

1 **Q. Please state your name.**

2 A. My name is Darrell T. Gerrard.

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

4 A. Yes.

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

6 A. The purpose of my testimony is to rebut the direct testimony of Mr. Dennis E.
7 Peseau, on behalf of Utah Industrial Energy Consumers (“UIEC”) in regards to
8 Rocky Mountain Power’s (“RMP” or the “Company”) Populus to Terminal
9 transmission project (the “Project”). Please also see the rebuttal testimony of
10 Company witness Mr. John A. Cupparo, which addresses Mr. Peseau’s inaccurate
11 interpretation of why Energy Gateway is being built and how costs are allocated.

12 **Q. Would you please summarize your rebuttal testimony?**

13 A. My testimony will:

- 14 • respond to Mr. Peseau’s faulty basis for recommending that only 50
15 percent of the Project currently benefits retail customers;
- 16 • provide an overview of standard industry practices for planning and rating
17 transmission projects; and
- 18 • provide industry examples of current and future transmission projects that
19 have followed industry standard practices and are similar to the Project.

20 Contrary to Mr. Peseau’s assertions, I believe strongly that the Project, as
21 planned, sized, constructed and operated represents prudent decision making,
22 necessary to meet the current and future electrical needs of the Company’s

23 customers. The Project provides immediate, needed overall reliability benefits to
24 the interconnected system and is 100 percent used and useful.

25 **The Energy Gateway Design and Concept**

26 **Q. Mr. Peseau’s testimony describes the design and function of the Energy**
27 **Gateway System as “designed to provide the entire western U.S. with a**
28 **backbone transmission capability to serve not only RMP’s retail customers,**
29 **but customers throughout the WECC.”¹ Is his description accurate?**

30 A. No. Mr. Peseau fails to acknowledge or he does not understand the Energy
31 Gateway concept, design and function. Energy Gateway was designed from the
32 beginning with options for two stages resulting in two different transmission
33 capacities. Stage 1 was always intended to serve the needs of the Company’s
34 customers and the “upsized” Stage 2, if built, was to be funded and used by third
35 parties in the western U.S. Following the May 2007 announcement of Energy
36 Gateway, third parties expressed interest in the upsized Stage 2 configuration but
37 that interest did not materialize into the financial commitments that would be
38 necessary to support such facilities. Mr. Peseau recognizes this fact in his
39 testimony,² however he fails to recognize the fact that the Company has
40 proceeded since that time with only the Stage 1 facilities necessary to serve its
41 customers, and only those Stage 1 costs for the Project are included in this
42 proceeding. Mr. Peseau implies throughout his testimony that the Company’s
43 customers are burdened with the cost of facilities constructed for and used by
44 others, which is not the case.

¹ Peseau, Direct Testimony p. 13, lines 13-15.

² Peseau, Direct Testimony p. 13, line 7.

45 **Q. Mr. Peseau states “the Populus to Terminal project is not, however,**
46 **constructed exclusively for the purpose of meeting the needs of its present**
47 **and future customers, but rather for a much broader use.”³ Do you agree?**

48 A. No. Once again Mr. Peseau does not understand the design and function of
49 Energy Gateway at present. The Project was solely built as a necessary part of the
50 Energy Gateway Stage 1 facilities in order to reliably serve the Company’s
51 customers. It was not built for a broader use as claimed by Mr. Peseau. Path C’s
52 southbound capacity is needed and fully subscribed by PacifiCorp customers for
53 firm transmission services, both for network and point-to-point service. Refer to
54 Exhibit RMP____(DTG-2R) for a list of current and pending firm transmission
55 reservations existing on Path C southbound today. Additionally, the Company’s
56 OASIS-posted Network Allocation summary⁴ shows both current and future
57 incremental capacity on Path C southbound is fully reserved for use by
58 PacifiCorp’s network customers.

59 **Q. Are there other inaccuracies in Mr. Peseau’s testimony in regards to the**
60 **concept, design and function of Energy Gateway?**

61 A. Yes. Mr. Peseau discusses in detail the Company’s co-development work with
62 Arizona Public Service, National Grid and the Wyoming Infrastructure
63 Authority,⁵ and provides as an exhibit (DEP-5) a presentation dated November 7,
64 2007 which further describes the co-development activities. He then states that, at
65 the conclusion of the co-development efforts, “PacifiCorp indicated its intention

³ Peseau, Direct Testimony, p. 14, lines 18-20.

⁴ Available at http://www.oasis.pacificorp.com/oasis/ppw/20110603_NTAllocResultSummary.pdf.

⁵ Peseau, Direct Testimony, p. 28, line 12.

66 to proceed with essentially the same project on its own.”⁶ This is incorrect. The
67 Company has proceeded to this point with building only Stage 1 facilities required
68 to serve its customers and not the upsized Stage 2 plans discussed with third
69 parties in 2007-2008. The Company did not proceed with the “same project on its
70 own” as claimed by Mr. Peseau.

71 Additionally, Mr. Peseau inaccurately states that the Company has a
72 “distinct competitive advantage over competitors vying for the same market.”⁷
73 The Energy Gateway Stage 1 projects, including the Populus to Terminal project,
74 are not competing with other transmission projects for markets, they are being
75 built to provide reliable service to the Company’s customers.

76 **Benefit to the Company’s Customers**

77 **Q. Mr. Peseau concludes that the Project “...will only be able to operate for the**
78 **benefit of retail customers at 50 percent of ultimate capacity,”⁸ and**
79 **recommends that the Commission include only 50 percent of the investment**
80 **in retail rate base at this time. Do you agree with Mr. Peseau’s conclusion**
81 **and recommendation to the Commission?**

82 A. No, I do not agree. Mr. Peseau relies exclusively on a flawed interpretation of the
83 Project’s capacity to determine customer benefit and as the basis for his ultimate
84 conclusion and recommendation to the Commission. The entire Project, 100
85 percent of the investment, is currently providing benefits to customers. When a
86 new transmission line is added, it becomes a part of the integrated system as a
87 whole. All of the Project elements have been energized and placed in-service. The

⁶ Peseau, Direct Testimony, p. 28, lines 13-14.

⁷ Peseau, Direct Testimony, p. 29, lines 1-2.

⁸ Peseau, Direct Testimony, p. 11, lines 13-14.

88 Project is operating at 100 percent of its intended nominal design voltage of 345
89 kV, not 50 percent or some other arbitrary number. The Company's current
90 customers' electrical demand is met by power flowing across 100 percent of the
91 entire Project elements. Our future customer demand, as it increases, will be met
92 using 100 percent of all the project elements.

93 Each circuit of the Project, its associated conductors and substation
94 terminal apparatus has the capability to operate at 100 percent of its planned
95 design. Each of the respective transmission lines can be taken out of service,
96 either planned or unplanned, and one line can provide 100 percent backup
97 capability to the other line. The transmission corridor, steel transmission towers,
98 conductor, footings and property rights obtained for the lines and stations and all
99 the labor and expense that made the Project possible are currently fully utilized.
100 Path C is operational at 100 percent of its rated capacity approved by the Western
101 Electricity Coordinating Council ("WECC") in order to reliably operate as an
102 interconnected transmission system within the western grid.

103 Finally, if 50 percent of the transmission lines or substation elements
104 associated with the Project were permanently removed from service, the
105 capability of the project to reliably operate as necessary to meet current customer
106 demand today would be reduced. 100 percent of this project is in use today and
107 benefiting customers.

108 **Q. You indicate that when a new transmission line is added, it becomes a part of**
109 **the integrated system as a whole. Please explain.**

110 A. Electrical transmission systems are made up of numerous electrical elements,

111 including lines, substations, generation plants and control systems that operate as
112 a fully integrated network. All elements of the network are electrically dependent
113 upon each other for the purpose of producing and transmitting energy
114 instantaneously to customers on demand. New transmission capacity, when added
115 to an existing system, is installed in increments based on standard system
116 voltages, line conductors, equipment and apparatus that are available in the utility
117 industry. Electrical power flows across the entire system, and on any individual
118 line or station, is a function of the physics of the entire interconnected network
119 and the level of generation and load present at any given instant in time. As a
120 result, when a new line or substation is added, it immediately carries its full share
121 of the total energy being transmitted by the system. Whenever a new line or
122 substation is added to the transmission system, electrical capacity on the network
123 is increased. The incremental capacity increase added to the network is based on
124 both the capacity of the new facility and on the new facility's electrical interaction
125 with all other facilities to which it is interconnected.

126 Therefore a new project, when added to an existing transmission system,
127 may not operate at its full planned capacity (1,400 MW for this Project) due to
128 those interactions with other facilities and limits that exist at the time it is placed
129 in-service. Any future capacity increase on an existing system made possible by
130 future construction of system facilities is attributable to those future system
131 additions. These basic principles are discussed in further detail in a paper titled A
132 Transmission Tutorial for Non-Technical Readers, available on the WECC

133 Regional Transmission Expansion Planning (“RTEP”) document portal.⁹

134 **Q. In addition to his assertion that only 50 percent of the Project is benefitting**
135 **customers, does Mr. Peseau also challenge the prudence of the investment?**

136 A. No. Inexplicably, Mr. Peseau effectively acknowledges the prudence of the
137 Populus to Terminal investment¹⁰ while suggesting that a 50 percent adjustment is
138 appropriate. Mr. Peseau’s rationale and conclusion reflects a lack of
139 understanding of the realities of how transmission investments must be
140 economically planned and constructed to reliably meet the changing needs of
141 customers.

142 **Q. Mr. Peseau states that the Project “has a planned rating of 700 MW as it has**
143 **been initially put into service” but it could have a “rating of 1400 MW today**
144 **but for the fact that Gateway West and South are not yet built.” He therefore**
145 **concludes “that 50 percent (700 MW/1400 MW) of the line is for the benefit**
146 **of retail ratepayers.”¹¹ Is this a reasonable conclusion?**

147 A. No. The Company made a prudent decision not to build all Gateway segments at
148 the same time because it was not practical, economic or in the best interest of our
149 customers to do so. By Mr. Peseau’s logic, in order for the Project, as constructed,
150 to be 100 percent beneficial to retail customers at the time it went into service, the
151 Company would need to construct and bring into service all Gateway Central,
152 Gateway West and Gateway South projects simultaneously and synchronized with
153 the exact time load growth demand required the full capacity benefits provided by
154 these projects in whole in order to eliminate excess or unused capacity. Such a

⁹ <http://www.wecc.biz/Planning/TransmissionExpansion/RTEP/Pages/default.aspx>.

¹⁰ Peseau, Direct Testimony, page 24, line 20 - page 25, line 3.

¹¹ Peseau, Direct Testimony, page 29, line 9-17.

155 scenario would be as undesirable from a rate-impact perspective as it would be
156 impractical from a planning, permitting, financing and constructing standpoint.

157 By Mr. Peseau's logic, if the Company had built a line with a total
158 capability of just 700 MW to serve only today's retail load and reliability
159 requirements, with all else equal, Mr. Peseau would presumably conclude that 100
160 percent of the line is beneficial to retail customers. But this would by no means be
161 a prudent choice of a project since it fails to consider even near-term load growth
162 that would require additional transmission capacity, much less any significant
163 load growth forecasted long-term for PacifiCorp customers.

164 Finally, if Mr. Peseau's logic, which implies for a project to be beneficial
165 to customers it must be operated at 100 percent of its capacity the day it is placed
166 in service, were to be applied to the transmission system in place and operating
167 today, that system would have zero capacity to accommodate any increase in
168 future customer demand. No capacity for tomorrow, next week, next month or
169 even for next year. By his logic, any addition of customer demand or generation
170 to balance this new demand would render the system overloaded, unreliable and
171 possibly unstable.

172 **Q. If the Company decided not to build the remaining Energy Gateway**
173 **segments, would the Project at its current rated capacity still be needed?**

174 A. Yes. The Project—as designed and constructed—is needed to relieve existing
175 system capacity constraints, address known reliability concerns, and provide an
176 immediate increase in capacity necessary to meet existing and ongoing customer
177 load service and reserve obligations as demonstrated below. Please refer to the

178 2008 Populus to Terminal analysis paper provided as Confidential Exhibit
179 RMP___(DTG-1R). Specifically, page 8 of the analysis notes:

180 Path C needs to be upgraded to support reliability and peak loads,
181 even without other planned transmission - Energy Gateway West
182 and Energy Gateway South. The investment is justified
183 independent of the remaining Energy Gateway segments.

184 A prime example of the benefits provided by the Project occurred June 6,
185 2011, when an unscheduled forced outage occurred in southern Utah, impacting
186 the Hunter generation plant and leaving the Company approximately 1200 MW
187 short of its load obligation at the time of the event. The firm transmission capacity
188 created on Path C by the Project was sufficient to provide access to the Northwest
189 Power Pool reserve sharing program and PacifiCorp Energy was able to call upon
190 more than 800 MW of contingency reserve capacity from the Pool. Without the
191 Project, the Company's access to these reserves would have been limited to about
192 50 MW on a separate path, and none on Path C. Without the transmission capacity
193 provided by the Project, the Company would have required substantial load
194 shedding in order to balance its Control Area and avoid a reliability standard
195 violation.

196 **Q. Mr. Peseau states that "Under RMP's proposal, retail customers are bearing**
197 **the risk and expense of all present and future unused capacity on the**
198 **system."¹² How much unused capacity is there currently on Path C?**

199 A. Path C, which includes multiple lines including the Populus to Terminal lines, is
200 fully subscribed for firm (non-recallable) transmission services, both for network
201 and point-to-point service in the southbound direction. A single-circuit

¹² Peseau, Direct Testimony, page 15, line 1-3.

202 configuration of the Project would not be capable of providing the level of
203 incremental capacity additions or reliability benefits to Path C being provided by
204 the Project as constructed, and therefore would not be fully capable of meeting
205 even today's customer demand. All Path C southbound firm capacity is fully
206 subscribed for PacifiCorp customers' use.

207 **Q. Mr. Peseau states that "prior to the conception of the Energy Gateway**
208 **project, a 300 MW upgrade to Path C was seen as sufficient to meet system**
209 **and customer needs."**¹³ **Do you agree with this statement?**

210 A. No. The referenced merger commitment¹⁴ was developed in 2005 based on
211 specific requests in the transmission queue. As referenced in the 2008 Populus to
212 Terminal analysis paper (Confidential Exhibit RMP____(DTG-1R), page 2):

213 Prior to completion of the 2007 load and resource study;
214 PacifiCorp's Merchant had submitted two transmission service
215 requests via the Open Access Same-Time Information System
216 (OASIS). These point to point requests were for 300 MW of
217 capacity and intended to address very specific issues for the
218 network customer rather than network upgrades for all customers.

219 The Company's studies also recognized the need for additional investment:

220 In early 2007, PacifiCorp Transmission initiated its annual load
221 and resource study which forecasts network customer loads
222 with resources for the next ten years. By tariff, PacifiCorp
223 Transmission is required to respond to network customers with the
224 timing of transmission investments to deliver new network
225 resources and to reliably serve loads. The results of the study
226 further confirmed the need for additional investment and upgrades
227 in Path C.

228 The Company's 2008 IRP, filed in May 2009, showed coincidental peak
229 load growth forecasted at an annual average of 2.4 percent system-wide from

¹³ Peseau, Direct Testimony, page 27, line 7-9.

¹⁴ Commitment No. 34 – Utah Public Service Commission Docket No. 05-035-54, Report and Order issued January 27, 2006.

230 2009 through 2018, with Utah’s forecasted growth rate at 2.6 percent average
231 growth per year.¹⁵ The updated load forecast in the Company’s recently filed
232 2011 IRP further illustrates the dynamic nature of the planning environment,
233 while also validating the significant load growth forecasted for PacifiCorp
234 customers. PacifiCorp’s 2011 IRP shows system-wide coincidental peak load
235 growth is forecasted at an average of 2.1 percent per year through 2020, with
236 Utah’s annual growth rate at 2.4 percent average per year.¹⁶

237 Additionally, the merger commitment language itself recognizes this need
238 for flexibility to ensure the investment is optimal for customers, stating:

239 It is possible that upon further review a particular investment
240 might not be cost-effective, optimal for customers or able to be
241 completed by the target date.¹⁷ (Emphasis added).

242 Thus, upon re-evaluation of the original commitment, the Company
243 determined a 300 MW upgrade to Path C would fall short of current and projected
244 need, and therefore was not optimal for customers.

245 **Industry Standard Practices Applied**

246 **Q. Is it common and accepted industry practice for utilities to anticipate current**
247 **needs and some expected future system needs when planning, designing and**
248 **constructing new transmission infrastructure projects?**

249 A. Yes. It is prudent and it is a common and accepted industry practice to plan,
250 design and construct transmission systems anticipating both current and future
251 needs. This has been a common and accepted practice for decades. Even some of

¹⁵ PacifiCorp 2008 IRP, Table 5.3, available at <http://www.pacificorp.com/es/irp.html>.

¹⁶ PacifiCorp 2011 IRP, Volume 2 Table A.10, available at <http://www.pacificorp.com/es/irp.html>.

¹⁷ Commitment No. 34 – Utah Public Service Commission Docket No. 05-035-54, Report and Order issued January 27, 2006, at page 29.

252 the oldest and most basic utility system planning and design guides used in the
253 industry today indicate the need to consider, plan and design for the future. The
254 Westinghouse Transmission and Distribution Reference Book,¹⁸ which provides
255 the electric power industry some of the most basic and essential information that
256 utilities rely on when planning and designing electric power systems, states:

257 *Choice of Voltage; The voltage is sufficiently high for use as a sub*
258 *transmission voltage if and when the territory develops and*
259 *additional load is created. The likelihood of early growth of a load*
260 *district is an important factor in selection of the higher voltage and*
261 *larger conductor.*¹⁹

262 Further, the reference book states in Section 9:

263 *Choice of Conductors; As an insurance against breakdown (line*
264 *outages) important lines frequently are built with circuits in*
265 *duplicate. In such cases the cost of conductors for two circuits*
266 *should not be overlooked.*²⁰

267 Finally, the reference book states in Section 11:

268 *Choice of Supply Circuits; The choice of the electrical layout of*
269 *the proposed power station is based on the conditions prevailing*
270 *locally. It should take into consideration the character of the load*
271 *and the necessity for maintaining continuity of service. It should be*
272 *as simple in arrangement as practicable to secure the desired*
273 *flexibility in operation and to provide the proper facilities for*
274 *inspection of the apparatus.*²¹

275 The Company has balanced these industry design criteria in its Project, and more
276 broadly, for Energy Gateway. Mr. Peseau fails to recognize utility industry
277 practices in this regard with his erroneous assertion that only 50 percent of the
278 Project investment is benefiting the Company's customers.

¹⁸ Westinghouse Electric Corporation, 4th addition, Copyright 1964.

¹⁹ Chapter 1, General Considerations of Transmission Lines, Section 8 page 8.

²⁰ Id., Section 9.

²¹ Id., Section 11.

279 **Q. What other industry standards must the Company comply with when**
280 **planning, designing and constructing transmission infrastructure projects?**

281 A. As I discuss in my Direct Testimony, the Company must maintain compliance
282 with national North American Electric Reliability Corporation (“NERC”) and
283 regional WECC Bulk Electric System performance standards and criteria. These
284 mandatory standards require the Company to have a forward-looking transmission
285 plan of action to reliably serve current and anticipated customer demands under
286 all expected operating conditions. Specifically, NERC Transmission Planning
287 Standard TPL 002 states: (italics and underlines added for emphasis).

288 **A. Introduction**

289 **Purpose:** System simulations and associated assessments are needed
290 periodically to ensure that reliable systems are developed that *meet*
291 *specified performance requirements with sufficient lead time*, and continue
292 to be modified or upgraded as *necessary to meet present and future system*
293 *needs*.

294 **B. Requirements**

295 **R1.** The Planning Authority and Transmission Planner shall each
296 demonstrate through valid assessment that its portion of the interconnected
297 transmission system *is planned such that the Network can be operated to*
298 *supply projected customer demands and projected Firm (nonrecallable*
299 *reserved) Transmission Services, at all demand levels over the range of*
300 *forecast system demands, under the contingency conditions* as defined in
301 Category B of Table I. To be valid, the Planning Authority and
302 Transmission Planner assessments shall:

303 **R1.1.** Be made annually.

304 **R1.2.** Be conducted for near-term (years one through five) and
305 longer-term (years six through 10) planning horizons.

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

309 **R2.1.** Provide a written summary of its plans to achieve the
310 required system performance as described above throughout the
311 planning horizon:

312 **R2.1.1.** Including a schedule for implementation.

313 *R2.1.2. Including a discussion of expected required in-service*
314 *dates of facilities.*
315 *R2.1.3. Consider lead times necessary to implement plans.*

316 Mr. Peseau fails to recognize in his allegations that the Company must
317 comply with these standards. They are mandatory, not optional. Further he fails to
318 recognize the fact the Company must have a forward looking plan to reliably
319 serve its customers and the fact it must prudently act on that plan. To follow Mr.
320 Peseau's flawed conclusion that only 50 percent of the Company's investment is
321 needed to serve its customers would imply the Company should only complete 50
322 percent of its plan. Doing so would obviously be imprudent.

323 **Q. What process did the Company follow in determining the Project's capacity**
324 **ratings?**

325 A. The Project is part of the interconnected electric system in the West, and as such,
326 the Company was required to adhere to industry accepted ratings policy and
327 procedures administered by the WECC.²² This policy and review procedure was
328 followed and new ratings were approved by WECC for Path C, inclusive of the
329 Project as a path element. The Company requested WECC ratings for Path C both
330 for operation today and for the future when other segments of Energy Gateway
331 are constructed and/or when additional generation is added north of Path C. Path
332 C in-service operational ratings are reviewed and approved by WECC for each
333 operating season and can change based on additional transmission or generation
334 facilities installed or removed from the system. It is important for the Commission
335 to understand that the operational capacity ratings of WECC Paths, including Path

²² WECC Policies and Procedures for Regional Planning, Project Review, Project Rating Review and Progress Reporting Revised-April 2005.

336 C, are not static and can, and do, change. Mr. Peseau fails to recognize these
337 crucial facts.

338 **Q. Why did the Company obtain approved ratings for Path C operation at some**
339 **future date?**

340 A. The Company obtained the future Path C rating in order to “lock in” the future
341 capacity for our existing and future customers. Failing to do so, that capacity
342 could otherwise be claimed by another interconnected project which may not
343 benefit the Company’s customers. The WECC policies and procedures recognize,
344 and are based upon the reality that transmission projects are rarely built all at one
345 time. Rather their capacities are staged and are placed in-service over time. These
346 policies reflect practical perspectives concerning economics, constructability, and
347 growth of loads as well as the timing of new generation resources.

348 **Other Transmission Projects Following Industry Standard Practices**

349 **Q. Can you provide examples of transmission projects in the industry that have**
350 **been placed into service at one capacity and, at a future date, operated at**
351 **higher capacity?**

352 A. Yes. There are many. The following are examples of transmission projects that
353 were placed in service with an initial electrical capacity and, at future dates, have
354 achieved or will achieve increased capacity due to the addition of: 1) more
355 transmission elements; 2) more generation facilities; and/or 3) increased electrical
356 load on the system.

- 357 • Pacific DC Intertie (WECC Path 65) was commissioned in 1970 with an
358 initial capacity of +/- 1440 MW. As load grew over time and transmission
359 parallel and supporting elements were added to the system, the capacity of

360 the original line has been incrementally increased to its present capacity of
361 +/- 3100 MW.

362 • The Intermountain DC line (WECC Path 27) had a capacity of 1920 MW
363 when commissioned in 1986; however that capacity has recently been
364 increased to 2400 MW due to modifications to the converter,
365 consideration of the addition of new generation resources, increased loads,
366 and changes in the interconnected system associated with Path 27.

367 • PacifiCorp's 345 kV interconnection with Nevada Energy at Harry Allen
368 (WECC Path TOT2C) will more than double from the existing rating of
369 300 MW in 2014 with the addition of the proposed Sigurd-Red Butte 345
370 kV line.

371 • The East of the Colorado River system (WECC Path 49) capacity was
372 increased from 8055 MW to 9300 MW due to the addition of new
373 generation resources, load growth and changes in the interconnected
374 system connected to Path 49.

375 • The Bridger West system (WECC Path 19) has a present westbound
376 capacity of 2200 MW. Its joint owners, PacifiCorp and Idaho Power
377 Company, plan to increase this capacity to 2400 MW as a result of
378 additional new generation resources, load growth and changes in the
379 interconnected system connected to Path 19. This capacity increase is due,
380 in part, to the new transmission capacity resulting from the Project.

381 • The Company's existing Craven Creek-Chapel Creek-Jonah 230 kV line
382 has a capacity rating of 388 MW and presently serves approximately 175
383 MW of growing Upper Green River load. As the customer load increases
384 the Company's plan is to construct a new 230 kV line from a point south
385 of Atlantic City to Jonah Field. This will increase the reliability in the
386 area by elimination of a single radial feed 230kv line and it will
387 simultaneously add southbound capability to the existing line and increase
388 the overall transmission capability from central Wyoming to southwestern
389 Wyoming. Clearly the line today is used and useful as a radial line
390 serving customer load and its capacity will increase in the future as other
391 facilities are interconnected.

392 • Midpoint-Valmy 345 kV line: used to deliver Idaho's 50% share, 260
393 MW, of the Valmy generation to Idaho. A single circuit 345 kV line was
394 constructed to deliver the power northbound to Idaho. 345 kV voltage
395 was selected to minimize transformation stations, to minimize energy
396 losses and provide a reliable interconnection to NV Energy's northern
397 system. It has a northbound WECC rating of 500 MW, but its only firm
398 use is to deliver Idaho's 260 MW Valmy share. While it is capable of
399 delivering more capacity on a firm basis, it is clearly used and useful and
400

401 its capacity could increase as additional transmission facilities are added to
402 the interconnected system.

403 • Fire Hole-Little Mountain-Flaming Gorge 230 kV line with a planned
404 rating of 405 MW went into service in 1964. However the line is
405 presently limited to 250 MW by the transformer limits at Flaming Gorge.
406 The line has been in-service and in rate base for decades. While it is
407 capable of more than 250 MW it is fully used and useful at its present
408 rating and could increase over time as additional facilities are
409 interconnected or equipment is upgraded.

410 The above examples clearly show that transmission projects, when
411 initially placed in service may not operate at their full individual rated capabilities
412 and are limited to some lower capacity due to other limited elements in the wider
413 interconnected system. The Project is no different and reflects prudent and
414 accepted utility industry practice.

415 **Q. Are there examples of regulatory support for cost recovery of prudent**
416 **investment in transmission facilities even though their full utilization**
417 **depended on the future construction of additional facilities?**

418 A. Yes. The Jim Bridger system located in Wyoming transports all of its energy to
419 Southeast Idaho via three 345 kV transmission lines built in 1973, 1975 and 1976.
420 The four Jim Bridger generating units were constructed in 1974, 1975, 1976 and
421 1979. The transmission facilities had to be built with sufficient capacity to
422 transfer the full planned generation at Bridger (approximately 2,200 MW), and
423 despite the fact that the transmission was built with excess or unused capacity that
424 wasn't utilized for several years, those projects went into service and fully into
425 rates for PacifiCorp and Idaho Power.

426 When the Huntington and Hunter plants were planned, Utah Power built
427 five 345 kV lines, one for each 400 MW planned generation unit, but each line

428 had an incremental planned capacity of about 500 MW, because you cannot build
429 4/5ths of a line, yet this extra 1/5 capacity installed at the time has always been
430 treated as used and useful. Customers have benefited from this infrastructure for
431 years.

432 **Q. Can you provide examples of future planned projects that are similar to the**
433 **Project and are expected to be placed in service with some excess capacity for**
434 **future use by customers?**

435 A. Yes. There are a number of similar projects that are currently following the
436 WECC regional planning and review process, and the WECC path rating policy
437 and procedures, and the National Energy Policy Act (“NEPA”) process. The
438 Company is prudently executing the above policies, procedures and associated
439 requirements in the development of all Energy Gateway segments and more
440 specifically these requirements were followed and completed resulting in the
441 design and configuration of the Project as it is today. These examples include:

- 442 • McNary-John Day 500kV
- 443 • Big Eddy-Knight 500kV
- 444 • I-5 Corridor Reinforcement 500kV
- 445 • Central Ferry-Lower Monumental 500kV
- 446 • Boardman-Hemingway 500kV

447 All the major projects listed above are in various planning or construction stages
448 and are expected to be placed in-service in the next one to five years. All of these
449 projects when placed in-service will be initially operated at capacities estimated to
450 be from 10 to 40 percent less than each project’s planned capacity. All of these

451 projects will be 100 percent used and useful when placed into service in the
452 western interconnection.

453 **Q. Please summarize your testimony.**

454 A. My testimony provides evidence demonstrating that the Company has complied
455 with mandatory standards and followed prudent industry accepted practices in its
456 efforts to plan, design and secure capacity ratings for the Project. The Project is
457 fully subscribed, both today and in the future, for use by PacifiCorp customers.
458 The Project was not “built for a much broader use” as claimed by Mr. Peseau, but
459 was built specifically for our customers. Mr. Peseau’s logic, conclusions and
460 recommendation that the Project is only 50 percent used and useful to the benefit
461 of PacifiCorp’s customers is incorrect, and his claim that only 50 percent of the
462 project is needed today for the Company’s customers is without justification or
463 facts supporting his claim. His logic implies the Company should have only sized
464 and built the Project for what is needed for today, without any acknowledgement
465 of future need. The Project as planned, designed, constructed and operated is
466 fully used and useful to the benefit of the Company’s customers including those
467 in Utah. I urge the Commission to disregard Mr. Peseau’s testimony, conclusions
468 and recommendations and allow the Project investment in this proceeding fully
469 into rates.

470 **Q. Does this conclude your rebuttal testimony?**

471 A. Yes.