

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of            )     Docket No. 17-035-40  
Rocky Mountain Power for Approval of        )  
a Significant Energy Resource Decision        )  
and Voluntary Request for Approval of        )  
Resource Decision                                 )

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**REBUTTAL TESTIMONY OF  
PHILIP HAYET**

**FOR THE  
OFFICE OF CONSUMER SERVICES**

**January 16, 2018**

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

2 A. My name is Philip Hayet. I am a utility regulatory consultant and Vice President of J.  
3 Kennedy and Associates, Inc. (Kennedy and Associates). My business address is 570  
4 Colonial Park Drive, Suite 305, Roswell, Georgia, 30075.

5 **Q. HAVE YOU ALREADY SUBMITTED TESTIMONY IN THIS DOCKET?**

6 A. Yes. I submitted direct testimony on behalf of the Utah Office of Consumer Services  
7 (“Office”) on December 5, 2017.

8 **Q. WHAT ARE YOUR CONCERNS AND WHAT IS THE PURPOSE OF YOUR**  
9 **REBUTTAL TESTIMONY?**

10 A. I am concerned that the intervenors who support the Company’s proposed new wind/new  
11 transmission projects (“Projects”) did little more than consider potential benefits of the  
12 Projects, provided little, if any, additional independent analysis or critical assessments of  
13 the Projects, and did not consider the risks to the ratepayers. These witnesses primarily  
14 supported their own organizations’ policy objectives based mostly on information already  
15 supplied by the Company. Specifically, I address the testimony of Utah Clean Energy’s  
16 (“UCE”) witness, Ms. Kate Bowman, Western Resource Advocates’ (“WRA”) witness,  
17 Ms. Nancy Kelly, and Interwest Energy Alliance’s (“Interwest”) witness, Mr. Gregory  
18 Jenner.

19 **Q. WHAT TYPE OF ANALYSES DID THESE WITNESSES CONDUCT?**

20 A. Even though PacifiCorp provided extensive modeling analyses attempting to prove the  
21 economics of the projects, neither Ms. Bowman, nor Mr. Jenner evaluated those analyses.  
22 For the most part, they simply offered testimony that supported their organizations’ policy

23 objectives. Ms. Bowman, for example, stated that she is UCE’s policy witness,<sup>1</sup> and that  
24 UCE’s “primary interest in this docket is the electricity industry’s impact on climate  
25 change.”<sup>2</sup> UCE noted in response to OCS-UCE 1-2 that while there are other factors that  
26 should be considered in making resource decisions, climate change was the only factor  
27 UCE considered in making its recommendations to the Commission. Not only that, but in  
28 supporting the Projects, Ms. Bowman completely ignored the important relationship  
29 between the new wind and new transmission projects. Ms. Bowman indicated that she is  
30 satisfied with the new wind projects, so long as they lead to a reduction in fossil generation.  
31 Yet, in reaching her conclusions she did not consider the costs or risks of the new  
32 transmission projects. Ms. Bowman illustrates this by stating at line 38, “Utah Clean  
33 Energy has not taken a position on the Company’s application for approval of the proposed  
34 transmission assets.” Ms. Bowman does, however, leave open the possibility that she could  
35 comment further regarding transmission impacts after reviewing the testimony of other  
36 parties.

37 **Q. WHAT DID MR. JENNER CONCLUDE REGARDING THE BENEFITS OF THE**  
38 **NEW WIND/NEW TRANSMISSION PROJECTS?**

39 A. Like Ms. Bowman, Mr. Jenner conducted no independent evaluation of the risks of the new  
40 wind/new transmission projects, and performed no evaluation of the Company’s results.  
41 Despite this, Mr. Jenner still was able to reach the conclusion that the Company’s proposed  
42 new wind/new transmission projects are “likely to bring substantial savings.”<sup>3</sup> Other than

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<sup>1</sup> Ms. Bowman’s Direct Testimony at line 22.

<sup>2</sup> Id. at line 42.

<sup>3</sup> Mr. Jenner’s Direct Testimony, page 16 at line 17.

43 stating that the Company’s proposal “is expansive”,<sup>4</sup> and noting that the Company’s  
44 medium and high natural gas price scenarios “pencils out,”<sup>5</sup> Mr. Jenner provided no other  
45 support for his “substantial savings” conclusion.

46 **Q. DO YOU THINK IT WAS REASONABLE FOR MR. JENNER TO HAVE**  
47 **CONCLUDED THAT THE PROJECTS WILL PROVIDE SUBSTANTIAL**  
48 **SAVINGS?**

49 A. No. Mr. Jenner confirmed that he performed no independent analysis in reaching his  
50 conclusions in response to OCS-INTRA WEST 1-10. In addition, Mr. Jenner in his  
51 testimony states “The transmission line development will depend on a number of other  
52 factors which I have not reviewed in detail.”<sup>6</sup> Without having performed any analysis of  
53 the Company’s studies, it was unreasonable for Mr. Jenner to have concluded that the  
54 projects will provide substantial savings, especially considering the risks associated with  
55 the transmission investment. There is simply no basis for his substantial savings  
56 conclusion, and his statements on this matter should be ignored by the Commission.

57 **Q. WHAT WERE SOME OF MS. KELLY’S CONCLUSIONS REGARDING THE**  
58 **BENEFITS OF THE NEW WIND/NEW TRANSMISSION PROJECTS?**

59 A. Based on her review of the Company’s analyses, Ms. Kelly concluded that PacifiCorp’s  
60 proposed Projects will provide the opportunity to add carbon free resources that will  
61 displace fossil-fuel-based energy and reduce carbon emissions, which as Ms. Kelly states,  
62 “is central” to her organization, Western Resource Advocates’ (“WRA”) “interests”.<sup>7</sup>

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<sup>4</sup> Id. at page 16, line 16.

<sup>5</sup> Id. at page 16, line 16.

<sup>6</sup> Id. at page 8, lines 11-12.

<sup>7</sup> Ms. Kelly’s Direct Testimony at line 101.

63 Furthermore, she concluded that the addition of the wind resources is beneficial from the  
64 perspective of reducing PacifiCorp’s reliance on Front Office Transactions (“FOT”).<sup>8</sup>

65 **Q. BESIDES ENSURING THAT THE PROJECTS WOULD MEET HER**  
66 **ORGANIZATION’S POLICY OBJECTIVES, DID MS. KELLY CONDUCT ANY**  
67 **EVALUATION TO ENSURE THAT THE PROJECTS WOULD PROVIDE**  
68 **CUSTOMERS ECONOMIC BENEFITS?**

69 A. For the most part, Ms. Kelly did not conduct any independent evaluation of her own, and  
70 simply reported and explained the results that Mr. Link presented in his testimony. The  
71 only disagreement she has with the Company is that she believes PacifiCorp understated  
72 its low, medium and high gas forecasts, and because of that she concluded that the  
73 Company’s “analysis is conservative, and the projects have a high likelihood of generating  
74 benefits in excess of those measured.”<sup>9</sup> I am concerned that even if it were true that  
75 PacifiCorp overstated its forecasts, which I am not convinced that it has, Ms. Kelly never  
76 provides an assessment of which of the forecasts, low, medium, or high, she believes would  
77 be most likely. According to Ms. Kelly’s Table 1, which simply contains the same results  
78 that were in Mr. Link’s Direct Testimony Tables 2 and 3, only the low gas/high CO2,  
79 medium gas with medium and high CO2, and high gas cases contain consequential benefits.  
80 Ms. Kelly provided no assessment of why she believes that it would be most likely for gas  
81 prices to be in the medium to high price range, or CO2 costs to be in the medium to high  
82 cost range. Even if the forecasts were understated as Ms. Kelly suggests, it still seems  
83 likely that the low gas forecasts would continue to provide negative benefits.

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<sup>8</sup> Id. at line 261

<sup>9</sup> Id. at line 257.

84 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH MS. KELLY’S POSITION?**

85 A. Yes. It appears that Ms. Kelly may have overreached when she stated that “the projects  
86 have a high likelihood of generating benefits in excess of those measured.” Now that the  
87 Tax Cuts and Jobs Act has been signed into law, which occurred on December 22, 2017,  
88 there is certainty that the federal corporate tax rate will be reduced to 21%, and the potential  
89 benefits of the Projects are much less than the results that Ms. Kelly and the Company  
90 discussed. In fairness, later in her testimony, Ms. Kelly did acknowledge that the Projects  
91 could be uneconomic depending on the results of the tax legislation,<sup>10</sup> and that she would  
92 review the Company’s revised results that it intends to file on January 16, 2018. It remains  
93 to be seen whether Ms. Kelly will continue to support the Projects after the benefits are  
94 reduced significantly after accounting for the changes in the tax law.

95 **Q. DO YOU AGREE WITH MS. KELLY’S SUPPORT FOR THE PROJECTS ON**  
96 **THE BASIS THAT THE RELIANCE ON FOTS WOULD BE REDUCED?**

97 A. No, I do not. Ms. Kelly states that she believes the Projects would reduce the Company’s  
98 reliance on FOTs, which presumably she believes would be beneficial from a reliability  
99 perspective. I am familiar with the argument that an overreliance on FOTs could have  
100 negative consequences from a reliability perspective, and that “steel in the ground” in some  
101 circumstances may be more desirable than over-relying on FOTs. However, Ms. Kelly did  
102 not evaluate whether the Company is currently over-relying on FOTs, and she did not  
103 explain whether intermittent wind resources would necessarily provide a greater reliability  
104 benefit than purchasing from neighboring utilities. Given the variability in wind energy, I

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<sup>10</sup> Id. at line 315.

105 do not believe that wind resources would necessarily provide an improvement in reliability  
106 versus FOTs.

107 **Q. WHAT IS YOUR CONCLUSION?**

108 A. My conclusion is that witnesses Kelly, Jenner, and Bowman provide little additional  
109 support beyond what the Company already provided, and I still believe that the Projects  
110 present too much risk to ratepayers. None of these intervenors considered the significant  
111 risks that could result in the benefits of the projects not materializing; including the impact  
112 of the tax law changes, the possibility of low fuel and CO2 costs, the chance of construction  
113 delays, and the possibility the Projects would not produce all of the promised energy and  
114 PTC benefits. Given these risks, and the possibility that ratepayers would be on the hook  
115 for paying billions of dollars in costs for Projects that may not produce positive benefits, I  
116 continue to recommend that the Company's request for approval of the proposed projects  
117 be denied.

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

119 A. Yes, it does.