

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH



In the Matter of the Application of)
Rocky Mountain Power for Approval) **Docket No. 17-035-23**
of Solicitation Process for Wind Resources)



REBUTTAL TESTIMONY OF
PHILIP HAYET

FOR THE
OFFICE OF CONSUMER SERVICES

SEPTEMBER 13, 2017

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Philip Hayet. My business address is 570 Colonial Park Drive, Suite 305,
3 Roswell, Georgia, 30075.

4 **Q. PLEASE STATE YOUR OCCUPATION, EMPLOYMENT, AND ON WHOSE**
5 **BEHALF YOU ARE TESTIFYING.**

6 A. I am a utility regulatory consultant and Vice President of J. Kennedy and Associates, Inc.
7 (“Kennedy and Associates”). I am testifying on behalf of the Office of Consumer Services
8 (“Office”).

9 **Q. WHAT CONSULTING SERVICES ARE PROVIDED BY KENNEDY AND**
10 **ASSOCIATES?**

11 A. Kennedy and Associates provides consulting services related to electric utility system
12 planning, net power cost analysis, revenue requirements, regulatory policy, and other
13 regulatory matters.

14 **Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS AND APPEARANCES.**

15 A. My qualifications and appearances are provided in Exhibit Hayet OCS - 2.1R. I have
16 participated in numerous PacifiCorp and Rocky Mountain Power (or the “Company”) cases
17 involving power costs, acquisitions, and avoided costs over the past 15 years.

18 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

19 A. I respond to PacifiCorp witness Link’s direct testimony that was intended to address
20 requirements in the Commission’s August 22, 2017 Order and Notice of Scheduling
21 Conference (“Order”) concerning the Company’s decision to limit its 2017R Request for
22 Proposal (“RFP”) to just accept bids from Wyoming wind resources. I explain why I
23 believe the Company should be required to accept bids from potential suppliers other than
24 just Wyoming wind developers.

25 **Q. WHAT DID THE COMMISSION CONCLUDE IN ITS ORDER?**

26 A. The Commission stated that it has a statutory requirement to determine whether the
27 Company’s RFP is in the public interest, considering such things as whether the RFP would
28 likely lead to selecting the lowest reasonable cost resource for retail customers. The
29 Commission also stated, “[t]o approve the RFP, we must find that the decision to limit the
30 RFP to a wind resource so apparently satisfies the “lowest reasonable cost” standard that it
31 warrants bypassing the opportunity to test that decision in the open market against other
32 bidders who might choose to bid different resource types.”¹ The Commission concluded
33 there was an insufficient record to be able to determine that Wyoming wind resources were
34 the lowest cost resources available to PacifiCorp, and it stated that given the opposition of
35 the parties, and the lack of support for Rocky Mountain Power’s (“RMP”) selection of
36 resource type either by the Independent Evaluator (“IE”) or the Division of Public Utilities
37 (“DPU”), it simply could not “.... make such a finding based on the limited regulatory
38 review that had occurred thus far.”²

39 **Q. WHAT DID THE COMMISSION’S ORDER REQUIRE?**

40 A. For it to approve the RFP, the Commission required additional procedures be followed to
41 ensure that PacifiCorp’s selection of Wyoming wind was appropriate. The Commission
42 offered PacifiCorp the option of either revising its RFP to allow bidding of any resource
43 type that could supply power to PacifiCorp’s transmission system, or participating in an
44 expedited hearing to evaluate whether a RFP limited to Wyoming wind resources could
45 lead to the “delivery of electricity at the lowest reasonable cost to the retail customers.”³

46 **Q. WHAT OPTION DID THE COMPANY SELECT?**

¹ Order at 2-4.

² Id at 3-1.

³ Id at 3-3.

47 A. PacifiCorp chose not to revise its RFP in accordance with the Commission’s requirements,
48 but instead to participate in an expedited hearing process. PacifiCorp witness Rick Link
49 filed supplemental testimony on August 31, 2017, in which he said that his “testimony
50 supplements the record and demonstrates that 1) the 2017R RFP for Wyoming wind will
51 produce a resource that meets the ‘lowest reasonable cost’ standard.”⁴

52 **Q. WHAT “RECORD” HAD BEEN ESTABLISHED THAT NEEDED TO BE**
53 **SUPPLEMENTED?**

54 A. The Commission noted that PacifiCorp’s decision to limit its 2017R RFP to Wyoming
55 wind was based on information derived from the 2017 Integrated Resource Plan (“IRP”)
56 and RMP’s 2016R RFP. The 2016R RFP was issued April 2016 and sought bids for
57 renewable resources that could be interconnected to PacifiCorp’s western balancing area
58 without requiring transmission upgrades, could be used to meet California, Oregon and
59 Washington renewable portfolio standards (“RPS”), could qualify for federal Production
60 Tax Credits (“PTCs”) or Investment Tax Credits (“ITCs”), and could be commercial by
61 December 31, 2018.⁵ The Commission’s Order found that the 2017 IRP and 2016R RFP
62 provided an insufficient record because the Commission had not yet acknowledged the
63 2017 IRP, and the Wyoming resources had not yet received, “.... adequate stakeholder
64 input because it was not included until after all pre-IRP processes. RMP’s 2016 solicitation
65 process has similarly received no regulatory review that would have allowed for
66 stakeholder input.”⁶

67 **Q. FROM YOUR REVIEW OF MR. LINK’S SUPPLEMENTAL TESTIMONY, DO**
68 **YOU BELIEVE HE HAS PROVIDED SUFFICIENT EVIDENCE PROVING THAT**

⁴ Supplemental Testimony of Rick Link at line 14.

⁵ PacifiCorp RFP website, <http://www.pacificorp.com/sup/rfps/2016-renewables-rfp.html>.

⁶ Order at 2-2.

69 **ONLY ALLOWING WYOMING WIND RESOURCES TO PARTICIPATE IN THE**
70 **RFP SATISFIES THE “LOWEST REASONABLE COST” STANDARD?**

71 A. No, I do not. While Mr. Link supports his position by including several points in his
72 testimony, only a couple of them even address the Commission’s concerns, the rest are
73 extraneous. In summary, Mr. Link’s points are: 1) Oregon conditionally approved the RFP
74 based on acknowledgement of the Oregon IRP that will be considered by the Oregon
75 Commission in November 2017, 2) the Company agreed to revise the RFP to address issues
76 raised by the Oregon IE, 3) few portfolios in the early stages of the 2017 IRP portfolio
77 development phase included any renewable resources other than Wyoming wind prior to
78 2021, 4) the Company’s August 2, 2017 IRP Update Report (Exhibit RTL-S1) is purported
79 to support excluding all but Wyoming wind resources in the RFP, and 5) the 2016R RFP
80 determined that western renewable resources would not deliver “all-in economic benefits
81 for customers”.⁷ Of these items, I believe that only items 3 and 5 even address this
82 Commission’s concern about the reasonableness of excluding resources from the RFP, and
83 I do not believe the evidence the Company provided on those points satisfies the
84 Commission’s concern.

85 **Q. PLEASE BRIEFLY EXPLAIN WHY THE EVIDENCE THE COMPANY**
86 **SUPPLIED ASSOCIATED WITH ITEMS 1, 2 AND 4 DO NOT ADDRESS THE**
87 **COMMISSIONS’ CONCERN?**

88 A. The Company’s evidence associated with Item 1 is that the Oregon Commission
89 conditionally approved the RFP based on acknowledgement of the Oregon IRP that will be
90 considered by the Oregon Commission in November 2017. The fact that the RFP was
91 conditionally approved in Oregon is not relevant to this proceeding, nevertheless, there was

⁷ Supplemental Testimony of Rick Link at line 14.

92 significant opposition to both the RFP and the IRP in Oregon, and it appears that in Oregon
93 if the Commission does not acknowledge the IRP, “.... then the RFP would be moot.”
94 (Exhibit Hayet OCS – 2.2R)⁸

95 The Company’s evidence associated with Item 2 is that it agreed to revise the RFP
96 in response to issues raised by the Oregon IE. None of the revisions that the Company
97 agreed to in Oregon relate to this Commission’s concern that this RFP is restricted to just
98 Wyoming wind resources. The revisions PacifiCorp has agreed to make include changes
99 to system impact studies, allowing bidders to participate even if they do not qualify for full
100 PTC benefits, allowing repowered resources to participate, and other items that were
101 unrelated to the Utah Commission’s concern.

102 The Company’s evidence associated with Item 4 relates to the analysis the
103 Company filed on August 2, 2017 as an update to the IRP, which was the same analysis
104 that the Company filed in testimony in the New Wind/New Transmission docket (Docket
105 No. 17-035-40). For convenience, Mr. Link included the 2017 IRP Update Report as an
106 exhibit to his supplemental testimony (Exhibit RTL-S1). The 2017 IRP Update Report
107 provides the Commission with no new evidence because it strictly compares expansion
108 plans with wind resources in Wyoming to the Status Quo. In this expedited proceeding,
109 the Commission has not requested additional evidence proving that expansion plans with
110 Wyoming wind resources are superior to the Status Quo, but instead proving conclusively
111 that bids for wind resources in Wyoming would be superior to bids for resources built
112 anywhere else within the PacifiCorp system, including accounting for transmission costs.

113 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH THE COMPANY’S POSITION**
114 **CONCERNING ITEM 3.**

⁸ SNL article, “Oregon Approves PacifiCorp Wind Request for Proposals”, August 30, 2017.

115 A. The Company's position concerning Item 3 is that very few portfolios in the early stages
116 of the 2017 IRP portfolio development phase included any renewable resources other than
117 Wyoming wind that could be installed prior to 2021. The Company's argument appears to
118 be that had non-Wyoming wind resources been included in portfolios that were developed
119 during the early stages of the IRP process, that would have been evidence that resources
120 other than Wyoming wind could possibly be economic. The problem with this logic is that
121 there were portfolios that were created that included Idaho wind resources. It would be
122 one thing if no portfolios included wind outside of Wyoming, but some did, and that
123 indicates that there could be economic alternatives to the Wyoming resources.

124 Furthermore, many of the portfolios that the Company created included more than
125 240 MW of Wyoming wind by 2020, which according to the Company's response to OCS
126 2.2 is the limit of the amount of new wind that could be interconnected in Eastern Wyoming
127 without requiring new transmission to be built. Without further analysis of the studies that
128 were performed in the early stages of the IRP portfolio development phase, it would be
129 impossible to know if more of those portfolios would have included Idaho wind had
130 additional Wyoming transmission costs been accounted for in those studies. The Company
131 has also performed additional analysis showing that up to 1,270 MW of new wind in
132 Wyoming could be added if new Wyoming transmission was also added. It would also be
133 impossible to know without further analysis whether additional portfolios would have
134 included more Idaho wind if new transmission had been added in Idaho, or for that matter
135 in other locations of the system.

136 It is also not clear what constraints PacifiCorp placed on modeling renewable
137 resources located in areas outside of Wyoming. In some of the Gateway cases in which it
138 allowed up to 1,200 MW of new wind to be built in Wyoming by 2020, it is not clear what

139 limits the Company placed on the size of renewable resources that could be built in other
140 locations. It appears from a limited investigation of cases I reviewed (GW-1 and GW-4),
141 that the Company restricted the amount of wind that could be built in Idaho. This raises
142 questions about the reasonableness of the cases that were compared, and whether there
143 could potentially be economic alternatives to installing wind resources just in Wyoming.

144 **Q. MR. LINK ALSO STATED THAT NONE OF THE RESOURCE PORTFOLIOS**
145 **INCLUDED NON-WIND RESOURCE TECHNOLOGIES PRIOR TO 2021 (LINE**
146 **189). HOW DOES THIS COMPORT WITH THE FACT THAT DEVELOPERS**
147 **HAVE FOUND IT ECONOMIC TO BUILD A SUBSTANTIAL AMOUNT OF**
148 **UTILITY SCALE SOLAR PROJECTS IN UTAH?**

149 A. There has been considerable interest in building solar resources in Utah, and in fact over
150 850 MW of solar Qualifying Facility (“QF”) capacity has been added there recently.⁹ If,
151 in fact, QF capacity is added to PacifiCorp’s system providing energy costing no more and
152 no less than other energy that PacifiCorp could supply, as is the objective of the PURPA
153 statute, then arguably, solar resources located in Utah could be economic compared to
154 Wyoming resources, and should be permitted to bid in to the RFP. In addition,
155 PacifiCorp’s Transmission Generation Interconnection Queue, which includes projects
156 whose Request Status is listed as “In Progress”, shows there are over 4,800 MW of solar
157 projects that are in the Queue in Utah.¹⁰

158 **Q. ARE THERE ANY OTHER REASONS THAT YOU WOULD DISAGREE WITH**
159 **PACIFICORP’S ARGUMENT THAT BECAUSE ITS INITIAL STAGE**

⁹ See Table 5.7 of the 2017 IRP, which shows that 854 MW of Utah solar QFs have been added to the System, including the Utah Red Hills Renewable Park, which was the first large scale QF (> 3 MW) to come online in Utah (December 2015).

¹⁰ See <http://www.oasis.oati.com/PPW/PPWdocs/pacificorplgiaq.htm>, PacifiCorp Generation Interconnection Queue, as of September 8, 2017.

160 **PORTFOLIO DEVELOPMENT PROCESS PRIMARILY SELECTED WYOMING**
161 **WIND RESOURCES FOR ITS PORTFOLIOS, THE 2017R RFP SHOULD BE**
162 **LIMITED TO WYOMING WIND?**

163 A. Yes, there are two. First, as PacifiCorp progressed through its IRP process, it refined its
164 assumptions for modeling Wyoming wind resources, which improved the economic results
165 of the Wyoming wind resources. In fact, the Company even updated its assumptions for
166 modeling Wyoming wind resources in the 2017 IRP Update that it just filed August 2,
167 2017. It is possible that had PacifiCorp also attempted to refine modeling assumptions
168 associated with resources located elsewhere in its system, the IRP would have resulted in
169 those resources having been included in additional resource portfolios.

170 Second, there is simply no way for PacifiCorp to be certain that its proxy
171 assumptions for non-Wyoming wind resources are the same as what developers would use
172 if they could participate in the RFP. There could be many commercial reasons that would
173 lead a developer to bid in lower prices than what PacifiCorp might expect. A developer
174 could have acquired land at an extremely attractive price, or it could have access to surplus
175 generation equipment at a low price, either of which would allow it to bid in lower costs
176 than PacifiCorp's proxy assumptions. Theoretically, if Utah regulators and policy makers
177 could be convinced that PacifiCorp's IRP analysis were perfect, there would be no need to
178 conduct an RFP to test the market for Wyoming wind resources at all. In that case,
179 PacifiCorp could just be permitted to cancel the 2017R RFP, and go forward and spend
180 billions of dollars to build the proposed new Wyoming transmission and wind resources.
181 The reality is, that an IRP is an excellent tool to determine long-term resource plans, but
182 when it comes time to commit to specific capital investments, it is best for the utility to be
183 required to conduct an RFP that considers a broad range of resources. This is especially

184 important in this case given that PacifiCorp does not have an identified capacity need, and
185 these projects are being justified purely based on economics.

186 **Q. PLEASE EXPLAIN WHY YOU DISAGREE WITH THE COMPANY’S POSITION**
187 **CONCERNING ITEM 5.**

188 A. The Company’s position associated with Item 5 is that the 2016R RFP determined that
189 western renewable resources would not deliver “all-in economic benefits for customers,”
190 therefore, there is no reason that resources other than Wyoming wind should be permitted
191 to bid in the 2017R RFP. Other than the Company’s evaluation in the 2016R RFP, I am
192 not aware of any other detailed objective evaluations that were conducted or any
193 stakeholder input that was gathered that may have agreed or disagreed with the Company’s
194 conclusions. Compared to the 2017R RFP, the Company did not use an IE to ensure that
195 the Company’s solicitation process was conducted in a fair and unbiased manner. The fact
196 that no proposals were vetted publicly or with any regulatory agency, and that no IE was
197 used for the 2016R RFP process, raises questions about the Company’s claim that the
198 2016R results support the Company’s conclusion that no resources other than Wyoming
199 wind need to be permitted to bid in the 2017R RFP.

200 The 2016R RFP had several restrictions including only considering western
201 renewable energy projects that did not require significant transmission costs or upgrades.
202 Even if the 2016R RFP did not have the location restriction, and Wyoming wind resources
203 were permitted to bid in that RFP, those Wyoming wind projects would have still been
204 restricted from participating in the 2016R RFP because they require significant
205 transmission investments. The fact that the Wyoming resources were restricted from
206 bidding in the 2016R RFP, and western resources are being restricted from bidding in the

207 2017R RFP, renders the Company's suggestion that the 2016R RFP provides evidence that
208 it is reasonable to limit this current RFP to just Wyoming resources to be meritless.

209 Furthermore, the Company's argument about the 2016R RFP is also meritless
210 because it offers no insight into current bids that could come from either Utah or Idaho.
211 Bids from those locations were also excluded from the 2016R RFP. The Company has
212 provided no new evidence that bids from developers in Utah or Idaho would necessarily
213 be uneconomic compared to bids from developers in Wyoming. At the end of the day, the
214 design of the 2016R RFP wasn't flexible enough so that it could be used as evidence to
215 support the Company's position that only Wyoming wind resources would be found to be
216 economic in a broader RFP process.

217 **Q. WHAT IMPACT ON TIMING COULD BROADENING THIS RFP HAVE?**

218 A. The Company would require additional time to revise its bid documents, and it would need
219 more time to conduct its bid evaluation process, but it is not clear exactly how much
220 additional time would be necessary. At line 235 of his supplemental testimony, Mr. Link
221 said that "Broadening the scope of the 2017R RFP would create an untenable delay that
222 would jeopardize the ability to capture the full value of PTCs to provide benefits to
223 customers, and potentially undermine the viability of the 2017R RFP." My concern with
224 this statement is that if the benefits of the Wyoming wind resources and transmission
225 upgrades could be placed at risk by taking additional time to fully evaluate all potential
226 economic options, which could ultimately undermine the RFP, then perhaps this is not the
227 right project for the Company to invest in. I recommend that the Commission require the
228 Company to clarify how long it believes the RFP would be delayed if a broader range of
229 renewable resources were permitted to bid, and what the risk of the projects becoming
230 uneconomic might be if there is a delay in the process. Furthermore, I recommend the

231 Commission require the Company to explain what the risk of the projects becoming
232 uneconomic might be if construction delays were also to occur, particularly in constructing
233 the transmission projects.

234 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING THE**
235 **COMPANY'S RFP.**

236 A. The Company has not demonstrated that Wyoming wind resources will be the lowest cost
237 resources resulting from a broad market solicitation; and therefore, the Commission should
238 reject the Company's 2017R RFP as it exists, and request the Company to open it up to
239 allow bids from other renewable resources in other parts of the PacifiCorp system.

240 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

241 A. Yes, it does.

242