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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
WRA Surrebuttal Testimony

**SURREBUTTAL TESTIMONY OF
NANCY L KELLY
ON BEHALF
OF
WESTERN RESOURCE ADVOCATES**

AUGUST 22, 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: Did you file direct testimony in this case on August 1, 2008?**

5 A: I did.

6 **Q What is the purpose of your surrebuttal testimony?**

7 A: To support the Division of Public Utility's (Division) recommendation that the Public
8 Service Commission of Utah (Commission) provide guidance regarding the types of
9 supporting evidence it requires be filed to establish need in an application for a
10 Certificate of Convenience and Necessity (CCN) and that it require this supporting
11 evidence to be filed with an application; to recommend that the Commission require
12 economic analysis as part of an application; to respond to Mr. John Cupparo's Rebuttal
13 Testimony on several points; and to again recommend that the Commission require the
14 Company to supplement its Application in this CCN proceeding.

15 **Q: Please provide background regarding the Division's recommendation.**

16 A: On page 2 of her responsive testimony, Dr. Joni Zenger agreed with the Committee of
17 Consumer Services comments that evidence such as that found in an Integrated Resource
18 Plan (IRP) should be part of a CCN filing.¹ She recommended that the Commission

¹ The Committee, in its Evaluation and Position Statement filed in lieu of testimony, recommended that the Commission direct that an application for a CCN should independently demonstrate a direct link between the proposed facility and the convenience and necessity it will provide. It further recommended that the Commission

1 provide guidance as to the types of evidence it requires to support a CCN and that it
2 require the applicant to file the supporting evidence with its application.

3 **Q: Do you support the Division’s recommendation and, indirectly, the**
4 **recommendation of the Committee of Consumer Services that the Commission**
5 **provide guidance as to the types of evidence it requires to support a CCN and that it**
6 **require the applicant to file the supporting evidence with its application?**

7 A: WRA fully supports the Division’s and Committee’s recommendation. Clarity from the
8 Commission and a requirement for supporting evidence would be helpful to all
9 participants. PacifiCorp would know what was required, could make its case, and
10 resources could be better used examining the merits of a project rather than the
11 deficiencies of the application.

12 **Q: Do you also support the inclusion of IRP analysis as suggested by the Division and**
13 **Committee?²**

14 A: Absolutely. This was the main point of my direct testimony. I don’t see how it is
15 possible to determine whether a new resource is needed (generation or transmission)
16 separate from an IRP evaluation. The purpose of IRP is to assess the need and then
17 determine the mix of resources—DSM, generation, and transmission—that best meets

establish plainly stated standards against which an application and any opposition to an application would be judged as well as the scope and specificity of supporting evidence. (Page 8)

² On page 2 of her Rebuttal testimony, Dr. Zenger states: “On pages 5-6 of the aforementioned comments from the CCS, the CCS specifically states that a ‘better and more efficient practice’ in making a CPCN determination and evaluation is to require that evidence, such as that found in an IRP, accompany an application for a certificate ‘rather than requiring a search of other dockets to find the evidence.’” Dr. Zenger says she agrees with the Committee’s comment.

1 that need. The need for, and the size of, a transmission addition is directly related to the
2 size and location of generation resources (both new and existing), liquid markets, and the
3 proximity of both to load centers.

4 **Q: Will you please illustrate your point?**

5 A: Certainly. Purely as an illustrative example, let's suppose a rapidly growing utility
6 assesses its need and develops an IRP under two sets of dissimilar assumptions about
7 future conditions. For both cases assume that the IRP is fully vetted and acknowledged.
8 Under one set of assumption, the least-cost, least-risk plan indicates locating new
9 generation resources near load and using the market sparingly. In this case, very little, if
10 any, new transmission would be required. Now suppose that the resource plan for the
11 same utility indicates building new transmission to access a large liquid market far from
12 load. This plan would require a significant investment in new transmission. The utility is
13 the same, the load growth is the same, but the generation mix, and therefore the
14 transmission need differ. So, the need cannot be separated from the plan to meet that
15 need.

16 **Q: Please provide your policy recommendation regarding IRP analysis and CCN**
17 **applications.**

18 A: I recommend that the Commission order PacifiCorp to demonstrate consistency between
19 the resource for which it seeks a CCN and its IRP analysis. Transmission additions
20 should be evaluated in the IRP rather than being assumed. Referencing an IRP in which
21 all portfolios include the same transmission addition, as PacifiCorp has done, is

1 insufficient.³ The Company's analysis should consider different transmission
2 configurations if it is proposing to add to or change its transmission configuration in the
3 future.

4 **Q: What information should the Company provide in the event that its most recent IRP**
5 **has not been acknowledged?**

6 A: The Company should prepare its best IRP analysis supporting its proposed project.

7 **Q: Some have argued that IRP analysis belongs in a prudence review and not in an**
8 **application for a CCN. How do you respond?**

9 A: First, a CCN is about need, and I think I have established that need cannot be assessed
10 without considering the mix of resources that best meets that need. IRP analysis
11 establishes whether a transmission line is needed and the size of the need.

12 Second, as I indicated in my direct testimony, if IRP issues are held until prudence is
13 evaluated, a transmission line that may not be needed may be built. Someone will pay for
14 that line, whether it is ratepayers or shareholders. A prudence review would simply
15 determine who pays the cost of a bad decision.

16 And, building a line can negatively impact communities, land-owners and the
17 environment. Constructing and operating a transmission line has numerous impacts
18 including visual impacts, noise, Electro Magnetic Fields (EMFs) and so on. The costs of

³ An IRP that does not evaluate transmission on an equal basis with other resources is unlikely to be acknowledged since it would violate the IRP Standards and Guidelines Order and the May 2003 Acknowledgement Order on IRP 2003 referenced in my direct testimony.

1 these impacts will be incurred by Utahns. If it turns out the line was not needed, this is
2 an imposition and waste that is not consistent with the public interest. A prudence review
3 is therefore too late in the process to examine IRP- related issues.

4 **Q: Is this why you recommend that the Commission order the Company to supplement**
5 **its filing?**

6 A: Yes.

7 **Q: Mr. Cupparo suggests that your direct testimony “represents an effort by WRA to**
8 **expand the scope of this docket far beyond the issue before the Commission which is**
9 **whether the Company should obtain certification on the basis of current and future**
10 **need.”⁴ Do you agree that you are expanding the scope?**

11 A: No. I do not. The information I suggested the Company include in a supplemental filing
12 would provide “demonstrable evidence” for their statements of need for the project. My
13 primary concern with PacifiCorp’s filing was that it appeared to have a number of
14 assertions that were not backed by information that could be checked and verified. As
15 the Committee stated on page 5 of its Evaluation and Position Statement, “Rocky
16 Mountain Power is asking parties and the Commission to rely upon general references to
17 conclusions stated in other dockets rather than demonstrable evidence submitted with the
18 Application.”

⁴ Mr. Cupparo states in his rebuttal testimony that the result of WRA’s recommendation to include certain items as evidence of need would “turn this docket into a full-blown prudency analysis of every aspect of the Populus-to-Terminal project and, even more broadly, the Energy Gateway Transmission project. All one needs to do is look at all of the additional items that Ms. Kelly recommends must be analyzed in this docket.”

1 **Q: Please list and explain how the information you suggested be included in a**
2 **supplementary filing demonstrates need.**

3 A: I'll begin with the list. Information I suggested become part of the record included: (1) a
4 description of the overall Energy Gateway project and how the Populus-to-Terminal
5 piece relates to the whole; (2) the Northern Tier Transmission Group activity relating to
6 this project including any pertinent studies; (3) analysis that demonstrates that the
7 proposed Populus-to-Terminal project is consistent with PacifiCorp's IRP and supported
8 by quantitative as well as qualitative analysis; (4) a complete assessment of all
9 alternatives considered by the Company, and (5) information regarding what portion of
10 the line is needed by PacifiCorp's retail and wholesale customers and how much would
11 be available for use by others.

12 Items 1 and 2 were included in the documents referenced by Rocky Mountain Power on
13 page 5 of its Application. The Application states:

14 "Rocky Mountain Power is assembling documents it anticipates parties
15 will likely desire to examine as part of their analysis of this Application.
16 The availability of those documents for inspection should expedite parties'
17 review of this Application and considerably diminish the need for
18 discovery in this docket."

19 WRA received these documents through a data request. It seems reasonable to require
20 the Company to include the information it assembled as support for its Application in its
21 Application to make it part of the body of evidence available to the Commission.

22 I have already explained why I believe IRP analysis is necessary to an assessment of
23 need, so that takes care of items 3 and 4, leaving only item 5 to address—"information

1 regarding what portion of the line is needed by PacifiCorp's retail and wholesale
2 customers." This recommendation goes directly to the size of the addition needed by
3 Utah customers and therefore directly addresses need. It answers the question of whether
4 the size of the line is needed by Utah customers or is for export.

5 **Q: Mr. Cupparo's Rebuttal Testimony appears to imply that requiring inclusion of any**
6 **of the above items in the filing is unnecessary because the Company requires the**
7 **additional transmission line to assure reliability.⁵ How do you respond?**

8 A: Almost all transmission projects have both a reliability component and an economic
9 component. When capacity is increased because it makes economic sense to do so,
10 reliability is enhanced. And, when reliability is the primary driver for adding additional
11 capacity, the ability to dispatch the system differently or increase market transactions is
12 enhanced. There isn't a bright line between additional capacity for reliability and
13 economic transactions.

14 Furthermore, transmission congestion can be relieved in more than one way. Additional
15 transmission capacity can be added or generation can be located close to growing load
16 centers. Either option will relieve congestion and address reliability concerns. This is
17 why IRP analysis is an important component in evaluating the need for new transmission
18 capacity.

⁵ The basis for this observation can be found on pages 6-7. In responding to WRA's recommendation that the Commission require the Company to supplement its filing, Mr. Cupparo states: "the result in engaging in this analysis would be a serious delay in a decision in this case and construction of the transmission line which would cause public inconvenience and harm as explained below." In the section below Mr. Cupparo indicates that delay could have reliability consequences. He says: "If, in a worst-case scenario, the failure to build additional transmission facilities ultimately increases the risk of system outages, it will not matter whether the customer is a retail or wholesale customer: an outage will affect both customer classes."

1 Even Mr. Cupparo acknowledges that congestion can be addressed in alternative ways.

2 In his Rebuttal Testimony on page 11 he says:

3 “Given the current constraints on Path C, and totally aside from
4 reliability issues, it will be impossible for the Company to meet
5 increasing demands without substantially bolstering **either its**
6 **generation capacity in Utah or its transmission facilities that**
7 **will allow transport power from other areas in growing load**
8 **centers.** The Company has determined, **for good reasons,** that of
9 these two alternatives supplementing transmission capacity
10 through Populus-to-Terminal is the best method of meeting load
11 growth in Utah and providing flexibility for integration of new
12 generation resources both within Utah and outside of Utah as
13 required in the future. [Emphasis added.]

14 **Q: Did PacifiCorp provide the Company’s analysis of the two alternatives in its**
15 **Application?**

16 A: Not that I am aware of.

17 **Q: Some might interpret your comments above as opposing the Populus-to-Terminal**
18 **project. Certainly, it appears from reviewing Mr. Cupparo’s Rebuttal Testimony**
19 **that he has interpreted your previous comments and request for supplementary**
20 **information as opposing the project. Are you opposing the project?**

21 A: No. I am explaining why this Commission should require a complete application
22 including an economic analysis of alternatives when assessing need.

23 **Q: Are you still of the opinion that the Commission should order the Company to**
24 **supplement its filing with information that is subject to verification and allow**
25 **parties an opportunity to respond?**

26 A: I am.

1 **Q** **Does this conclude your testimony?**

2 **A:** It does.