggestion appears to be his flawed assumption, or misunderstanding, that the timing for the Project's need is based on the point at which customer demand is forecasted to exceed capacity at Red Butte. As demonstrated in my direct testimony and further in this rebuttal testimony, this is not the case. There is a known lack of system redundancy today, which the Company has demonstrated and is building the Project to resolve in order to

[2] Vastag, Direct Testimony p. 11, line 214.
[3] Vastag, Direct Testimony p. 9, lines 153-156.
[4] Vastag, Direct Testimony p. 6, lines 101-105.
[5] Vastag, Direct Testimony p. 9, lines 120-121.

maintain compliance with mandatory NERC and Western Electricity Coordinating Council ("WECC") reliability and performance standards during normal system operations and during certain transmission system and generation plant outage conditions.

Q. If you assume that the UAMPS' load growth was three percent as opposed to its projected growth of 5.1 percent, as Mr. Vastag proposes, would a delay in the Project be justified?

A. No. The line is needed to reliably meet today's customer electrical demand and comply with mandatory NERC and WECC standards. The southwest Utah transmission system, including the existing Sigurd to Red Butte No. 1 – 345 kV transmission line and the system connecting Red Butte to Nevada, cannot currently provide adequate, reliable service under all expected operating conditions and under existing and expected future customer energy demands. Additionally, the existing 345 kV transmission line between the Sigurd and Red Butte substations represents the sole transmission connection between major southwest Utah load areas and generation sources expected to serve this customer load. Today, loss of this existing line exposes a population center of over 120,000, with over 425 megawatts of electrical demand, to loss of energy supply from designated network resources. The immediate need for the project is independent from the rate of load growth in Southwest Utah, as stated in my direct testimony.

Q. If the 580 MW limit at the Red Butte substation is not exceeded until after 2021, as Mr. Vastag estimates, could the Company delay the need for the Project until 2022, as Mr. Vastag concludes?

A. No. Mr. Vastag's conclusion assumes that the 580 MW transmission system capacity from Nevada is the current transmission system limit for serving customer demand at Red Butte and this limit is not exceeded until after 2021. This is not the case, as this limit is not driving the timing for the Project. He incorrectly assumes that 580 MW of firm transmission and economical generation from Nevada is available to provide firm service to the load at Red Butte, which is also not the case. The generation resources assigned to serve the designated network customer load centers served from the Red Butte Substation are all located north of the Company's Sigurd and Red Butte Substations. If the transmission system does not have adequate capacity to reliably serve customer demand, or the existing Sigurd to Red Butte transmission line is out of service for any reason, these designated generation resources cannot be reliably delivered to customer load centers served from the Red Butte Substation.

Q. Do you agree with Mr. Vastag's conclusion that the Project could be delayed until 2022?

A. No. Mr. Vastag's suggested seven-year delay overlooks the fact that, today, there is a known lack of system redundancy, and PacifiCorp's compliance with mandatory NERC Transmission Planning Standard TPL 002 requires a timely solution to this condition. TPL 002 provides:

> **R1.** The Planning Authority and Transmission Planner shall each demonstrate through valid assessment that its portion of the interconnected

transmission system is planned such that the Network can be operated to supply projected customer demands and projected Firm (nonrecallable reserved) Transmission Services, at all demand levels over the range of forecast system demands, under the contingency conditions as defined in Category B of Table I.

R2. When System simulations indicate an inability of the systems to respond as prescribed in Reliability Standard TPL-002-0_R1, the Planning Authority and Transmission Planner shall each:

R2.1. Provide a written summary of its plans to achieve the required system performance as described above throughout the planning horizon:
R2.1.1. Including a schedule for implementation.
R2.1.2. Including a discussion of expected required in-service dates of facilities.
R2.1.3. Consider lead times necessary to implement plans.

The NERC and WECC standards and criteria require that transmission providers evaluate all expected customer demand levels and operating conditions and plan adequate redundancy in the system to meet minimum levels of system reliability and performance. The Project, as scheduled, is required to maintain compliance with mandatory reliability and performance standards, and to reliably serve customers in Utah, including those in areas of southwest Utah served from the Red Butte substation. Mr. Vastag's conclusion that the project could be delayed until 2022 is incorrect. As he acknowledges, the Project is needed for transmission service redundancy and the current electric supply for customers served from Red Butte substation is in jeopardy due to the lack of viable firm service from the NV Energy System.

Q. Do you agree with Mr. Vastag that the combination of local generation and a lower growth rate for UAMPS' loads can delay the need for the Project "well past 2021"?[6]

A. No, as stated before, the need for redundancy and compliance with the TPL standards requires the Project to be built immediately. The need for the Project is not based on a future growth rate or local generation. The Project is needed today for the reasons explained above. Delaying the Project until "well past 2021" based on the rationale provided by Mr. Vastag would not be prudent, and would disregard the Company's obligation to meet mandatory NERC and WECC standards. To quote Dr. Joni Zenger on behalf of the Utah Division of Public Utilities:

> *"In addition to load service, the Division reviewed the characteristics of the existing transmission infrastructure and the mandatory reliability requirements that require this Project to be built. The Project is needed because the existing transmission system is inadequate. The Company's transmission system must be designed to meet strict Western Electric[ity] Coordinating Council (WECC) reliability criteria and mandatory North American Electric Reliability Corporation (NERC) bulk electric standards that contain penalty provisions if not met. The Division reviewed the Company's annual reliability assessment report of NERC TPL standards, which strongly indicates that the Company's transmission system in southwest Utah is insufficient to continue to meet NERC standard TPL-002. This situation necessitates the construction of the SRB Line. The transmission facilities existing today cannot provide adequate and reliable service under all expected operating conditions and expected future customer demands."*[7]

[6] Vastag, Direct Testimony p. 6, line 105.
[7] Zenger, Direct Testimony p. 7-8, lines 121-133.

Q. Mr. Vastag raises the question of how the costs of the Project will be divided between the Company's wholesale and retail customers. Is cost allocation and cost recovery of the line at issue in this case?

A. No. As Mr. Vastag acknowledges, a cost allocation determination is not included within the scope of this CPCN proceeding. The issues of cost allocation and cost recovery will be addressed in a future general rate case or other regulatory proceeding where cost recovery of the Project is requested.

Status of the Project

Q. Please provide a brief overview of the Transmission Project.

A. As stated previously in my direct testimony, the Project, projected to cost approximately $380 million, consists of a new single circuit 345 kV transmission line, approximately 170 miles in length, from the existing Sigurd substation near Richfield, Utah, to the existing Red Butte substation in Washington County, Utah. The Project is designed to meet an in-service date of June 30, 2015. Construction of the Project will commence upon approval of the CPCN by the Commission, and is expected to require approximately 26 months for completion.

Q. What is the current status of the federal permits required for the Project?

A. On December 7, 2012, the BLM and USFS issued their Records of Decision (provided as Exhibit RMP___(DTG-1R) and Exhibit RMP___(DTG-2R), respectively), which approve rights-of-way for the Project across federal lands. The agencies' preferred route alternative locates the Project on approximately 69 miles of land administered by the BLM, approximately 43 miles of land administered by the USFS, and approximately 58 miles on state and private land.

Please refer to Exhibit RMP___(DTG-3R) for maps of the selected route alternative. The agencies' decision was based on the environmental impact statement ("EIS") prepared in accordance with the National Environmental Policy Act ("NEPA"). This process required, among other things, input by the public, state and federal land and resource agencies, the affected counties and other local jurisdictions. The Company has been actively engaged in the NEPA and permitting process for approximately four years.

Q. What is the current status of other permits required for the Project?

A. The Company has obtained all of the required consents, franchises, and conditional use permits from all local governmental entities having jurisdiction over the proposed routes for the Project. The contractor for the Project, discussed further below, will obtain the remaining miscellaneous permits and authorizations required by state and local entities, which are ordinary-course-of-business permits and authorizations required for actual construction of the line.

Q. Has a contract been awarded for the construction of the Project?

A. Yes. On November 20, 2012, the Company announced the selection of EC Source as the contractor to build the transmission line. This contract is the result of the Company's competitive bid process and is consistent with its Engineer, Procure, and Construct ("EPC") strategy used in effective delivery of transmission projects of this size and scope. The Company fully recognizes that its efforts in the EPC bidding process and subsequent award of the Project's construction contract is occurring on a parallel track with this CPCN proceeding. However, the timing of the contract award was necessary to preserve the design and construction

durations and timelines necessary to efficiently place the Project in-service by June 2015. In recognition of this timeline requirement, the Company has negotiated contract terms that allow it to terminate in the event the CPCN is not issued or the Notice-to-Proceed is not received from the BLM as lead agency in the NEPA process.

Q. Does this conclude your testimony?

A. Yes.