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**BEFORE THE PUBLIC SERVICE
COMMISSION OF UTAH**

In the Matter of the Application of
Rocky Mountain Power for a Certificate of
Public Convenience and Necessity Authorizing
Construction of the Populus-to-Terminal
345kV Transmission Line Project

Docket No. 08-035-42

Direct Testimony of Nancy Kelly

August 1, 2008

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DIRECT TESTIMONY OF NANCY KELLY

ON BEHALF OF

WESTERN RESOURCE ADVOCATES

AUGUST 1, 2008

1 **Q: Please state your name, employer and present position.**

2 A: My name is Nancy L Kelly. I am employed by Western Resource Advocates (WRA) as a
3 Senior Policy Advisor.

4 **Q: How long have you been in this position?**

5 A: For the month of July, 2008 I worked for WRA under contract. I became a full-time
6 employee of WRA today, August 1, 2008.

7 **Q: Please describe your previous work experience and educational background.**

8 A: Prior to becoming a WRA employee, I worked for the Committee of Consumer Services
9 on electricity-related issues. My relationship with the Committee began March 2, 1998.
10 My responsibilities included but were not limited to participating in PacifiCorp's
11 integrated resource planning process, evaluating PacifiCorp's integrated resource plans,
12 and representing small customer interests in many regional processes relating to
13 transmission organization, operation, and planning. My graduate and undergraduate
14 training is in economics. My professional qualifications are attached as Exhibit 1.

15 **Q: What is the purpose of your testimony?**

16 A: To provide WRA's position and recommendation regarding the Company's application
17 for a Certificate of Convenience and Necessity authorizing construction of the Populus-
18 to-Terminal 345 kV Transmission Line Project.

19 **Q: Please summarize WRA's position.**

20 A: PacifiCorp has not demonstrated the public convenience and necessity of its proposed
21 line addition in its application. The filing simply does not provide the evidence required
22 to make such a determination. Therefore, the Company should be required to supplement
23 its application with the necessary information and analysis and provide parties an

1 opportunity to review and respond to the supplemental information before the
2 Commission makes a determination.

3 **Q: Have you reviewed the filing?**

4 A: I have.

5 **Q: Please describe what you reviewed.**

6 A: The application is 5 pages long and is supported by the testimony of three witnesses. The
7 lengthiest set of testimony is 9 pages long and the shortest 3. The total application
8 consists of 23 pages plus a one-page exhibit.

9 **Q: Are you intending to indicate that the Application should be judged by the number
10 of pages?**

11 A: No. However, it is difficult to support the expenditure of \$700 million (as of the May 30
12 filing date; a June 4 data response indicates the cost is now up \$754 million) without
13 sufficient information and analysis, and the Company's application and supporting
14 testimony lacks both. ¹

15 **Q: On what "analysis or process" did the Company indicate it had relied in
16 determining that additional transmission capacity was needed?**

17 A: Witness Mr. John Cupparo references PacifiCorp's integrated resource planning process
18 and quotes Chapter 2 of the 2007 IRP: "PacifiCorp's IRP mandate is to assure, on a long-
19 term basis, an adequate and reliable electricity supply at a reasonable cost and in a
20 manner 'consistent with the long-run public interest.'" He then states that the project
21 meets IRP requirements by "adding significant incremental transmission capacity to meet
22 load growth and enhance system reliability."

¹ The Company's response to DPU DR 1.31 indicates that the estimated cost of the project had increased by \$54 million between the May 30, 2008 filing and the June 4, 2008 data response.

1 **Q: Was PacifiCorp's 2007 IRP acknowledged by the Public Service Commission of**
2 **Utah?**

3 A: No, it was not.

4 **Q: What alternatives were considered?**

5 A: Mr. Cupparo explains that two alternatives were considered: doing nothing and moving
6 forward with the 300 MW Path C upgrade that was part of the merger commitment. The
7 1400 MW project was chosen.

8 **Q: Was economic analysis of the alternatives provided in the filing.**

9 A: No, it was not.

10 **Q: Are you aware of any publicly vetted analysis that demonstrated benefit to**
11 **PacifiCorp customers from additional investment in this line?**

12 A: Yes. The 2004 IRP Update evaluated the 300 MW Path C Upgrade to test whether it was
13 cost-effective. Using the chosen portfolio of generation resources, two power cost
14 simulations were conducted along with the accompanying stochastic analysis. One
15 portfolio included the upgrade; the other did not. The portfolio with the upgrade
16 performed better. Since the time that analysis was completed, PacifiCorp's resource plan
17 has changed significantly.

18 **Q: Are you aware of any other pertinent analysis using IRP tools?**

19 A: Yes. On July 29, WRA received a response to WRA DR 1.3. We had asked the
20 Company to use its IRP modeling tools to simulate its current business plan portfolio
21 with three transmission topologies: (1) existing system topology, (2) existing system plus
22 the 300 MW Path C Upgrade, and (3) existing system plus the 1400 MW Populus to
23 Terminal project. Preliminary results indicate the project might be beneficial. However,

1 since making the request, WRA learned through review of DPU DR 1.14 that the Populus
2 to Terminal line cannot receive a 1400 MW rating until other segments of PacifiCorp's
3 Gateway Energy project are completed. The actual rating would be 200 MW more
4 southbound (1600 MW) and 150 MW less northbound (1250 MW). How this would
5 change the modeled results is unknown. Furthermore, the Business Plan Portfolio
6 includes resources that are outside of the first ten-year window, but these resources are
7 not revealed in the IRP Update. It is difficult to evaluate the results of the modeling
8 without a full understanding of the drivers.

9 **Q: Do you have other IRP related concerns?**

10 A: I do. It concerns me that this type of analysis was not provided as part of the application
11 in the first place and had to be requested. My understanding is that the integrated
12 approach to resource planning, required by the Utah Commission's 1992 Order, would
13 consider all resources, generation, transmission, and demand-based resources on an equal
14 basis within the IRP planning process so that the portfolio that best addressed cost, risk
15 and uncertainty could be selected.² Transmission additions would be identified and cost-
16 justified in that context as part of an overall portfolio.³

17 From what I can tell, not only has the Populus to Terminal project not been
18 evaluated in the context of the IRP, but the Gateway Energy project, of which this line is
19 a part, been also not evaluated in the context of the Company's current business plan
20 portfolio. The IRP 2006 Update that was filed with the Commission June 11, 2008
21 simply assumes the additions as given.⁴

² Report and Order on Standards and Guidelines, Docket # 90-2035-01 (June 18, 1992).

³ The Utah Commission explicitly ordered the Company to address transmission on an equal basis with other resources in its May 2003 order on IRP 2003. Report and Order, Docket No. 03-2035-01. P. 13.

⁴ 2007 Integrated Resource Plan Update; p, 17. Docket No. 07-2035-01

1 The piecemeal approach to resource acquisition that appears to be taking place is
2 also concerning. What appears to be happening is that an integrated approach to resource
3 selection and acquisition has been replaced by an acquisition process that relies on
4 limited analyses where the system is dispatched with a particular resource or without a
5 particular resource rather than considering an optimal package. The analysis?? WRA
6 requested in this docket is a case in point.

7 **Q: Why are you raising these IRP issues now rather than raising them in the IRP**
8 **context or saving your criticism for a rate case when the Company comes in for cost**
9 **recovery?**

10 A: This proceeding is about need. The question is which combination of resources best
11 addresses need. There are many ways of addressing need. That is why a discussion of
12 IRP is appropriate in this context.⁵

13 **Q: Are you aware of any other economic references?**

14 A: Page 5 of the Company's application references materials that the Company indicated it
15 would assemble for review by parties participating in this proceeding. The documents
16 were not part of the official application and are not part of the evidentiary record. One of
17 the documents was a presentation by Mr. Cupparo to the 2008 MidAmerican Energy
18 Holdings Company Executive leadership conference. In his notes, Mr. Cupparo states
19 that the "Energy Gateway Transmission Expansion provides options and flexibility to
20 serve our customers based on economic conditions – saves money." This appears to
21 indicate that the Company has undertaken an analysis. If, so, WRA believes this analysis
22 should have been part of the record.

⁵ If the Company receives approval for this line, it will spend hundreds of millions of dollars for a project that may turn out not to have been the best option and could have environmental consequences. Such a situation should be avoided, rather than waiting until a ratecase for an after-the-fact determination.

1 **Q: What are you recommending?**

2 A: We are recommending that the Company supplement its filing and that parties be given
3 an opportunity to examine the complete record. Information that should become part of
4 the evidentiary record would include a description of the overall Energy Gateway project;
5 how the Populus to Terminal piece relates to the whole; the Northern Tier Transmission
6 Group activity relating to this project including any pertinent studies; analysis that
7 demonstrates that the proposed Populus to Terminal Project is consistent with
8 PacifiCorp's IRP and supported by quantitative as well as qualitative analysis; a complete
9 assessment of all alternatives considered by the Company, and information regarding
10 what portion of the line is needed by PacifiCorp's retail and wholesale customers and
11 how much would be available for use by others. While some of this information has been
12 made available through discovery to intervenors, all of this seems pertinent to a complete
13 record.

14 **Q: Why are you making this recommendation?**

15 A: It appears to us that without this information the Commission does not have the
16 information it needs to make an informed decision. Furthermore, as indicated above, we
17 are concerned by the seeming disconnect between integrated planning processes and
18 resource acquisition. Finally, the Company will be returning to this Commission to
19 request additional CNNs as part of the Energy Gate Transmission Expansion. We think
20 the Company should be prepared to also make its case in these upcoming proceedings.

21 **Q: Does this conclude your testimony?**

22 A: It does.