In the Matter Of:

In Re: RMP - Significant Energy Resource Decision

HEARING, DAY 4 DOCKET NO. 17-035-40

June 01, 2018

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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision	) Docket No. 17-035-40)) HEARING DAY 4)) PUBLIC SESSION)

* * *

June 1, 2018

8:59 a.m. to 3:52 p.m.

Public Service Commission
160 East 300 South, Fourth Floor
Salt Lake City, Utah 84111

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P R O C E E D I N G S

CHAIR LEVAR: Okay. Good morning. I think we'll start. We are on the record in Public Service Commission Docket 17-035-40, Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision.

Any preliminary matters before we go to the next witnesses?

MR. SNARR: Excuse me. I have a preliminary matter. Yesterday as we were concluding the hearing, there were some questions posed by Commissioner Clark to our witness, Mr. Hayet. Mr. Hayet has spent some time last evening preparing response, responses, or information in response to those questions. I think it might be most efficient if we just re-call Mr. Hayet to the stand and perhaps Commissioner Clark can reask what he's looking for and Mr. Hayet can respond because he's ready respond.

CHAIR LEVAR: Any objection from any other party with proceeding that way?

Okay. Mr. Hayet, will you take the stand, and you're still under oath from yesterday.

PHILIP HAYET: Okay.

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PHILIP HAYET,
called as a witness on behalf of the Office, having been previously duly sworn, was examined and testified as follows:

EXAMINATION

BY COMMISSIONER CLARK:

Q. Good morning, Mr. Hayet.

A. Good morning.

Q. So my question related to statements that I thought I heard in your responses to questions from counsel or it may have been your initial summary, but the substance of the statement was that the independent evaluators had troubles -- I think was your word -- with the PTC modeling, and so -- and I'm going to confine the question to Utah IE's report, so I just was interested in the basis for your statement if I heard it correctly.

A. And I think you asked if I would find references --

Q. Right.

A. -- in the report, so I've done that, and I actually have copies I can give you if you're interested or I can direct you.

Q. I have the report in front of me, so that would be fine. Just some references would be great.

A. Okay. I'm using the redacted version.

Q. Okay.

A. And therefore the page numbering is different than the unredacted version. I would point you to page 16 as a starting reference because -- just a note, the last bullet on page 16 is an attempt to explain that comparability between PPA and build-transfer options are of the utmost importance to parties and to the IE. That sets the stage.

This was at the point of the development of the RFP and submission of the RFP and making sure that everything would be done consistently. So that goes that point. The next reference I would turn your attention to is page 59, and this is where there was a January 9th conference call and both IEs raised the issue.

I'm referring to the second to the last paragraph on the page, and in that paragraph it discusses the conference call where the IEs were reminded that in developing the models the PTC values and benefits are included in nominal dollars. So that's an expression there of their concern about the comparability between the BTA options and the PPA options, and that led to the Oregon IE asking PacifiCorp to run a sensitivity case.

Q. Thank you. I'm with you.

A. The next I would draw your attention to is page 63, and on that page there's some discussion of results of sensitivity. There was a sensitivity that is written up here in which levelized -- levelized modeling was done in comparison. In that case the results are shown to be more beneficial in this sensitivity on the to-2036 but more beneficial to the PPA on the to-2050, which is what, in fact, was discussed in the repowering docket, is what the Commission decided, was to give their preference.

The second paragraph is where we learn that there's considerations of the interconnection queue coming into play and how that had an effect in ultimately limiting the number of PPA options that could be considered. The IE's -- the Utah IE, because of this issue, actually requested an additional PPA resource to be held on to the queue -- sorry -- on to the shortlist for further evaluation because they wanted to give additional opportunity for that PPA to be evaluated. But ultimately, again, because of the interconnection issue that was rendered moot.

The next page I would draw your attention to is 64. I'm looking -- I'm counting from the bottom of the page to the third paragraph that begins "The IEs on the other hand express some frustration that the bid selection process ended up being limited to selection of only those projects with favorable queue positions."

So, again, they have this issue; they wanted a resource on the shortlist, really rendered moot because of the favorable queue position issue. And then there's sort of a wrap-up on the issue on page 78. And, again, keep in the back of your mind that now the IEs are aware there's little that can be done. They are accepting the interconnection queue issue limiting the number of bids that can be evaluated; there's really not many PPAs that are on the list that could even be considered.

And it may be helpful to read this whole paragraph which reads "With regard to bias the most obvious consideration is whether the process favors one type of bid over the other. The IE was concerned that the nature of the evaluation methodology may favor BTA bids at the expense of PPAs. The results of the initial shortlist, however, appear to prove that this was not the case since the shortlist was comprised on both the BTAs and PPAs.

"We later again raised the point after

bidders provided revised pricing to reflect the impacts of the tax bill that, since the value of the PTCs had declined, our expectation was that the PPA should have higher net benefits.

"Based on the comparison of BTA and PPA proposals using the base model, a few PPA options actually did have higher net benefit values. However, these proposals were not selected to the final shortlist due to project queue position.

"We also question the use of nominal values for the PTCs in calculating the portfolio evaluation results. In addition, we question the term of the evaluation, in other words, 2017 to 2036. Our concern was that all these factors could bias the evaluation results toward BTA options in which PacifiCorp would be project owner and the cost would be included in the rate base.

"At the request of the IEs, PacifiCorp ran 30-year analysis as well as assessments without using nominal dollars for PTC benefits. The results showed the BTA and PPA for the most competitive projects to be close in value. We feel that there is perhaps a small bias favoring BTAs based largely on the value attributed to the PTCs."

So it's an expression that there is a

concern. The limitation of queue issue made rendered it essentially moot. The results were fairly close. It doesn't say anything about their evaluation because they didn't conduct one of solar resources.

And the same issue that exists with PPA options, the PPA wind options, also exist with the P- -- with the solar PPAs. So that's the points that I was trying to bring across.

COMMISSIONER CLARK: Thank you. I appreciate your efforts over the evening to answer my question.

PHILIP HAYET: My pleasure.

CHAIR LEVAR: Thank you, Mr. Hayet.

PHILIP HAYET: Thank you.

MR. RUSSELL: Chair LeVar?

CHAIR LEVAR: Yes.

MR. RUSSELL: Before we leave this topic, do we have a copy of the redacted Utah IE report in the record? I know that we've moved to admit it. I don't know whether -- I know that it was attached to Mr. Link's testimony, but what I've been using is his confidential testimony, but is there a redacted --

CHAIR LEVAR: As I recall, since Mr. Oliver did not have an attorney representing him, I asked him to summarize, but we never had a -- I don't recall ever having a motion to enter the redacted IE report into

the record. It's on our website. It's been posted, but I don't think it's been entered into evidence.
MS. MCDOWELL: Maybe I can help here. We, as a part of Mr. Link's final testimony -- we submitted --
CHAIR LEVAR: Oh, it was an attachment, yeah.
MS. MCDOWELL: We submitted three attachments -- nonconfidential redacted --
CHAIR LEVAR: Yeah.
MS. MCDOWELL: -- confidential redacted, and highly confidential unredacted just to make sure all bases were covered.
CHAIR LEVAR: Okay. I remember that now.
MS. MCDOWELL: It's in the record as, I think, his second exhibit.
CHAIR LEVAR: Does that satisfy your question?
MR. RUSSELL: Yeah, it is his second exhibit. I just wanted to make sure that all forms of Mr. Link's testimony, because it is an attachment there, were accepted into the record. Since we have two different versions with different page numbers, I think it's important.
CHAIR LEVAR: Yes. None of that was subject to the portions that we struck from Mr. Link's testimony.
MR. RUSSELL: Right.

CHAIR LEVAR: Mr. Snarr?

MR. SNARR: Yes. I'm wondering if there's no further questions of Mr. Hayet, we would like to make sure that he could be excused so he can see what's left of his week elsewhere.

CHAIR LEVAR: Sure. If any party or commissioner has reason not to do so, indicate to me.

I'm not seeing any.

So thank you, Mr. Snarr and thank you, Mr. Hayet.

PHILIP HAYET: Thank you.

CHAIR LEVAR: Why don't we go to Utah Clean Energy next.

Mr. Holman.

MR. HOLMAN: So we had discussed -- no? Okay. In that case we'll call Ms. Bowman to the stand.

CHAIR LEVAR: Okay. Thank you.

Ms. Bowman, do you swear to tell the truth?

KATE BOWMAN: Yes, I do.

CHAIR LEVAR: Thank you.

KATE BOWMAN,

called as a witness on behalf of Utah Clean Energy, being duly sworn, was examined and testified as follows:

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DIRECT EXAMINATION

BY MR. HOLMAN:

Q. Good morning, Ms. Bowman.

A. Good morning.

Q. Can you please state your name and business address, please.

A. Yes. My name is Kate Bowman. My business address is 1014 Second Avenue, Salt Lake City 84105.

Q. And on whose behalf are you testifying today?

A. On behalf of Utah Clean Energy.

Q. And are you the same Kate Bowman that provided direct testimony on December 5, 2017; rebuttal testimony on January 16, 2018; surrebuttal on March 16, 2018; and second surrebuttal testimony on May 15, 2018 in this docket?

A. Yes, I am.

Q. If asked you the same questions today as set forth in your testimony, would your answers be the same?

A. Yes. But I would like to make two corrections to my second surrebuttal testimony filed on May 15, 2018. This has to do with the UCE Attachment A, Exhibit 3. The first correction would be to my testimony on lines 307 to 308. The numbers

74 billion and 231 billion should read 74 million and 231 million, respectively. And the second correction is in the attachment Exhibit 3, Cell B27 should be corrected from 8762 to read 8760. And this change doesn't result in material changes to the cells which it impacts which are referenced in my testimony. That's all.

Q. And those are the only corrections you have?

A. Yes.

MR. HOLMAN: At this time I would like to move to enter Ms. Bowman's testimony with the corrections she mentioned into the record.

CHAIR LEVAR: If any party objects to that motion, please indicate to me.

I'm not seeing any objections, so the motion is granted.

(Prefiled Testimony and Exhibits of K. Bowman were received.)

Q. (BY MR. HOLMAN) Ms. Bowman, have you prepared a statement today?

A. Yes, I have.

Q. Please proceed.

A. Thank you. Good morning, Chairman LeVar, Commissioner Clark, and Commissioner White. I have prepared the following summary of my testimony filed on behalf of Utah Clean Energy. The purpose of my testimony is to outline policy considerations relevant to the Company's application for approval of a significant energy resource decision and make recommendations.

Proactive economic investments in energy resources that protect ratepayers from increases in future fuel costs and the consequences of carbon regulation are in the public interest. The combined projects which take advantage of a limited time opportunity to use federal production tax credits, are an opportunity to invest in lower-cost resources that will provide significant long-term benefits and avoid future risks for Utah ratepayers.

Utah Code Title 54, Chapter 17, Section 302 guides the Commission to consider whether a resource will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost, which is important, but also factors including long-term and short-term impacts, risk, and, a final category, other factors determined by the Commission to be relevant when ruling whether a request for approval of a significant energy resource decision is in the public interest.

By helping to decarbonize PacifiCorp's energy system and leveraging tax credits to acquire these tax credits more affordably for ratepayers, the combined projects will service as an important hedge against long-term costs and risks stemming from increased fuel and carbon prices.

Additionally, the 30 percent federal investment tax credit creates a similar opportunity to acquire lower-cost solar resources, further mitigating long-term costs and risks for ratepayers. Several other parties agree that the solar RFP results indicate that solar projects located in Utah offer benefits to ratepayers even in conjunction with the combined projects.

The investment tax credit creates an immediate opportunity to acquire solar resources at lower costs, and for this reason I ask the Commission to carefully evaluate the results of the solar RFP. The combined projects offer long-term benefits to ratepayers by providing fuel-free, carbon-free power, avoiding risks and costs associated with future fuel prices and carbon emissions.

The risks and costs associated with fuel prices are asymmetrical. While the future price of fuel is unknown, there's potential for fuel prices to rise much higher above the Company's forecast than there is potential for costs to fall lower than the Company's forecasts. The combined projects will also protect customers from risks related to carbon emissions and the impacts of climate change. Prudent decision-making requires that we understand and address the mounting costs of climate change and continued carbon emissions.

Scientific consensus shows a need to drastically curtail carbon emissions in the near term to avoid costly and catastrophic impacts. A growing number of countries including China and U.S. states have responded by implementing carbon pricing policies or mechanisms.

These actions indicate that an increase in future costs associated with carbon emissions is not just possible, it is probable. This year the Utah legislature passed HCR 7, Concurrent Resolution on Environmental and Economic Stewardship. This bill encourages corporations and state agencies to reduce emissions and reinforces the importance of considering the risks of climate change on Utah ratepayers when evaluating PacifiCorp's proposal.

The future of carbon regulation is unknown, and, once again, there's much more potential for carbon prices to rise above the Company's forecast than to fall below the Company's low forecast, which in fact assumes zero costs on carbon.

As an example, I've used the Company's carbon price forecast and information from the Company's February 16, 2018 filing to estimate that just reverting to the Company's conservative carbon price forecasts from June 2017 as opposed to the updated carbon price forecasts filed on January 18, 2018, would result in an additional 74 to 231 million in benefits to ratepayers.

There's significant costs and risks associated with climate change above and beyond the future costs of carbon regulation. The Company has not accounted for value of mitigating the climate change and its associated costs for Utahns in its analysis of the benefits of the combined projects.

The status quo of continued carbon emissions will results in changes that impact electricity generation and are likely to increase costs for Utah ratepayers specifically. Scientific research analysis predicts higher temperatures, more severe heat events, a rise in the incidence of forest fires, and disruptions in seasonal water availability.

Continued carbon emissions will also impact the health and well-being of Utahns generally through impacts that include ground-level ozone, economic consequences, job losses, and increased droughts.

The combined projects are an important step towards a low-carbon energy portfolio. The wider lens of Utah Code Title 54, Chapter 3, Section 1 includes "as a consideration for determining whether charges demanded by a public utility are just and reasonable" the impact on the well-being of the state of Utah.

The combined projects are in the public interest due to their ability to provide long-term benefits, avoid risks for customers, and reduce carbon emissions, and the PTC allows our Utahns and ratepayers to realize these benefits at lower costs.

In summary, Utah Clean Energy supports the combined projects with the inclusion of the Office's recommended consumer protection provisions to safeguard benefits for ratepayers.

Further, we strongly encourage careful consideration of the results of the solar RFP to take advantage of time-limited opportunities to acquire solar at a reduced cost and to increase the benefits and further reduce the risks of the combined projects.

That concludes my statement.

MR. HOLMAN: Ms. Bowman is available for cross-examination, questions from the commissioners.

CHAIR LEVAR: Okay. Thank you.

Mr. Michel, do you have any questions for Ms. Bowman?

MR. MICHEL: I don't have any questions. Thank you, Mr.Chairman.

CHAIR LEVAR: Ms. Hickey, do you have any questions for her?

MS. HICKEY: No thank you, sir.

CHAIR LEVAR: Thank you.

Ms. McDowell or Mr. Lowney?

MR. LOWNEY: The Company has no questions for Ms. Bowman. Thank you.

CHAIR LEVAR: Okay. Thank you.

Mr. Russell, do you have any questions for Ms. Bowman?

MR. RUSSELL: I do.

CROSS-EXAMINATION

BY MR. RUSSELL:

Q. Ms. Bowman, are you -- I ran across an article that was released yesterday evening that maybe you've seen and maybe you haven't, but it

reports a Trump administration plan -- I may get this wrong -- that at least as it is in the planning stages seeks to force companies to -- to order grid operators to buy electricity from struggling coal and nuclear plants to keep those operating even if they are not economic.

Have you seen that report?

A. I'm not aware of the specific report or article you're referring to. I have seen over the course of the year a number of efforts to do generally what you've described. There are a number of different mechanisms, and as far as I know, none of them have thus come to fruition.

Q. Yeah, and as I indicated, this is an article talking plans that are currently in rule. I guess my question to you is, how, if at all, the reports that I'm referring and the ones that you've run across may affect your testimony? And I will caveat that with I realize that it's difficult to answer that questions because they are just reports and we don't have specifics yet.

A. Sure. Well, you know, I will say there's -- as far as I know, you know, while none of the kind of plans have come to fruition, and I think it demonstrates the volatility and the difficulty of predicting how these changes, kind of both due to the current political environment and then going forward moving beyond the next four to eight years -- the volatility of these events makes it difficult to predict and to know exactly how carbon prices or policies will be implemented in the future. I think for that reason it's especially important to protect ratepayers from risk associated with changes in the political environment.

MR. RUSSELL: Okay. Thank you. I have no further questions.

CHAIR LEVAR: Thank you.

Mr. Baker, do you have any questions for Ms. Bowman?

MR. BAKER: I do. Thank you.

CROSS-EXAMINATION

BY MR. BAKER:

Q. Good morning, Ms. Bowman.

A. Good morning.

Q. Just following up on that conversation or exchange you just had with Mr. Russell, is it fair to characterize that the purpose of those plans is to help -- one of the purposes of the plans is to help stabilize the grid from the fear of intermittent renewables and that traditional thermal generation

helps provide resilience and reliability?

A. Without knowing the specific plan you're referring to -- I've seen a few different plans, and I think that purpose of the plans and the question of whether the plans will effectively achieve that purpose has been the subject of a lot of debate.

Q. So although debated, one side of that debate is the need for grid reliability; is that correct?

A. I believe the purpose of some of the plans has been stated as a need for grid reliability, but U.S. Department of Energy has also found in conjunction with one of the many variations of these plans that there is not a need for grid reliability, imminent need for grid reliability upgrades or reliability problem as described.

Q. Are you aware this year that -- or it might have been the tail end of last year that the Department of Energy had proposed a plan that FERC evaluated regarding favorable pricing for energy generators that could maintain a 90-day supply?

A. I'm generally aware of it. I don't believe it was implemented.

Q. Correct. And in FERC not implementing that specific plan, are you aware that they had noted that

they were going to open the docket to study the
reliability impacts and find ways to shore up the
grid with thermal resources?
A. I'm not aware of the specifics of the
decision.
MR. BAKER: Okay. Thank you very much.
CHAIR LEVAR: Thank you, Mr. Baker.
Mr. Snarr, do you have any questions for
Ms. Bowman?
MR. SNARR: No questions this morning.
CHAIR LEVAR: Okay. Thank you.
Ms. Schmid?
MS. SCHMID: No questions.
CHAIR LEVAR: Commissioner Clark?
COMMISSIONER CLARK: Good morning, Ms. Bowman.
KATE BOWMAN: Good morning.
COMMISSIONER CLARK: You encouraged us in your
summary to examine the results of the solar RFP.
Were you referring to the Company's 2017S RFP?
KATE BOWMAN: Yes.
COMMISSIONER CLARK: And do you know the status
of the RFP?
KATE BOWMAN: I believe it's under appeal -- oh,
sorry. The solar RFP?
COMMISSIONER CLARK: Correct.

KATE BOWMAN: I'm not familiar with the most recent status.

COMMISSIONER CLARK: So you wouldn't know whether or not the Company chose not to select any bids under that RFP?

KATE BOWMAN: I haven't been personally involved in tracking the status of the solar RFP, so I'm not aware.

COMMISSIONER CLARK: That concludes my questions. Thank you.

CHAIR LEVAR: Okay. Thank you.

Commissioner White, do you have any questions?

COMMISSIONER WHITE: I have no questions. Thank you.

CHAIR LEVAR: And I don't have anything else. So thank you for your testimony this morning, Ms. Bowman.

KATE BOWMAN: Thank you.

CHAIR LEVAR: Anything further, Mr. Holman --

MR. HOLMAN: Nothing further.

CHAIR LEVAR: -- from Utah Clean Energy?

MR. HOLMAN: Thank you.

CHAIR LEVAR: Okay. Thank you.

Mr. Russell or Mr. Baker, you're doing this witness jointly, I suppose.

MR. RUSSELL: We are. UAE and UIEC will call Brad Mullins to the stand.

CHAIR LEVAR: Good morning, Mr. Mullins. Do you swear to tell the truth?

BRAD MULLINS: Yes.

CHAIR LEVAR: Thank you.

BRADLEY G. MULLINS,

called as a witness on behalf of the UAE and UIEC, being duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. RUSSELL:

Q.   Good morning, Mr. Mullins. Could you state and spell your name for the record, please.

A.   My name is Bradley Mullins. Last name is spelled M-u-l-l-i-n-s.

Q.   Can you tell us by whom are you employed and give us your business address, please.

A.   I am a self-employed consultant. My business address is 1750 Southwest Harbor Way, Suite 450, Portland, Oregon 97201.

Q.   And on whose behalf are you testifying today?

A.   I'm testifying today on behalf of the

Utah Association of Energy Users and the Utah Industrial Energy Consumers.

Q. Did you prepare testimony that has been prefiled in this case?

A. I did.

Q. And specifically did you prepare testimony that was -- direct testimony filed on December 5th with associated exhibits, rebuttal testimony filed on December 5th of 2017, and then rebuttal testimony filed on January 16 of 2018 with an associated exhibit, and supplemental rebuttal testimony filed on April 17 of 2018 with associated exhibits?

A. Yes.

Q. Okay. And if I asked you the same questions today that you responded to in that testimony, would your answers be the same?

A. They would.

Q. Do you have any changes to make to your testimony?

A. I do not.

MR. RUSSELL: At this point, Chairman LeVar, I'll move for the admission of Mr. Mullins's testimony.

CHAIR LEVAR: If any party objects to that motion, please indicate to me.

I am not seeing any objection, so the motion is granted.

(Prefiled Testimony and Exhibits of B. Mullins
were received.)

Q. Mr. Mullins, have you prepared a summary of your testimony?

A. I have.

Q. Before you give that, it's my understanding you haven't testified live before this Commission. If you can take -- very briefly introduce yourself to the Commissioners so they can get a better sense of who you are.

A. Okay. So I'm a consultant. I represent large customer groups throughout the West. I graduated from the University of Utah, so I have some background in the area and very pleased to be here today.

Q. Okay. Go ahead and proceed with your summary if you would.

A. Good morning, Commissioners. As I mentioned, I appreciate the opportunity to be here today to testify and on behalf of UAE and UIEC on PacifiCorp's request for making treatment on the $1.9 billion combined wind and transmission projects.

From my perspective, the most significant thing about PacifiCorp's proposal in this case is the parties who oppose it. So representatives from all rate classes, large customers, the Office, the Division -- all oppose PacifiCorp's resource proposal and for a project.

CHAIR LEVAR: I usually don't interrupt. I think you may have made a brief statement that included a confidential material. I'll just let everyone know if we -- let's be conscious of that, and if someone does, please jump in. I don't know there's anything that can be done about this one but just ask you to conscious of that in your summary.

MR. LOWNEY: Chairman LeVar, if I might interject, what we've kind of settled upon is we can refer to it as around $2 billion, is the current estimate, and that way we can refer to it in a nonconfidential way but get the point across.

BRAD MULLINS: Okay. I'm sorry.

MR. LOWNEY: Thank you.

BRAD MULLINS: I thought I was working under that framework but okay.

So from my perspective, the most significant thing is the parties who oppose it. We have customers from all rate classes opposing the project. For a project that's justified on providing economic benefits to customers, I think that's an important fact, and, you know, PacifiCorp may develop its own view of what the future might look like and what risks might be out there, but what it can't do is speak for customers and their risk preferences.

And on behalf of large customers, we view such a significant investment to be extraordinarily risky. Based on our analysis, we view the likelihood that the projects will provide economic benefits to customers through reduced rates is slim to none. Even in the medium case in PacifiCorp model -- PacifiCorp's model, the combined projects end up costing ratepayers money over the first ten years of the study period, and I showed that in my supplemental rebuttal testimony.

And if you go beyond that period, it's really anyone's guess as to what the world might look like. If you think back ten years ago, things like the EIM, they maybe were in development or thought about, but we probably couldn't have predicted what ultimately has transpired with that.

And importantly, this is not a circumstance where system reliability is at risk if the projects are not constructed. The Wyoming wind projects are primarily energy resources, and they provide very little capacity relative to the amount of investment involved, and in addition, you know, we've built out PacifiCorp's system over the years to have robust access to different markets throughout the West, and doing that wasn't without cost to ratepayers.

And, you know, from that, when PacifiCorp enters into front office transactions, there's no capital involved in turning those transactions. So from that perspective front office transactions are much less risky than locking in, you know, a 30-year project at such a high price.

And, further, you know, ratepayers just have no assurance that the underlying economic benefits will materialize, but in contrast, PacifiCorp has relatively high assurance that it will be able to earn returns on the investment, and so from that perspective, there's asymmetry which ratepayers view to be problematic.

And, you know, in terms of risks, I won't go through all of the different risks that have been outlined in the hearing. Previously -- I'll touch on a few. One of them certainly is low energy prices. We're in a period where there's a lot of renewables coming online and those are driving down market prices for electricity.

We're also in an environment where loads are declining, so we're seeing a lot of DSM. We're seeing a lot of private generation, and then, further, we're in this transitionary period with respect to the MSP, which creates a whole range of uncertainty.

So if PacifiCorp is to, in the future, move to a subscription model, the economics of these projects from a Utah perspective are going to be different than the economics from the total system, and so when you consider all of those risks, you know, it's really not an opportune time to be making such a large investment.

With respect to the economic analysis, we fundamentally disagree that there are benefits even in using PacifiCorp's medium price forecast. In my supplemental rebuttal testimony, I outlined a number of adjustments that we proposed to their model and showing the projects ended up costing customers 104 million on an NPVRR basis over the 30-year study period, and that's before considering, you know, the forecasting issues that have been identified with respect to PacifiCorp's forward price curve.

And in my direct testimony, I performed an empirical analysis where I took every price curve that PacifiCorp has issued over the period 2007 through the present to figure out how accurate PacifiCorp's price groups have been in the past because there's been a lot of speculation about, you know, "Oh, their curves are not accurate and it appears that they consistently overstate market prices."

So my analysis using the actual curve PacifiCorp's issued, has issued, you know, conclusively determined that, you know, with the high -- very, very high percentage that PacifiCorp is overstating -- the curves of PacifiCorp are overstating market prices and that the overstatement is greater the further into the future that the forecast is made.

And so, you know, based on that, we concluded that it's more reasonable to rely on the low price scenarios in PacifiCorp's analysis, if not, you know, going even further and adopting a scenario of even lower market prices. And, you know, in terms of relying on the price curve, you know, this is not sort of the first time we've seen proposals similar to this.

And in my direct testimony I pointed to a gas hedging contract which was executed in 2012. It was a long-term gas hedge, and it was justified on similar ground as this proposal where the Commission was -- or there was a stipulation that PacifiCorp was only to proceed if the price of the hedge was better than the forward price curve, and it's turned out that that hedge has been extraordinarily costly to ratepayers and is expected over time to result in even greater losses.

And so, you know, with that experience, I think ratepayers are understandably concerned about relying on PacifiCorp's price curves for an even larger, longer-term investment.

And then finally, turning to competitiveness issues, you know, we're dealt with -- we have an RFP that, you know, is set up in a manner that really could only lead to the selection of a very limited set of resources. I think throughout this hearing the Commission is well aware of the issues with the interconnection queue.

But I think kind of an important point from my perspective is that, you know, while PacifiCorp had the foresight to go out and acquire the low queue position resources, it didn't have similar foresight to go to FERC, for example, and seek a waiver of the serial queue requirements, which other utilities have done in the past. And so this issue is obviously concerning to ratepayers.

And then with respect to the solar sensitivity studies, PacifiCorp's -- its own model, as you're aware in the nominal studies in its model, showed that the best and final pricing from those solar resources produced nominal benefits that were 2.5 times greater than the combined projects.

And not only were the benefits greater, the risk of those projects were also significantly lower, and I point that out in my -- or I point out that in my supplemental rebuttal testimony that, unlike the combined projects, where in the low-gas price scenarios they were at cost, and for the solar resources there was a benefit in the low-gas price scenario. So in that perspective, we viewed them to be much less risky.

And then turning to this issue of "Well, maybe we could do both the wind and the solar," well, in PacifiCorp's model in the nominal studies, if -- you know, after you do the solar projects, if you do the wind as well, the incremental benefit was only $11.2 million doing both. And so, you know, at least from my perspective, undertaking a $2 billion investment for potentially $11 million of benefit is not a prudent course of action.

So, you know, in summary, I would just like to observe that, you know, this is a case where we're dealing with really wide ranges of outcomes, and unlike a rate case, there's no single revenue requirement benefit or cost that the Commission has to settle by going through each adjustment in order to make sure that the utility is adequately compensated.

You know, rather with such a wide range of possible outcomes, it really ends up being just a matter of opinion as to what the future might bring, and where we're dealing with ratepayer benefits or costs, at least I believe, the ratepayer opinions should carry the most weight.

And with that I'll conclude my summary, and I look forward to questions from the Commission. Thank you.

MR. LOWNEY: Mr. Chair, before we move on to cross-examination, I do have a motion to strike a portion of Mr. Mullins's summary. He referenced a FERC case and implicated that the Company could have somehow asked for a waiver of its interconnection queue position, and my recollection is that FERC case is not addressed in his testimony.

CHAIR LEVAR: Mr. Mullins or one of your counsel, if you could point to where that is in your testimony, that would help us address the motion.

MR. RUSSELL: I think I'll let Mr. Mullins respond.

CHAIR LEVAR: If you need a moment, we'll wait. If a brief recess would help --

BRAD MULLINS: I should be able to find it quickly.

CHAIR LEVAR: I think it's an important enough issue that it's worth taking a little time to see if it's there.

MR. RUSSELL: Do you have it, Brad?

BRAD MULLINS: Right. So on page 14 of my supplement rebuttal testimony, I say that I was under the impression or -- sorry -- I was under the impression that the Company would be able to --

CHAIR LEVAR: Give us a moment to get to page 14. Do you have line numbers?

BRAD MULLINS: Okay. And then on lines --

CHAIR LEVAR: I see. Where you are.

BRAD MULLINS: -- 283 to -- I guess through 289 I discuss that, you know, how the Company might be able to equalize or mitigate the bidding advantage of higher queue position resources. And that's what I was referring to there. You know, I obviously didn't discuss a waiver there, so I'll leave that to the Commission to decide whether that exceeds this particular paragraph.

CHAIR LEVAR: With that clarification, Mr. Russell, do you want to respond to the motion?

MR. RUSSELL: Yeah, just very briefly having skimmed the section that Mr. Mullins is referring, I think his summary touches on -- the testimony that he just referred to touches on the same topic that his summary included. While he did clarify that his summary included something of, I guess, a flourish about what PacifiCorp could have done with that that isn't specifically in his testimony, I think that's what summaries are for but -- I guess that's how I'll respond.

MR. LOWNEY: If I may clarify, the language in particular I believe that goes beyond the scope of his testimony is the reference to some unidentified FERC case that provides authority for the information that's included in this testimony. That was nowhere cited in this testimony, and for him to reference -- suggest in his summary today that there's FERC authority supporting his position is outside the scope of his testimony.

MR. RUSSELL: I think maybe Mr. Lowney has misunderstood the statement in the summary. As I understood it, Mr. Mullins had indicated that the Company did not go to FERC to seek the waiver that he's referencing. He didn't indicate that FERC had granted some waiver or, you know, issued some ruling somewhere.

CHAIR LEVAR: I did hear him say other utilities have sought that waiver. I didn't hear whether he said other utilities have been successful in seeking that waiver. As I'm considering this objection, I think I'm inclined to strike any references to the existence of a FERC waiver. So I think it's appropriate to strike those from the record.

Obviously, they are not stricken from some of our memories, and that question, I think, is possibly likely to come up during closing arguments whether there is such a waiver that is potential and what standards might exist. I certainly think I might be likely to ask about that during closing arguments just for what it's worth.

But I think for purposes of this summary, the motion to strike is appropriate, so it's granted.

MR. RUSSELL: Okay. We will make Mr. Mullins available for cross-examination and commission questions.

CHAIR LEVAR: Okay. Mr. Snarr, do you any questions for Mr. Mullins?

MR. SNARR: No questions?

CHAIR LEVAR: Ms. Schmid?

MS. SCHMID: No questions. Thank you.

CHAIR LEVAR: Ms. Hickey?

MS. HICKEY: No. Thank you.

CHAIR LEVAR: Mr. Holman.

MR. HOLMAN: No questions. Thank you.

CHAIR LEVAR: Mr. Michel.

MR. MICHEL: Thank you, Mr.Chairman, just one question.

CROSS-EXAMINATION

BY MR. MICHEL:

Q. Mr. Mullins, in your summary you referenced the option of the consumer advocates in this case as justification for rejecting the proposed combined projects.

Are you aware that in other PacifiCorp jurisdictions consumer advocates have supported these projects?

A. So I guess there's -- there are some examples of that, so in Wyoming there's obviously a stipulation that was entered into, and the consumer groups in that state, they accepted PacifiCorp's proposal, but I would note that, being that these wind resources are actually located in Wyoming, that those customers have different interests than the customers in this state.

Because they are being built in Wyoming, there's an expectation that they will bring a lots of jobs; there will be taxes on the generation output; there will be property taxes. And so there definitely are different considerations there, and then there's also the case in Idaho, which I was involved in, and the staff entered into a stipulation with the Company where they agreed to a CPCN but they did not -- there were still some issues outstanding.

However, specifically a cost cap was not addressed in stipulation and staff litigated that particular issue. However, the other ratepayers groups -- the industrials and the irrigators -- were all opposed to the stipulation and to PacifiCorp's proposal. And that case is fully litigated and they are expecting an order in that case, I think, within the next two months -- or I guess they don't a have a deadline in that case, but there will be an order at some point in that case.

Q. Do you know for a fact -- do you know for a

fact that the location of the project in Wyoming was the basis for the consumer advocate support of the project?

A. You know, I couldn't speak specifically to why the consumer advocates in Wyoming supported the project.

MR. MICHEL: Okay. Thank you. That's all I have. Thank you, Mr. Mullins.

CHAIR LEVAR: Okay. Thank you.

Ms. McDowell or Mr. Lowney.

MR. LOWNEY: Thank you. Before we get started, I'll have Ms. McDowell circulate the cross-examination exhibits we intend to use.

CROSS-EXAMINATION

BY MR. LOWNEY:

Q. Good morning, Mr. Mullins.

A. Good morning.

Q. If you could turn to your direct testimony on page 5, please. I have some questions about the transmission projects to start.

A. Did you say page 4 or 14?

Q. Page 5.

A. Okay.

Q. And at the very top of that page you acknowledge that the transmission projects include

Subsegment D2 of the Energy Gateway Project. Do you see that?

A. Correct.

Q. Little bit further down on that page, you refer to the fact that other parts of the Energy Gateway Project have been constructed. Do you see that? You refer specifically on line 11 to the Populus to Terminal and Sigurd to Red Butte lines.

A. Yes.

Q. And on line 12 you say "Both were expensive and controversial." Do you see that?

A. Yes.

Q. And the only citation for that statement is a case in Idaho; is that right? You didn't cite anything from Utah indicating that those projects were controversial in this state?

A. I did not.

Q. And would you agree that they weren't in fact controversial in the state of Utah?

A. I haven't reviewed the specific cases in Utah on those.

Q. Okay. Well, let's do a quick review. If you could turn to RMP Cross-Exhibit 23, please. This is the Public Service Commission's Order in Docket 12-035-97, and this was a case where the Company

requested CPN for the Sigurd to Red Butte line, and I'll read from the synopsis on the front page.

It says, "The Commission approves an uncontested settlement stipulation and issues a certificate of public convenience and necessity, authorizing construction of the Sigurd-Red Butte No. 2 345 kV transmission line."

Do you see that?

A. I do.

Q. And then if you could turn to Cross-Exhibit 24, this is the Report and Order from Docket 13-035-184. This is the Company's 2014 general rate case. And at the front the first line of the synopsis says, "The Commission approves a comprehensive, multi-year, uncontested settlement stipulation."

And then if you could turn to page -- I did not include the entire order. It's quite voluminous, but page four of the settlement stipulation which was attached to that order. Paragraph one says, "The Parties agree that the Sigurd to Red Butte transmission line investment is prudent and cost recovery will occur in Step 2 rate change."

Do you see that?

A. I do.

Q. So, collectively, at least with the regard with the Sigurd to Red Butte line, there was no controversy involving either the CPCN or rate recovery in Utah, was there?

A. I would observe the mere fact there's a stipulation doesn't mean there wasn't controversy surrounding the investment, so -- but, you know, I haven't gone through the record in these cases to see what issues parties have raised.

But I do know the case in Idaho certainly was very controversial, and within the IRP context, the Gateway proposal, since its inception, has been -- I can represent that it has been very controversial, that, you know, parties have -- a lot of parties have raised questions with it.

Q. Mr. Mullins, I'm going to draw you back to Cross-Exhibit 25, and let's talk a little bit about the Populus to Terminal line, which you also specifically cite as a controversial line, again, though, not in the state of Utah.

So Exhibit 25 is the Commission's order from Docket 08-035-42. This is the Order granting a CPCN for the Populus to Terminal line.

Do you see that?

A. Okay.

Q. And if you turn to page two of that order, it indicates that "position statements or comments were submitted" -- I should be a little clear. Page two, the first full paragraph that begins with the statement "By our Scheduling Order," and about halfway down, there's a sentence that begins "Pursuant to the Scheduling Order, testimony, position statements or comments were submitted by the Division of Public Utilities, the Committee of Consumer Services, and WRA."

Do you see that?

A. I do.

Q. And then on the next page, page three, about the fifth line down by my count, it says, "The Committee concludes that the factual support for the assumptions upon which Rocky Mountain Power bases its claim that these transmission facilities will serve the public convenience and necessity, while minimal, is legally sufficient to support the certificate."

Do you see that?

A. I see it.

Q. And the next paragraph describes the Division's position, and it states that the Division believes that the facilities -- excuse me -- that it concludes it supports RMP's decision to build a

transmission line. Do you see that?
A. I see it.
Q. And then on page four it says, "WRA specifically notes it does not oppose the Transmission Line," at the very top second line; right?
A. Sorry. What page was that?
Q. Page four. I believe very top, the second sentence.
A. I see that line.
Q. All right. So, again, the CPCN for the Populus to Terminal in Utah at least was not very controversial, was it?
A. Well, once again, I wasn't involved in this docket, and I can't speak to all the issues that were raised in this docket because I --
Q. I understand that. I note that your --
A. Hold on.
Q. -- testimony --
A. So I do -- you know, as I'm kind of reading through, I do -- it looks like there are other issues that were raised in this docket, and so, you know, to say that it's not controversial on the basis of this order, I wouldn't agree with that.
Q. And just to be clear, you made the

statement that both were expensive and controversial with apparently not investigating any of these orders in Utah, didn't you?

A. I did not investigate this order. Correct.

Q. Let's move on. If you could turn to page eight of your direct testimony.

A. Okay.

Q. Now, at the top of that page, beginning on Line 1, you state "The analysis" -- you're referring to the Company's analysis -- "suggested there was a $530 million range of potential outcomes."

Do you see that?

A. I do.

Q. Just to be clear, those numbers that you're referencing on Line 2 are from the Company's economic studies using the IRP models through 2036; is that right?

A. So these would have been based off of the analysis in PacifiCorp's direct testimony. So, yeah, so there was no nominal revenue requirements presented in that testimony, and I believe it was a shorter time frame. Correct.

Q. Well, you cite to Mr. Link's Table 2 testimony, which you're correct was the 2036 study. I do just want to clarify, there was a nominal

revenue requirement in the direct case. You don't recall that?

A. I don't think it's the same nominal written requirement study that was presented in the second case, but that's -- subject to check I'll accept that.

Q. Okay. Thank you. And that wasn't the point of my question anyway. I just wanted to make sure the record was clear on that point.

If you could turn to page 30 of your direct testimony.

A. Okay.

Q. And on Line 9 of that page, you also, again, reference the 20-year study period that was used in the Company's direct case. Do you see that?

A. I do.

Q. All right. If we could turn to page 37 of your direct testimony, and I'd like to direct your attention to Confidential Table 2, although I'm not intending to asking you anything confidential. I just want you to confirm for me, please, that the numbers that you were using in that table to calculate your adjustments were taken off of the 20-year studies; correct?

A. Right. So I guess the -- I guess --

Q. Mr. Mullins, I just want to confirm the time period you're using here. I'm not asking about any of the particular adjustments. I just want to make sure you're using the 20-year studies that were used in the IRP models.

A. Yes. And I would like to explain why I used those studies, which I think is appropriate. So the -- right. So in the initial filing, PacifiCorp had, I guess, different levelization assumptions than in its supplemental filings. I think the Commission is aware, so it changed the way it treated PTCs. There were terminal value amounts added in. And so that's why I relied on those particular studies here.

Q. So you relied on the 20-year studies in December because in January the Company changed its modeling? I mean, let's just be clear, your reliance on the 20-year studies predated any change in the modeling that occurred in January; correct?

A. Right.

Q. You were presented with two different studies, 30-year and 20-year. You chose to rely on the 20-year.

A. I did rely on the 20-year in this case.

Q. If you could turn, please, to page 42 of your direct testimony, and on lines 11 to 12 -- I

guess it begins on line 9 through 12 -- you have a statement, and the footnote to support that statement refers to testimony that was filed by Mr. Knudsen -- I may be mispronouncing that name. Mr. Knudsen in the RFP docket. Do you see that?

A.   I do.

Q.   Isn't it also true Mr. Knudsen testified in that same docket that the 20-year evaluation horizon was the horizon used in the IRP and that's the only appropriate or comparable evaluation horizon?

A.   So I can't speak to what he would have testified to. The specific thing that I'm talking about here is the assumption about reduced line losses, so PacifiCorp included an assumption where, you know, it assumed that line losses would be reduced as a result of the wind generation and the transmission line. And, given that those projects are so far away from load centers, at least my understanding of what the analysis, what Mr. Knudsen did, he demonstrated that it wouldn't reduce line losses and that, in fact, it would result in higher line losses.

Q.   Well, and if you turn to RMP Cross-Exhibit 27 -- that's a brief excerpt from the same testimony you rely on for your testimony. I

would like to direct your attention to page 18 of the testimony. Again, this is just an excerpt, but lines 373 to 375 is the statement that I just quoted.
And Mr. Knudsen, just to be clear, was a UAE witness in that docket; correct? And he testified that the IRP horizon is the only "appropriate or comparable evaluation horizon" for studying these projects?
A.   Right. So I see he's testified to that here. So I think there might be some confusion about sort of the time horizon and the study assumptions. So the issue from my perspective is the use -- the levelized analysis that PacifiCorp performed, not the time period that they performed it over.
And, in fact, I would support using a shorter time frame to analyze economic benefits so long as it was analyzed in, I think, a nominal basis based on the actual impacts to ratepayers. And if we were -- if you're to do that, I think even in PacifiCorp's analysis, the benefits drop materially.
Q.   Mr. Mullins, if I could direct your attention, please, to RMP Cross-Exhibit 22.
A.   Okay.
Q.   And these are comments that you filed with the Public Utilities Commission of Oregon in

January of 2017 in Portland General Electric company's IRP docket; is that correct?

A. Correct.

Q. And if you could just turn to page 12 of those comments, please.

A. Okay.

Q. At the very top of these comments there's a heading of No. 3 that says "A 34-year Planning Period is Too Long," and then further down on that same page your comments indicate that "PGE's IRP" -- that your analysis of PGE's IRP was limited to 20 years because a 34-year planning period is, quote, "too long and puts too much weight on speculative assumption about distant future conditions." Correct?

A. Correct.

Q. And then you also testified that a longer study period may provide, quote, "some useful information, but modeling portfolio performance that far into the future is problematic." Correct?

A. So this is -- it's not testimony so --

Q. I'm sorry. Your comments.

A. I commented that, yes.

Q. They weren't sworn statements. And you also supplied comments that "Forecasting conditions far into the future is inherently speculative."

A. I did.

Q. And then you say "For purposes of making resources decisions today, a twenty-year planning period is sufficient to make informed resource decisions." Is that correct?

A. Yep.

Q. And you would agree that over the 20-year IRP planning horizon that you used exclusively in your direct testimony and that you use exclusively in PGE's 2016 IRP, the combined projects provide net benefits in every single price policy scenario; correct?

A. Right. So I think we're once again, kind of conflating the issue of the study period and the use of the levelization techniques that PacifiCorp used in its supplemental direct testimony. So, you know, I didn't agree with the way that PTCs were being levelized, and while -- you know, the idea of a terminal value, I didn't necessarily disagree with that, my view is if you're to view these projects -- if you're to analyze the economics of these projects, the best way to do it is on a nominal basis.

You know, the reason why these levelized studies are used usually is -- it's really a modeling issue because it's hard to compare resources that have different lives, and so what you do is you levelize the costs so you can assign a cost per year to those resources, but where you have -- and then compare them to the cost per year of other resources.

But where you have a discrete resource, at least my view is that the nominal approach is better, and I just observe that these studies here were performed on a nominal basis, and while I advocated for a shorter period -- and, in fact, I even said they should look it over a ten-year period here -- it would still be a nominal analysis.

And if you were to look at PacifiCorp's study over a ten-year period, as I mentioned in my opening remarks, that would actually be a cost to customers even using all of PacifiCorp's assumptions.

Q. And just one quick question on that statement you just made -- little bit out of my order here, when you refer to the first ten years, you're referring to the period from 2017 to 2027; correct?

A. I think it was 2018 through 2027.

Q. And that's not the first ten years of project lives, is it?

A. Right, yeah, because the -- because the net present value was calculated back to 2017, the study period actually begins in 2018. So if you look at the first ten years -- so the first three years there's not much activity, so that's a point taken.

Q. If you look at the first ten years of the actual project lives, so 2000 -- the study through 2030, you would agree there actually are net benefits to customers; correct?

A. I could do that calculation, but probably not on the stand. It would probably be pretty close to --

Q. It's actually fairly easy to do. We can do it right now. If you could turn to your testimony please, where you quote that number for 2027.

CHAIR LEVAR: Mr. Lowney, could you, for our recollection, remind us where we are in his testimony.

MR. LOWNEY: It would be on page -- this would be the April testimony, and this would be on page six, Figure 1.

Q. And when you calculate through 2027 in the medium gas case, Mr. Mullins, you calculated net cost of $77 million. Do you see that?

A. I do.

Q. If you look at Mr. Link's second supplemental direct testimony on page 20, he has a Figure 1SS that indicates the annual revenue

requirement amounts for each of the years.

A. I don't have that in front of me.

Q. Okay. Perhaps your counsel could provide you with a sheet or I could just represent to you that the numbers on this figure for 2008 is $56 million for 2000- -- these are net benefits, I should say, $56 million.

A. That's present value or --

Q. Present value.

CHAIR LEVAR: Could you give us specifically where -- which exhibit to which testimony.

MR. LOWNEY: I'm sorry. It's Mr. Link's page 20 of his second supplemental direct testimony. That was in February.

Q. So 56 million in 2028, 85 million in 2029, and 91 million in 2030.

A. Okay.

Q. And so if you had --

MR. RUSSELL: Can I have counsel repeat that. I'm trying to check it. I'm a little behind in getting to the testimony here.

MR. LOWNEY: So it's 56 million in '28, 85 million in '29, and 91 million in '30.

Q. And if you add those two numbers up and subtract 77, it's greater than -- it provides a net

benefit; correct?

A. Fair enough. Fair enough. I just observed that -- well, yeah, point taken so --

Q. Now, I'd like to move on to talk about your gas price forecast testimony. So if we could just turn, please, to your supplemental rebuttal testimony. This would be the April 17 testimony, page 26. And that would be Table 1 at the top of that page. Do you see that?

A. I do.

Q. And this summarizes your -- the proposed modeling adjustments that you recommend to the Company's results; correct?

A. Correct.

Q. And one of the adjustments you make is based on the approximate impact of the declining market prices. Do you see that?

A. I do.

Q. And that's an $88 million adjustment --

A. Correct.

Q. -- one of your larger ones; correct?

And if you could turn to -- I guess it's page 28 on line 566.

A. Okay.

Q. You make reference to the fact the Company

has received more recent third-party forecasts. Do you see that?

A. I do.

Q. And then we're going to tread on confidential material. My hope is we can avoid having to close the session, but obviously if you need to go to confidential to answer one of my questions, we can make that happen.

And you refer to the fact that there's a forecast that was received, and the particular name of the forecast is confidential so I won't say that.

And then you chart the results of that additional forward price curve relative to the Company's medium and low case from the December official forward price curve; is that correct?

A. Correct.

Q. You claim that based on that updated third-party forecast that gas prices have actually decreased; correct?

A. Correct.

Q. And just to be clear, you reference the fact the Company provide this to you as part of UAE DR 5.18, but you didn't actually attach the substantive data from that response to your testimony, did you?

A. I did not attach the data which is in Cross-Exhibit 30; correct.

Q. Let's turn our attention to Cross-Exhibit "33," particularly page two, which is the material you didn't attach to your testimony. Again, this is confidential so I'm going to try to not have to say anything confidential by referring to the line and columns as necessary.

CHAIR LEVAR: I think you meant to say Exhibit 30 instead of 33.

MR. LOWNEY: Yeah. That's correct. Exhibit 30. My apologies.

Q. Just to be clear, the curve that you reported in your Confidential Figure 3, it appears anyway, is that the gas prices are reflected in Column M; is that correct?

A. Well, I thought I used Column H. However --

Q. And I'm just going from the name you put in your testimony as well just kind of eyeballing the numbers that are reflected in the table to the lines that appear on your chart.

A. Yeah, I think they are pretty close.

Q. It may be a distinction without difference in a lot of ways.

A. Right, right.

Q. Either way you did either M or H?

A. Right. My understanding was these were the most recent of these in this sheet.

Q. And just to be clear, the Company also provided third-party forecasts that are reflected in Columns B, C, D, and E as well; correct?

A. Correct.

Q. And you didn't report any of those results in your Confidential Figure 3?

A. No.

Q. And if we look at Column D, this would be a Henry Hub forecast, which is also the forecast you used in your Confidential Figure 3; correct?

A. Correct.

Q. And just looking at the Confidential Figure 3 relative to the numbers that are shown in Column D, without divulging a particular number, you would agree that the numbers in Column D are generally higher than the Company's December 2017 medium curve that you reflected in the Confidential Figure 3; right?

A. They are certainly higher. So kind of -- when I reviewed this, raised a number of questions to me about how PacifiCorp selects between these different curves. And, you know, as we see, if you select one or the other, that can flip the economics.

And so, you know, I did select that one, and I recognize that the curve in Column D is higher, but I think it gets back to the general point that, you know, really it's just -- when you go that far out, it's a just a matter of opinion as to what prices might be.

Q. Well, so just to clarify, you were aware that column -- that that forecast reflected in Column D, which the date is at the top of that in Cell D2 -- you were aware that that actually contradicted what you wrote in your testimony and you just chose to ignore. Is that what I'm understanding?

A. Right. So my understanding was that the S&P -- sorry -- strike that. The amounts in Column H were the most recent, and so that's why I selected that amount. During this time period there were -- there had been a lot of dramatic changes in gas markets, particularly in the forward period, so traditionally gas prices are up-sloping but towards the tail end of last year, gas prices went into backwardation, which means the current spot price is actually higher than the forward price that you can

transact at one or two years into the future.
And so that's basically the market saying that it thinks that gas prices are going to fall, and so, you know, picking the most recent, in my mind, was important.

Q. Just to be clear, though, if you had picked the forecast shown in Column D, your conclusion would have been that market prices were actually increasing; right?

A. I think it was -- you know, I haven't done that comparison, but I think Column D is fairly close to the December curve, but I think it just goes to show what a large impact that these price curve assumptions can have.

Q. And just going back to the Columns M, N, O, and P, and each of these columns, the particular forecast or third-party forecaster provided a reference, a low and a high case as well as an expected value; correct?

A. I see that.

Q. And isn't it true, based on the percentages found on at the top of each column, that this particular forecaster weighted the reference and high case more than the low case; correct?

A. So I couldn't speak as to what those

percentages are. If that's what those are intended to represent, then yes, but I couldn't say what those are intended to represent.

Q. Well, if I represent to you that the expected value column is simply each of those percentages multiplied by the figure in the appropriate column and then added together, they just did a weighting based on those percentages --

A. Fair enough.

Q. -- and that's the expected --

A. Yeah.

Q. And just to be clear then, the expected value column in Column P is also higher than the numbers you reported in your Confidential Figure 3; correct?

A. Those numbers are higher. As we mentioned earlier, the reference case in that forecast is similar to what is in Column H.

Q. Just one moment.

Mr. Mullins, let's move on for a moment anyway. Now, you would agree that the Company's economic analysis in this case does not include any value for Renewable Energy Credits, or RECs; correct?

A. That's correct.

Q. And Mr. Link's testimony, in his second

supplemental testimony filed in February, indicated that through 2050 for every dollar of RECs included -- for every dollar assigned to RECs, it represented an additional customer benefit of $43 million. Is that your recollection of the testimony?

A. It sounds like Mr. Link's testimony.

Q. All right. If I could have you turn back, please, to those PGE comments that you filed. This would be RMP Cross-Exhibit 22 and page 15 of that case. And at the top of that page you testified in the very first -- it's an incomplete paragraph, but the very first paragraph at the top of the page, that for purposes of analyzing PGE's portfolio, you assumed that the Company could acquire RECs at a nominal levelized price of $10 per megawatt hour; correct?

A. So I'll provide an answer, but I would like to explain, if that's okay.

Q. You will have an opportunity. I just want to get the groundwork here that your comments here assumed a $10 per REC price; correct?

A. So, yeah, right, so this analysis -- yes, I assumed a $10 REC price. So to provide some background on what this analysis was, was a case where the issue at hand was whether PGE should go out and acquire unbundled RECs to fulfill its RPS requirements or whether it should build a physical generation resource.

And so, you know, in doing that analysis there's a lot of uncertainty about what REC prices will be, and so for purposes of, you know, demonstrating that it's much more beneficial to use unbundled RECs, we assumed a very high REC value and showed that even if you assume $10 per nominal megawatt hour for RECs, that it's still -- you're still better off to use RECs rather than build a new resource.

And, in fact, the price per REC could go up to $32.75 per megawatt hour before building a physical resource in this case made more sense. Now, the question in this case is whether it makes sense to assume any sort of REC price when evaluating the economics of the combined projects, and I agree with Mr. Link that it's not appropriate.

You know, as we've seen, the prices for RECs -- the market for RECs has basically evaporated. Prices are very low, and utilities are having problems even marketing the RECs that they are generating, so I agree with the Company's assumption there.

Q. Just to be clear, if you assign a $10 per REC price to the $43 million figure in Mr. Link's testimony, that would increase the net benefits of everyone of those scenarios through 2050 by $430 million; correct?

A. I haven't done the math on that, but if you were to assume such a high REC value, certainly it would produce a lot of dollars.

Q. By "such a high REC value," you mean the value you assumed when you were analyzing another utility's IRP at the beginning of 2017; correct?

A. For the purposes that I just described.

Q. If you could turn to your supplemental rebuttal testimony, this is your April testimony on page 30, please.

A. Okay.

Q. And just to lay some background here, the Company assumed that 12 percent of the cost of the transmission projects would be recovered through third-party transmission revenues; is that correct?

A. Correct.

Q. And that 12 percent assumption results in an incremental transmission revenue of about $72 million; right?

A. Could you repeat that.

Q. That assumption of a -- 12 percent of the cost would be recovered from third-party transmission customers results in an incremental transmission revenue of $72 million on a net present value basis?

A. So I don't recall the exact number, but let me just check here.

Q. If you -- it --

A. It sounds correct. Subject to check, I think I would accept --

Q. I will represent to you that it's in -- if you look at Exhibit RMP RTL-3SS. This was an exhibit to Mr. Link's February testimony. It has a line item for each of the different scenarios studied that shows that $72 million figure.

A. And, of course, that would depend on whether you're looking at the nominal or the quasi-levelized studies. So in my direct testimony -- let's see.

Q. And I'll represent to you that the exhibit I'm reading from is the nominal results through 2050, so I think we're on the same page here, figuratively.

A. So right. So yeah, that is within the range of costs associated with that assumption.

Q. And you propose an adjustment, and you

calculate it -- you describe how you calculate it, but the end result is you adjust that 12 percent figure down to 11.62 percent; correct?

A. Sorry. Going back to that.

Q. Line 664, page 32 of your testimony has that 11.62 percent figure.

A. Okay.

Q. And so you would agree then that your adjustment here effectively reduces the Company's forecast incremental transmission revenue by 3.2 percent.

A. Right. And that -- to be clear that applies to the totality of transmission revenue requirement, not the incremental transmission revenue requirement. So if you were to apply that -- the difference to just the incremental transmission revenue requirement, that would give you a different result than if you applied it to the totality.

Q. To be clear, the Company's 12 percent does not apply to the totality of its revenue requirement. It's applied to the incremental revenue requirement associated with the new transmission facilities; correct?

A. In the economic analysis, the 12 percent only applies to the incremental. However, if the percentage changes as a result of these new wind resources coming online and based on mechanics I've described here, it will apply to all revenue requirement.

Q. And just to be clear then, a 2.3 percent reduction of $72 million is an adjustment of about $2.3 million, not 25.6; right?

A. Right, and that gets to the point I was just making. If the percentage declines as a direct result of building the wind resources and still having to have transmission for front office -- to access the market and get front office transactions, that that reduction applies to the totality of revenue requirement, not just the incremental.

Q. So just to be clear then, the 12 percent and the 11.62 percent figures in your testimony, apparently are completely unrelated to one another?

A. They are not, no.

Q. One is applied to the incremental transmission revenue, and you're applying your number to the entire Company transmission revenue requirement?

A. No. So they are not unrelated. So the 12 percent applies to all revenue requirement. However -- or all transmission requirement. However, PacifiCorp's analysis only considered the incremental piece, and so when they figured out the additional revenues that would come in from third parties as a result of that incremental investment, they only considered that 12 percent would be funded by other OATT customers.

However, if the percentage actually declines when PacifiCorp builds these resources, then it's not just the incremental that gets impacted. It's the totality of revenue requirement that gets impacted.

Q. So then that 12 percent would apply to the entire revenue requirement instead of the --

A. The 12 percent is calculated based on the total revenue requirement. That's the total revenue requirement currently that's being funded by OATT customers, and so if the percent declines, then the -- it applies to the total, not just the incremental.

Q. Well, just to be clear, though, the 12 percent -- you arrive at the $72 million figure by multiplying the cost of the transmission projects by 12 percent; correct?

A. State that again.

Q. You arrive at the $72 million -- so the

Company assumed $72 million in incremental transmission revenue, and you arrive at that figure by multiplying the transmission project costs by 12 percent.

A. Right. So --

Q. And now I just want to get clarity here. So your adjustment takes that 12 percent to 11.62 percent and then applies the 11.62 percent to an entirely different number?

A. Right. It applies it to the totality of revenue requirement, and I feel like I've given this answer a few times, but the -- PacifiCorp's analysis, when they are looking at the incremental REC revenues, it only focuses on the incremental -- the incremental revenue requirement because it's assuming that that 12 percent remains constant for both incremental and the other portion for the -- and the totality of revenue requirement.

So it's assuming no change to the totality of the percent that's funded for the totality of revenue requirement and no change on the incremental as well. So what I'm saying is that, if that percentage declines down to 11.62 percent, that doesn't just impact the amount of costs that are allocated for the incremental piece; it also impacts the costs that are allocated for the totality of revenue requirement. So to be clear, that's what I have done here and -- all right.

CHAIR LEVAR: Maybe this might be a good time for a brief recess and then continue with cross-examination. Is there any objection to that from you?

MR. LOWNEY: That's fine.

CHAIR LEVAR: Okay. Why don't we recess for about 10 minutes. Well, considering issues on the floor, why don't we recess for about 15 minutes and we'll reconvene. Thank you.

(A break was taken, 10:33 to 10:51.)

CHAIR LEVAR: Okay. We're back on the record, Mr. Lowney.

MR. LOWNEY: Thank you. I just have a few final questions.

Q. Mr. Mullins, if you could turn to your directs testimony, please.

A. Okay.

Q. Page 27. And just to provide a little background, this is something you also discussed in your summary this morning, and this section of your testimony is describing the analysis you did on the Company's historical forward price curves; correct?

A. Correct.

Q. And on the top of page 27, you described how your comparison looked at the percentage difference between a price that was forecast in a forward curve and the ultimate spot price for the given prompt-month; correct?

A. Correct.

Q. Are you aware that Mr. Link testified that market participants cannot transact on a spot price forecast?

A. So I'm -- I don't recall him saying those specific words, but to explain, you know, what I did here was I used the actual monthly -- reported monthly prices, which, you know, maybe not actually spot prices per se, but just the prices that are reported based on actual transactions that occurred over the course of the month, and those were provided by PacifiCorp so --

Q. I guess what I'm taking issue with a little bit is you're comparing it to the spot price and -- here I'll just read you what Mr. Link testified to. This is from his supplemental direct and rebuttal testimony. This was the January filing. On page 58, line 1185, he testified that "comparing forward prices to actual spot prices is a misapplication of

forecast error because market forwards, which are used in the first 84 months of the official forward price curve, are observed and not forecasted."

Does that refresh your recollection about Mr. Link's testimony in this case?

A. Right. But I don't understand that to mean that the Company can't transact on spot prices, so on a day-ahead basis, the Company will go out and buy gas for its power plants and it buys that on -- based on -- and those are the transactions that get summarized into the monthly values that I use in this analysis. So I'm not necessarily -- I don't necessarily agree with what you've stated there.

Q. And Mr. Link also testified on the very next page, page 59, that "market forwards reflect pricing for contracts that reflect a price on a given quote date at which buyers and sellers are transacting for future delivery." Correct?

A. Sorry? The forwards?

Q. Yes.

A. Right. So -- right. So PacifiCorp's forward price curve, the first, I think, 72 months, is based off of market forwards, and so part of this analysis or -- actually, I guess all of this analysis would -- it compares the -- PacifiCorp's price curve, which is really market forwards, to what the actual prices were.

And it shows overwhelmingly that those forward prices are higher than the actual prices that occur in any given month, and so that actually is a lot of different implication on just the utility's planning and hedging. Because if we're going out and executing hedges, for example, based on this curve, we're basically, you know, based off of this pattern, we're locking in hedging losses as a result of relying on that curve.

And I believe one of the DPU witnesses may have touched on that, but I guess -- and also -- I didn't do this analysis here -- but I've done longer-term analyses for other utilities going back as far to 2000, and it shows that this trend very consistently increases with an upwards slope.

Now, in this case we asked for the longer period of data, but PacifiCorp -- or we asked PacifiCorp to provide whatever data that it believed would be relevant in performing this analysis, and this is the information that they provided. But the same trend is true if you view it over a longer period, and, in fact, it's exacerbated further over a longer period.

Q. Just to be clear, Mr. Mullins, I think you testified to this fact, but I just want to confirm it, that the Company's, in the first 84 months of the official forward price curve, it's based on actual forward prices, meaning it's prices based on observed market transactions, not forecasts; correct?

A. PacifiCorp's forecast is based off of forward prices, and so, you know, it's one and the same, I guess. Whether you're calling it a forecast or forward prices, you come to the same result, and you can conclude that the -- you can conclude that PacifiCorp forecast is overstated or you could conclude that the forward prices are overstated, either way.

If you're viewing it from the forward-prices perspective, basically what you would be concluding is that there's actually, you know, risk premiums embedded in those forward prices, and so that means that in order to enter into one of those forward contracts, the counter-party is going to demand an extra amount above what they expect the ultimate market price to be in order to lock in that price over the long term.

And so, you know, really I think it's a point kind of without distinction in this case, whether, you know, you view this period to be forward prices or a forecast, because the forward prices are the forecast.

MR. LOWNEY: Thank you, Mr. Mullins. I have no further questions. And just before I end, I would just move to admit Cross-examination Exhibits 23, 24, 25, 26, 27, 22, and 30.

CHAIR LEVAR: Okay. I'll add one clarification to that motion, that the Cross-Exhibit 30 if it's entered should only be reflected in the confidential transcripts.

MR. LOWNEY: Correct.

CHAIR LEVAR: And should not be in the public transcript.

Is there any objection to that motion?

MR. RUSSELL: No.

CHAIR LEVAR: Okay. The motion is granted.

(RMP Cross-Exhibits 22, 23, 24, 25, 26, 27, and 30 were received.)

CHAIR LEVAR: Mr. Russell, do you have any redirect?

MR. RUSSELL: Have we finished with cross? I know the Company is done. I don't know if we made it all the way around the room.

CHAIR LEVAR: I think I got to everyone for cross.

MR. RUSSELL: I forgot.

CHAIR LEVAR: If I missed you, let me know right now, but I don't think I missed anybody.

MR. RUSSELL: I do have some redirect and it may well be that Mr. Baker also has some redirect, but I'll get through mine and we'll see where we are.

REDIRECT EXAMINATION

BY MR. RUSSELL:

Q.   Mr. Mullins, do you recall counsel asking you questions about -- I believe it was Cross-Exhibit 22 -- relating to some comments you made regarding pricing or prices for renewable energy credits?

A.   Yes.

Q.   Okay. And you indicated in your responses to counsel's questions that your statement regarding a price for renewable energy credits was a -- perhaps -- I don't want to put words in your mouth -- you can just explain to us what analysis you were performing there and what for what purpose it was provided.

A.   Right. And so the $10 per megawatt hour that I used there was really an illustrative value to prove the point that I mentioned earlier that it's much more cost effective for PGE to go out and acquire RECs rather than build a new resource.

And, you know, the same doesn't apply in this case, and so, you know, from my perspective the reasonable way to view it is to assume there won't be a market for RECs, and so with that we agree with the Company's approach.

Q. Just to clarify that point, the Company has not assumed a value for RECs; is that correct?

A. Correct.

Q. And you agree that's a reasonable approach?

A. Yes.

Q. Okay. Counsel also asked you a number of questions about your use or your reflection of the Company's 20-year analysis or economic analysis in your testimony. By using that 20-year analysis, are you endorsing either the use of a 20-year time frame or the numbers involved?

A. No. In my direct testimony I referred to the 20-year period, but as I mentioned earlier, you know, I didn't necessarily object to the assumptions in the initial -- in the 20-year study in the initial testimony, but once the PTC levelization and the terminal value were changed in PacifiCorp's supplemental testimony, there was a gap between, you know, the nominal and the levelized, and so that's why I believe that, you know, nominal studies in PacifiCorp's supplemental direct testimony are more appropriate.

Q. I want to make it clear what you're referring to when you're talking about this gap between nominal and levelized.

Do you want to address just that issue? I can ask it to you question by question, but we might get there more quickly if you just explain it.

A. Yeah, and I guess I would -- when I reviewed the supplemental testimony, it was apparent to me that the economics between the nominal study and the levelized study, they departed quite dramatically. And I don't have the numbers memorized off the top of my head.

But, you know, as a result of -- and that was primarily due to these levelization assumptions that were used, and, you know, my expectation is that if you were to use a levelized study, really the idea is to -- should be fairly close to what the nominal results are. Present value to levelized should equal or be about equal to the present value of the nominal study, and we saw that, you know, diverge quite substantially in the supplemental filing.

Q. Okay. I want to get to this point on the record, and so I'll try to just ask. When you're talking about the levelized study and levelized treatment of tax credits, does that mean that those tax credits are given an equal value in every year of the term of the project? Is that how that works?

A. Well, I think it gets into the way that those benefits get levelized to the resource costs, and so by including them nominally since they occur in the study period, you know, you avoid the capital costs beyond the end of the study period, but you're including all of the PTC benefits within the study period.

And so, you know, without considering the costs beyond the end of the study period, it doesn't make sense to include the levelized -- or the PTCs in there on a nominal basis.

Q. And just to be clear, the Company did use -- or did the Company use a levelized basis for tax credits in its IRP in its direct filing here?

A. They did use a levelized approach to production tax credits in their initial filing.

Q. And it was -- I don't remember which round of testimony it was, but they at some point switched to using --

A. Right.

Q. -- a nominal basis is for PTCs; is that --

A. Right. And so my concern is they were mismatching nominal and levelized assumptions, and so from that perspective I didn't view the semi -- the quasi-levelized 20-year studies to be appropriate.

MR. RUSSELL: Okay. I don't have any further redirect questions.

CHAIR LEVAR: Did that redirect prompt any recross from any party? Please indicate to me if it did. Anyone else besides Mr. Michel? I'm not seeing any indication?

Okay. So, Mr. Michel, I'll allow you some recross.

MR. MICHEL: Thank you, Mr. Chairman.

RECROSS-EXAMINATION

BY MR. MICHEL:

Q. Mr. Mullins, counsel asked you about your use of a $10 REC price. Do you recall that?

A. Yes.

Q. And the reason REC prices currently are priced so low is because there's currently a surplus of RECs in the market. Would you agree with that?

A. Yes.

Q. And the reason there is a surplus is

because many utilities are developing renewables for economic reasons without regards to RPS requirements; is that right?

A. I would agree that utilities are developing a lot of renewables, but it's not just limited to utilities. There's a lot of independent power producers developing renewables. There's a lot of individual consumers building rooftop solar, for example.

In fact, I think a few weeks ago there was a new rule or requirement in California where all new residential dwellings were required to have rooftop solar installed. And so it's not just limited to utilities, and from my perspective, I'm expecting that trend to increase or to -- into the future.

Q. And you also anticipate that state RPS requirements are going to be increasing over time?

A. Absolutely. On the West Coast there is continual pressure to up those. We've seen it in Oregon. There's -- I don't have the years memorized. I think it's in 2040s where they transition to a 50 percent RPS, but what we're seeing is utilities have already built so many renewables that they are resource-sufficient for a very long time into the future, and certainly that could change, but, you know, my expectation is that it will be a long time before that might flip.

MR. MICHEL: That's all I have. Thank you, Mr. Mullins.

CHAIR LEVAR: Thank you, Mr. Michel.

Commissioner White, do you have any questions for Mr. Mullins?

COMMISSIONER WHITE: Yeah, just one question. You may have touched on this some in your summary, but there's been a lot of discussion back and forth about this transmission and its need and whether its need is tied to the wind or, you know -- I guess "chicken and egg" kind of thing.

BRAD MULLINS: Right.

COMMISSIONER WHITE: Is there any reason to believe, based upon your expertise, that the transmission line will not be needed in 2024?

BRAD MULLINS: Well, so the way I've been kind of looking at it -- and, you know, need I guess that's also kind of a perspective kind of issue, but, you know, what if we can avoid building the transmission line is the way I'm thinking about it. And, you know, if you look to -- at least to the northwest, we've seen -- there are a lot of transmission lines being planned, the

BPA I-5 Corridor project, for example, had been planned for many years, but utilities are finding ways to mitigate those transmission constraints without going through the very expensive process of building transmission.

And so, you know, I can't speak to the assumptions that were put into the NTTG studies, for example, but what I can say is that, you know, we really should try to take efforts to try to avoid these expensive transmission investments and looking to non-wired solutions, for example, DSM and these other options, to avoid expensive build-outs of the transmission system.

So if you do it from that perspective, you know, by not proceeding with the wind projects, we can avoid the -- is that a confidential number? The costs of the transmission projects?

MS. MCDOWELL: No.

BRAD MULLINS: The 600 to $700 million investment in the transmission system.

COMMISSIONER WHITE: So if I'm hearing you correctly, you're saying that if the line is needed but they potentially could explore DSM to avoid the need to build the line?

BRAD MULLINS: Well, so, you know, I personally don't think it's a needed investment. I think we heard Mr. Hayet mention earlier that there's a lot of, you know, transmission segments included in that plan. So the fact that it's included in the plan or not wouldn't -- doesn't necessarily mean that it will actually be built.

And, you know, as we go forward, at least from my perspective, we should try to find ways to avoid building new transmission, and so by not approving the wind projects and the transmission, we can do that.

And given the fact that loads, at least in Wyoming, are not increasing and we have these opportunities for solar resources located much closer to load, I think that's a reasonable thing to expect.

COMMISSIONER WHITE: Thank you. That's all questions I have.

CHAIR LEVAR: Commissioner Clark, do you have any questions?

COMMISSIONER CLARK: Mr. Mullins, you have some testimony in your supplemental rebuttal that addresses the solar RFP. You're referring to the 2017S RFP --

BRAD MULLINS: Correct.

COMMISSIONER CLARK: -- that's been referred to elsewhere in this docket?

BRAD MULLINS: Yes.

COMMISSIONER CLARK: And you represent that there were 1419 megawatts of measured nameplate capacity -- by the way I'm on page 20 of your --

BRAD MULLINS: Okay.

COMMISSIONER CLARK: -- supplemental rebuttal.

What's your source for that number?

BRAD MULLINS: You know, I don't recall. It may have been the -- the solar IE report so -- and I obviously don't have a cite there, but that was, I guess, based off my understanding that was the number that I understood.

COMMISSIONER CLARK: Later on that page you compare the nominal benefit of the combined projects -- by that I mean the wind projects under a medium gas/medium CO2 scenario -- from Mr. Link's testimony, identified as $166 million and some change, I'll call it. That's a lot of change for me, but roughly $166 million.

And then you state that the modeling of the final shortlist for the solar RFP produced a nominal revenue requirement benefit of $424 million and some additional, in the same medium case -- medium gas/medium CO2 case. So what's the source of that number?

BRAD MULLINS: So that is from the work papers provided in Mr. Link's -- I want to say it was the corrected -- you know, I forget the names of all the filings, but it's the corrected February filing, so there was sort of an initial filing and then there was some minor corrections to that. It was February -- maybe February 23rd or something.

COMMISSIONER CLARK: February 23, 2018 is what I show for that.

BRAD MULLINS: Right. And there were work papers provided along with that, and in those work papers there were annual revenue requirements for both the combined projects viewed in isolation, for the solar projects viewed in isolation, and for the solar and wind projects combined.

And so if you compared the annual -- the present value of those annual revenue requirements of the wind -- wind projects to the solar projects, it was -- on a nominal basis, it was very apparent that the solar projects were, as I say here, 2.5 times -- they produced 2.5 times greater net benefits to ratepayers.

COMMISSIONER CLARK: On the next page you present a benefits number of 216 million-plus that is associated with the solar RFP also but derived using the zero carbon price-policy scenario and the low gas --

BRAD MULLINS: Right.

COMMISSIONER CLARK: -- assumption. Is the source of that number the same as --

BRAD MULLINS: Yes, yes. And so there were -- for the wind projects there were revenue requirements listed for all of the cases, but for the solar projects, if I am remembering correctly, there were only -- the revenue requirements were only reported for a medium gas/medium CO2 scenario and for a low gas/zero CO2 scenario.

So we didn't look at, I guess, the flip side, you know, the high gas scenarios with respect to solar, and that's why in this case I selected the zero carbon absent -- I would normally select the medium carbon in that -- if I were to do this scenario -- or this analysis. Excuse me.

COMMISSIONER CLARK: Those are all my questions. Thank you.

CHAIR LEVAR: Thank you. I think I just have one more.

You criticized some of the utility's modeling with respect to the EIM and how that might affect the benefit of these projects. A little more broadly than that, if we assume a future that has increased regionalization across the West to some extent in some form, is there a way to say generally whether that has a positive or a negative impact on the benefits to ratepayers of these combined projects?

BRAD MULLINS: I think that's actually a good question, and I think that, you know, I was -- I'm struggling with that, and I view it to be a rather large -- large risk. You know, when we're going through the whole CAISO process, looking at the regional expansion of the CAISO, one of the issues was how transmission costs get spread amongst all of the participants.

And so, you know, if you were to -- right. So that could have some impacts, so potentially if you had -- that could spread the costs of the transmission projects even further if those get regionalized or -- but in the flip side, if you adopt sort of a single transmission rate for the whole region, you would be picking up the high cost of California transmission.

And then the other issue is how the -- besides the transmission, how does the generation get

treated in the market, and so, you know, it would
actually probably relate a lot to how the MSP
develops going forward as well. But, you know, in
the market, basically what happens is the generation
gets priced at whatever the nominal price is at any
given point, and you also have the loads that get
assigned a separate price.
          PacifiCorp system, it's all one big system,
so it's the same price for generation as it is for
loads, but in the market you could have situations
where the costs at the generator is different than
the -- or the price at the generator is different
than at loads, and so whether -- depending on whether
that's a positive or negative spread, that will
affect the overall economics.
          Now, what we've seen in Wyoming is that
there has been congestion -- at least in the EIM
there's been congestion, and those locational prices
have been quite low in Wyoming. And so if you were
to take that example and sort of move it into a
regionalization, you would be marking the generation
from these resources at a pretty low price, but then
the load that's being used to serve -- or the --
yeah, the load that those resources are being used to
serve would be assigned a higher price. And so based

off of that, it wouldn't produce the same economics here. It would be less favorable.

And the same is true in like a subscription framework, for example. So if these are subscribed resources, then Utah's load will pay the Utah price but the generation will receive the Wyoming price, and if that price is lower, then that will harm Utah.

And so, you know, that's one of the reasons for my -- at least from my perspective, you know, as we're planning going forward, it makes a lot of sense to be building resources close to your loads because then the resources and the loads are assigned about the same price. You don't have that potential for diversion between the resources -- the value of the resources and value of loads.

So that's a long-winded answer, but generally speaking, we view that to be a large risk, and I don't know the precise way that it goes, but it does have a lot of potential to diminish the value of the projects.

CHAIR LEVAR: Thank you. I appreciate that answer. I don't have any other questions. So thank you for your testimony today.

BRAD MULLINS: Thank you.

CHAIR LEVAR: Anything else from UAE or UIEC?

MR. RUSSELL: No, I don't believe. So Mr. Mullins has very much enjoyed his time, but I think he probably would like to leave. Is there any objection to Mr. Mullins being excused?

CHAIR LEVAR: Let me ask if any party or commissioner has any reason otherwise -- I'm not seeing any, so thank you for spending the last few days with us, Mr. Mullins.

BRAD MULLINS: I appreciate it.

CHAIR LEVAR: So nothing else further from UAE or UIEC?

MR. RUSSELL: That's correct, Mr. Chairman.

CHAIR LEVAR: I've had an issue brought to my attention that we probably need to make an improvement in the record. A couple of days ago when you entered Mr. Teply's testimony and exhibits for the record, you referred to the highly confidential exhibits that were stricken out on your exhibit list.

And you started to read those and I suggested you didn't need to bother reading the ones that were stricken out because we all had this in front of us, but this exhibit list is not in the record.

So we don't have anything on the record that shows which of these exhibits were not entered.

I can see two options. We can either redo your motion and read those into the record or we can enter this exhibit list into the record, whichever you prefer.

MR. LOWNEY: Either one is fine. I will note there's only five exhibits that are stricken, so it won't take very long to walk through them orally. I'm fine if it's logically easier to just enter the exhibit list, whatever your preference is.

CHAIR LEVAR: Why don't we redo the motion to enter Mr. Teply's testimony and exhibits into the record and then we'll have it in the transcript.

MR. LOWNEY: I would move to introduce Mr. Teply's testimony and exhibits into the record, that would be his direct testimony, his supplemental direct and rebuttal testimony, his second supplemental direct testimony, and his surrebuttal testimony along with all of the exhibits with the exceptions of the following five exhibits, which we are not moving into the record.

Those would be exhibits numbered CAT 1-1, CAT 1-7, and those were both part of Mr. Teply's -- in support of Mr. Teply's direct testimony. And then CAT 3-1, CAT 3-2, and CAT 3-7. And those were, actually, also in support of Mr. Teply's direct testimony.

CHAIR LEVAR: Okay. If there's any option to this modified motion, please indicate to me. I'm not seeing any, so thank you, the motion is granted.

MR. LOWNEY: Thank you.

(Prefiled Testimony and Exhibits of C. Teply were received with exception of CAT 1-1 CAT 1-7, CAT 3-1, CAT 3-2, and CAT 3-7.)

CHAIR LEVAR: And I'm sorry for creating that problem for us.

Anything else before we move to closing statements?

MS. SCHMID: Yes.

CHAIR LEVAR: Mr. Schmid.

MS. SCHMID: In light of the hour, with the two-hour closing statement window the Commission offered, we're going to be going into the afternoon anyway.

CHAIR LEVAR: Yes.

MS. SCHMID: I would like to suggest we have a slightly longer than normal lunch break and resume at perhaps 1:00.

CHAIR LEVAR: Is there any objection to that from anyone in the room?

MR. MICHEL: Mr. Chair, if that's what the

Commission desires, we can certainly accommodate that. I do have a flight at 3:00 and would need to leave by 2:00, and I was planning to be the one that would present our closing arguments, so to the extent we could get done by 2:00, that would be preferable from our standpoint, but we can accommodate whatever the Commission desires.

CHAIR LEVAR: Is there any reason we couldn't take WRA closing statements now? Is there any reason we need to go in any particular order? Would anybody feel prejudiced by doing Mr. Michel's closing statement now before we break.

MR. MICHEL: I think we'd feel prejudiced, but we can do that. We're happy to do that, certainly. That would be fine. Or if we could go first after lunch that would work as well.

CHAIR LEVAR: Preference for either of those outcomes? Which would you prefer?

MS. MCDOWELL: Maybe just to give you a little bit of context --

CHAIR LEVAR: Sure.

MS. MCDOWELL: -- on how we've decided to allocate the time. I believe that the parties have agreed that the Company would take 40 minutes and the other three interveners would take 20, and I

believe --
CHAIR LEVAR: Between the three. Okay.
MS. MCDOWELL: Yeah, and I think what we had decided tentatively that the Company would have an opening -- the opening aspect of its closing argument would be 20 to 25 minutes and then another three parties would go to supplement what we were -- what we had argued, and then we would save the remainder of our time, 15 or 20 minutes for rebuttal so --
CHAIR LEVAR: Sure.
MS. MCDOWELL: I think what is being articulated to you is it would be most natural for them to go after our statement which would then -- our argument which would then frame the argument probably for them.
CHAIR LEVAR: As long as we finish by 2:00 are you --
MR. MICHEL: Yes, that would be fine.
CHAIR LEVAR: Although questioning from us for yours -- if we break until 1:00 questioning from us after your opening statement might push us close on yours, so with all those caveats -- we only have a couple of options. We can go out of order or we can come back at 1:00 and hopefully get through him in

time to get his flight.

MS. SCHMID: Alternatively, perhaps we could come back at 12:30.

CHAIR LEVAR: Okay. Any objection to breaking until 12:30?

MR. MICHEL: That would be helpful. Thank you.

CHAIR LEVAR: Okay. Why don't we adjourn until 12:30. Not adjourn. Recess until 12:30.

(A lunch break was taken.)

(Start of recording supplement to page 122)

CHAIR LEVAR: Okay. We're back for closing statements in Public Service Commission Docket 17-035-40, Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision.

So I think the first closing statement was going to be by Rocky Mountain Power.

MS. MCDOWELL: Thank you.

CHAIR LEVAR: You had agreed for a total of 40 minutes where you were going to reserve ten for rebuttal or 20 for rebuttal.

MS. MCDOWELL: Yeah. My goal will be 15 to 20 but probably --

CHAIR LEVAR: Okay.

MS. MCDOWELL: -- 15 is what we'll shoot for and we'll just see how it rolls.

CHAIR LEVAR: Okay.

MS. MCDOWELL: So let me just say good afternoon and thank you. I want to thank you both for managing this procedurally complex case during the last year and for presiding over a very important hearing this week. We are grateful. And I also want to thank you for the opportunity to provide a closing argument today in support of Company's request.

We are here because the Company is convinced and believes we have demonstrated through this proceeding that the combined projects will provide significant net benefits to Utah customers including 1.2 billion in production tax credits, additional capacity, and reduced market reliance, zero-fuel-cost energy, and improved system reliability.

The Company's request for resource approval is under Part 3 of Title 54 Chapter 17 for the Cedar Springs Ekola Flats and TB Flats wind projects and under Part 4 for the 140-mile 500 kV Aeolus-to Bridger/Anticline transmission line and network upgrades.

Bringing the requirements of parts 3 and 4 together, the Commission must find, first, that the wind projects were acquired in compliance with the solicitation process approved by the Commission; and, two, that the combined projects are in the public interest, taking into consideration the six factors specified in Utah Section 54-17-302(3)(c) and 54-17-402 (3)(b).

Those same six factors are matched in the solicitation statute, so in each of the three operative statutes, we have the six specified factors, which I'll go through in my arguments today.

Now, it's important to note that with respect to the public interest standard, the statute does not dictate how the Commission should weigh those specified factors or otherwise restrict the Commission's discretion in determining whether the public interest standard is specified.

This is consistent with the Commission's overall framework in which it operates. Courts have recognized that the Commission is charged with the responsibility of regulating utilities in the public interest and has considerable latitude in how it carries out that responsibility.

And the cite for that in case you want to check it, it's White River Shale Oil Corp versus

Public Service Commission, 700 Pacific 2d 1088 1985.

So, in other words, while the Commission must consider the evidence related to each factor and state its findings, it is not required to give any factor any particular weight. The Commission looks at that on a case-by-case basis.

So let me move to the first requirement and whether or not the wind projects were acquired in compliance with an approved RFP, and the answer is yes, they were. The Commission approved the 2017R RFP in Docket 17-035-23 in its September 22, 2017 Order. As a result of that Order, an IE was appointed to monitor the solicitation, and we all heard the findings of the IE over the last few days.

The IE found that the RFP was robust. There were 72 bids, and the amount exceeded the capacity requested by a ratio of 5.5 to 1. The IE found that PacifiCorp conformed to the requirements of the solicitation rules. The IE found that the final portfolio was in the public interest and that the wind projects will result in significant savings to customers.

The Division in Mr. Peterson's testimony supported these findings, notably including the IE's determination that the solicitation was in the public interest.

Now, the Commission's RFP approval order suggested but did not require a modification to the RFP to add solar resources to the solicitation. To respond, the Company conducted a separate but concurrent solar RFP and then evaluated both wind and solar resources as if offered under a single RFP.

When the bid selection model, which is the system optimizer, or SO model -- that's our portfolio model -- was able to select from both the wind and solar bids, it did not select solar over wind. Instead it chose both. In other words, it saw that there were benefits of wind and benefits of solar, but together there were the greatest benefits.

And this demonstrates that the Company's strategy of moving forward sequentially, first with wind and then later moving to solar, is the lowest-cost resource choice for customers.

As both Ms. Crane and Mr. Link testified, the Company is currently engaged in discussions with solar developers following up on opportunities that were identified in the solar RFP.

Now, while there has been some discussion in this hearing about whether the Company should have conducted an all-source RFP, the Company's IRP portfolio modeling -- again, done under its SO model -- made clear that wind was the most cost-effective resource choice available.

We have addressed and tested how solar resources compare, and no party has provided any evidence that any other resource choice would have been cost effective. In this context, especially given the time limited opportunity involved, a targeted solicitation like the one the Company conducted was reasonable.

Now, let me move to the second requirement which is whether or not the combined projects are in the public interest, taking into account the six specified factors in the statute. And I should say "statutes" because we're operating under both the voluntary resource statute and the significant energy resource decision statute.

Since they have the same factors, I'm going to go through them together for both sets of resources. So, first, the evidence shows that the combined projects will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to Utah retail customers.

Like the repowering case, the totality of our modeling or all of the modeling supports the finding that the combined projects will most likely result in net customer benefits. The Company's economic analysis measured customer benefits under nine different price-policy scenarios through 2036 and 2050, the same price-policy scenarios used in the repowering case.

The 18 scenarios presented, the combined projects showed net customer benefits in 16 of 18 scenarios, using the base case assumptions, the net benefits of the combined projects are 338 million when assessed through 2036, and they are 174 million when assessed through 2050.

Now, as you've heard, particularly from Mr. Link, these projected net benefits are conservative and leave significant upside benefits. The modeling, first of all, does not include the 300 million net present value cost of building the Aeolus-to Bridger/Anticline transmission line in the base case. There is a near term need for this line, which I'll discuss when we get to the reliability factor.

Considering these costs, the 300 million MPV costs in the base case would result in substantial net benefits in any of the sensitivities and also demonstrates substantial additional value for wind as compared to the solar resources which would be developed independent of that transmission line.

Other conservative assumptions in the Company's analysis include un-modeled transfer capability. I think that's about a 27 percent increase in transfer capability that ultimately came out of our latest assessments, which was not incorporated in our net benefits analysis; O&M savings resulting from the use of larger turbine blades at a couple of the projects; REC values, same factors that you looked at in the repowering case; and understated CO2 assumptions.

So moving on to the second factor, which is -- basically the impact of the resource decision in both a short- and long-term view. We've interpreted that factor is really what is the impact on customers? The Company has, you know, measured those impacts through forecasts that look at a range of time horizons, both short- and long-term.

Over the 30-year life of the wind projects, we've demonstrated that the time combined projects are expected to generate net customer benefits in 24 of the 30 years. And you've also heard evidence that in the first full year of operation, the Company expects rate impacts of about 1.4 percent with an expectation of declining rate impacts thereafter.

So turning to the third factor, which is a factor that just states risk, I think you can look at it from both sides, the risk of foregoing the project and the risk of going forward. In our opinion, the risks of foregoing of the combined project are greater than the risks of approval of the project.

A do-nothing strategy increases the Company's reliance on the market, which is problematic as you move into -- I think as we're looking forward to a period of retirement of numerous plants, it increases the carbon intensity of PacifiCorp's system and includes the very real and substantial risk that customers will bear the cost of needed transmission infrastructure without the benefit of PTC-eligible wind resources to subsidize that line.

On the risk side, the risks of going forward, you've heard evidence that the Company has worked hard to manage the project risks and has assumed the risks within its control, particularly the critical risk of PTC qualification.

You've also heard that the installed

capacity for the wind projects has decreased significantly from the proxy projects we began with. We market tested those wind projects and the costs have come down substantially over the course of this case.

The risk of delay beyond 2020 has also decreased. Through the Wyoming CPCN process, the Company has resolved key rights-of-way issues with approximately 50 percent of the largest landowners affected by the combined projects, clearly the way for the Company to meet its project schedule and budget for obtaining its rights-of-way.

The Company has also agreed to negotiate a mechanical availability guarantee at the market standard, which is 97 percent, in any third-party maintenance agreements, ensuring that the wind projects will be available to perform as forecast.

Now, the fourth and fifth statutory factors, which is whether the combined projects will enhance system reliability and whether they will have any impact on the Company's financial status, neither of those factors have really been disputed by any party. With respect to enhanced reliability, it's clear that the Bridger -- Aeolus line is in the Company's long-term transmission plan. There's no dispute about that.

It also provides critical voltage support and additional operational flexibility for the system, allowing the Company to avoid reliability issues, not to wait until they happen, but to actively, proactively work to avoid those issues on its system.

And to be clear, the congestion on the transmission system will persist without the new line even if there is no additional wind and even after the Dave Johnston plant retires. Without the new line, the existing generation would still exceed the existing transmission capacity even after Dave Johnston retires.

Now, there is a last catchall factor which is basically any factor that the Commission determines is relevant and important to its consideration. It seems like under that factor is where the parties have suggested that the Commission needs to look at the need requirement. The need requirement is not specified in the factor but certainly -- in the factors, but certainly is an issue the parties have addressed. So presumably that is where the parties are suggesting you take a look at it.

And I want to just make clear that we believe the evidence demonstrates clearly that there is a capacity need. The most recent IRP load forecast and resource balance shows an immediate capacity shortfall, nearly 600 megawatts in 2021 rising to over 3,000 megawatts by 2036.

Now, folks have said a lot of things about need, but nobody has disputed those numbers which are the most recent numbers coming out of the IRP update that was just filed. Those numbers are also the numbers that are reflected in the Company's economic analysis. The load and resource balance, that is, you know, a part of the IRP update is also a part of the Company's updated economic analysis.

You've also heard that the capacity contribution of the proposed new wind projects is just over 180 megawatts, which is well below the projected near-term and long-term need. It would be contrary to basic least-cost principles and IRP standards and guidelines to reject the combined projects as unneeded when they are more economic than market purchases or front office transactions.

Now, because the combined projects are in the public interest and meet each of the factors required for approval under the applicable statutes, the Commission should reject the parties' proposals for conditions on approval including a hard cost cap.

Basically there are several proposals being made by the parties that the Company be capped at its current estimated costs of construction. We believe that to condition approval on a hard cap is contrary to the statute inasmuch as it would prospectively and arbitrarily preclude the Commission's ability to review costs later that may be prudently incurred.

We also believe that the resource approval statutes provide appropriate procedures for the Commission to closely scrutinize the Company's performance in implementing these projects, making such conditions unnecessary.

So in summary, the evidence provided by the Company demonstrates the combined projects are in the public interest and meet each of the specified statutory requirements. The combined projects are most likely to lower customer costs, have a beneficial near- and long-term customer impact, are lower risk than a do-nothing resource strategy across a broad range of potential future market and system conditions.

So for the future energy needs of Utah customers, the Company respectfully requests that the

Commission approve its request for resource approval in this docket. Thank you.
CHAIR LEVAR: Okay. Thank you. We appreciate that statement.
Commissioner White, do you have any questions for her? And if we're tracking time, you used about 16 minutes.
MS. MCDOWELL: Okay.
COMMISSIONER WHITE: I have no questions right now. Thanks.
CHAIR LEVAR: Commissioner Clark?
COMMISSIONER CLARK: No questions. Thank you.
MS. MCDOWELL: Thank you.
CHAIR LEVAR: I have a few. You discussed capacity need as falling under the catchall "other factors to consider." Is there any argument that capacity need relates to the first factor, whether it's -- whether solicitation will most likely in the acquisition, production, and delivery of electricity at lowest reasonable cost to retail customers? Doesn't capacity need relate to other electricity that might be available through front office transactions and which will be the low -- which option will provide the lowest cost to retail customers?

MS. MCDOWELL: You know, I suppose it could. You know, in looking over the parties' filings in both this case and the repowering docket where similar issues were made, it seemed like folks were suggesting it was under the other factors -- the other considerations factor. But -- and really, as the Commission -- in the cases I've looked at where you're looking at that -- low-cost factor I think is what people call it -- you know, my interpretation of the orders has really been that that is the factor where the Commission looks at the net benefits; it looks at the economic issues.

So while I think some people have suggested you have to compare every resource, I think the Commission has reasonably construed that low-cost factor to really be the factor that asks the Commission to scrutinize the economic analysis and determine if there's net benefits, determine if it's a cost-effective resource.

And the Commission appears to, you know, have looked at a variety of considerations in making that determination, certainly capacity need could be one of those.

CHAIR LEVAR: Okay. Thank you. A couple more questions -- and please don't read anything into

these questions, but I think we just want to develop
the record of options in front of us.
          If the Commission were to decline to
approve the application, what would you view as being
the regulatory status of sunk costs that were
expended to meet the Safe Harbor 2016 requirements?
     MS. MCDOWELL: You know, I would need to
research that issue. I know there is a provision in
the statute around benchmark -- recovery of benchmark
resources and, you know, I just -- I think there are
some particular statutory provisions that might
apply. So that is a question I can't just give you
an answer to without taking a closer look at it. I
guess I haven't like tried to go to that scenario
so --
     CHAIR LEVAR: Understandably, yeah.
     MS. MCDOWELL: Trying to be optimistic here.
     CHAIR LEVAR: You haven't provided us those
options in your case.
     MS. MCDOWELL: No, no. I'm trying not to think
about that.
     CHAIR LEVAR: Well, I have one more question
along that same line. Again, you may not be ready to
answer right at this moment. Part five of the
chapter we're dealing with has a waiver option. If

we issued a decision denying the application, in your view is the waiver option still applicable or is it only applicable in lieu of what the Utility's already done?

MS. MCDOWELL: Are you saying do you have the option of denying the application but allowing a waiver? Is that the question?

CHAIR LEVAR: I think that's essentially what I'm asking although I think waiver statute has some required steps that haven't occurred in this docket, at least arguably, but that's roughly the question I'm asking.

MS. MCDOWELL: Well, let me just say this: For the wind projects, which are a significant energy resource decision, for the Company to move forward it would require a waiver if you deny the resource application. So, you know, my sense is that the record we've developed here would probably be sufficient to meet the requirements of the waiver statute. I mean we would have to go through and look to see whether there was any additional process that would be required, but, you know, certainly if your intention is to allow the project to go forward but reserve judgment on them, then that would require a waiver for the wind projects. The Company couldn't move forward without them.

CHAIR LEVAR: Okay. Thank you. I appreciate those answers. I think those are all my questions, so with that we go to Mr. Michel next.

MR. MICHEL: Thank you. And good afternoon, Chairman LeVar, Commissioner White, Commissioner Clark. I want to thank you, again, for shortening the lunch hour a bit to accommodate my travel, and thank you for providing the opportunity for us to present closing arguments.

As you heard from Ms. Kelly yesterday, WRA supports approval of the combined projects. We believe the projects are in the public interest to meet the statutory requirements of the Utah Code Sections 54-17-302 and -402. The statutory scheme in Utah allows the Commission to approve the projects if they are in the public interest after considering a set of enumerated factors.

With regard to those factors, WRA and other parties have presented evidence that the projects result in utility services at the lowest reasonable cost to customers, that they reduce risk and uncertainty, provide short- and long-term benefits, enhance system reliability, and provide the Company an opportunity to earn a return on invested capital.

In addition, development of the combined projects is environmentally responsible and -- quote, will promote the safety, health, comfort, and convenience of the public -- consistent with Utah Code 54-3-1.

The hearings over the past few days have shown a need for the combined projects. They would reduce risk, reduce PacifiCorp's capacity shortfall, and are very likely to reduce system costs and provide customer savings. On the other hand, denial of the projects and foregoing the associated production tax credits will most likely result in higher costs and risks for PacifiCorp customers.

While some have argued that the combined projects provide little capacity value to PacifiCorp's system -- and that is true -- the projects nevertheless are the least-cost means by which to provide 180 megawatts of capacity. In fact, because the PTC opportunity -- because of the PTC that now exists, the projects will very likely provide that capacity while at the same time saving customers money. This is a much better alternative than continued reliance on front office transactions with their inherent costs and risks.

But at the end of the day, the Division's witness Mr. Peaco testified that if the Commission found that the projects were likely or would lower costs and risks, then they should be approved. Another of the arguments you have heard is that development of solar resource be pursued instead. That is a false choice.

If both types of resources are beneficial, they should both be developed. In fact, as Ms. Kelly testified, solar and wind resources can compliment each other with their production profiles, meaning that their combined system benefits can be more than additive if the two projects are both developed. Because of the PTC timing and limitations, however, the wind project is before you first.

With regard to the specific savings that the projects can provide, the wind projects will displace more costly and risky fossil fuel energy. PacifiCorp's evidence in this regard is, in our view, conservative, and we believe the cost and risk benefits of the project are in fact significantly more than the Company portrays.

PacifiCorp's natural gas price forecasts are lower than those of other vendors, which understates the benefits of the projects. To assume that as the project opponents have, that because natural gas prices have been recently trending downward -- they will continue to do so -- ignores that today's prices are at historic lows and can go up much more than they can go down.

It also ignores, as Ms. Kelly's analysis found, that most recent Henry Hub gas prices show an upward trend. The overly optimistic notion that natural gas prices will remain very low over the next 20 to 30 years ignores history and the volatile nature of that industry.

Similarly, the Company's projections of CO2 costs are overly conservative. Reliance on a scenario with zero economic costs for CO2 over the next 30 years is simply not realistic.

Mr. Chairman, would you like me to pause a second and allow the court reporter to --

CHAIR LEVAR: You know, we're going to have to rely on the recording, so why don't you just go ahead and continue.

MR. MICHEL: Okay. Thank you. So similarly the Company's CO2 project costs we believe are overly conservative. Reliance on a scenario with zero economic cost for CO2 over the next 30 years is simply not realistic.

(end of audio supplement)

MR. MICHEL: Despite the current inaction on CO2 regulation at the federal level, the rest of the world in much of PacifiCorp's service area has moved or is moving towards regulating carbon dioxide. Utah customers cannot be isolated from this trend, particularly given today's regional electricity markets.

It would be imprudent to ignore the risk and likelihood of a future with a price on carbon. As Ms. Kelly testified, even PacifiCorp's medium and high carbon dioxide cases are below the lowest estimates of future carbon costs provide by other industry sources.

The conservative nature of PacifiCorp's economic analysis in the project is deepened by the Company's use of deflated 2012 dollars to measure carbon costs, its exclusion of revenues from potential REC sales, and its exclusion of potential benefits from the sale of credits similar to ERCs and EPA's now-stalled Clean Power Plan. While, of course, these benefits are speculative, they are important nevertheless to consider as part of the overall evaluation of the projects' economics and risks.

But even if one ignores these benefits,

uses a uniform levelized or nominal approach to both PTC benefits and capital costs, as the Office suggests, and removes the unrealistic zero CO2 cost assumption that even the Office's witness disallowed, the combine projects nevertheless provide economic benefits to PacifiCorp customers in five of six price-policy scenarios, whether evaluated through 2036 or 2050.

Or looked at another way, a denial of the projects would harm PacifiCorp's customers in every scenario except the one that assumes perpetually low gas prices and minimal carbon regulation for the next 30 years. Denial of the projects is not a good bet.

Perhaps most significant in assessing the merits of the projects is a hedging value that they provide. As Ms. Kelly testified, this benefit was not fully captured by either PacifiCorp's stochastic analysis or by its scenario analysis.

The hedging value is a key attribute of the projects that by itself could far outweigh the other substantial benefits. Robust resources provide hedging value because they avoid unexpected, high-priced events and the shock of changing planning environments. The combined projects hedge against the potential for tightening wholesale power markets, fluctuating and volatile prices in the natural gas market, the likely imposition of carbon regulation.

As such, they're a resource that is well-suited to mitigate the impacts of events and circumstances that the electricity industry may face in the future.

Finally, one cannot ignore that foregoing these projects also foregoes the opportunities to strengthen the transmission system at the same time reduce customer rates by taking advantage of hundreds of millions of dollars of currently available production tax credits.

While WRA supports approval of the combined projects, we are not blind to some of the risks to customers that other parties have legitimately identified. Specifically, those risks include capital cost overruns, delays in the start of operation, and underproduction from the facilities.

Because of those risks and recognizing the financial benefit to the Company that the projects would provide, WRA supports reasonable customer protections as part of the approval as identified in Ms. Kelly's testimony. These would include no track -- no resource tracking mechanism, a cap on the recoverable capital investment and O&M, a ten-year guaranty of 95 percent of PTC and energy benefits assumed in the Company's May 17th testimony, a limit on the allocation of transmission costs to Utah customers equal to the jurisdictional of 88 percent of those costs, and a limit to Utah's financial commitment to the projects to no more than its jurisdictional share using the 2017 protocol.

In conclusion, we ask that you approve the combined projects and enable what we believe is a very beneficial resource for PacifiCorp's customers and the public. Thank you again for the opportunity to present our position.

CHAIR LEVAR: Okay. Thank you, Mr. Michel.

Commissioner Clark, do you have any questions for him?

COMMISSIONER CLARK: No questions. Thank you, Mr. Michel.

CHAIR LEVAR: Mr. White?

COMMISSIONER WHITE: No questions. Thank you.

CHAIR LEVAR: I have a question about one of the Office's conditions that your witness has supported in lieu of a full grant of the application, the hard cap on the expenses. You heard earlier Ms. McDowell's argument that any kind of hard cap like that would not be statutorily authorized; it would tie the hands of a future commission's ability to do a prudence review and whether we can -- the issue is whether we have the authority to restrict a future commission's statutory authority to conduct a prudence review of additional costs.

What's your view of that issue?

MR. MICHEL: Commissioner -- Mr. Chairman, my view is that a conditional approval, if that was a condition of the approval that the Company would accept or not accept, would not run into those pitfalls that you've identified.

In other words, it would be a condition of approval that the Company would accept; if they did that, then my understanding is they could be bound by that.

CHAIR LEVAR: Okay. I think that's my only question. Thank you.

MR. MICHEL: Thank you.

CHAIR LEVAR: I did have a couple more questions for Ms. McDowell that I intended to ask and I failed to do so, so I don't think -- I think I'm going to back to you and ask these other two. I have two questions that are related, so I'm going to ask both of them and maybe you can address them together.

As we're evaluating that first factor on electricity at the lowest reasonable cost, one of the things that we have to look at is the robustness of the RFP response. We had a lot of discussion over the last few days.

As we consider that -- as we consider whether the response was sufficiently robust to lead to a finding on that first factor or a consideration of that first factor, how should we consider eligible bidders versus those who are ineligible because of the transmission queue? Should an ineligible bidder be considered as part of the robustness of the response?

And the second question that's related is is there any flexibility or waive-ability with respect to the FERC requirement, with respect to the interconnection queue or are those pretty firm requirements with an extremely high standard for ever having any flexibility?

MS. MCDOWELL: Okay. Let me answer your first question first, and I think if you listened carefully to the testimony of both the IE and Mr. Peterson, both said the same thing, which is that the transmission queue issues were unfortunate, and they both recommend future steps and future RFPs to try to mitigate that problem. That problem is not a problem of PacifiCorp's making, but I think both felt that perhaps through additional communication with bidders that issue could have been managed better.

So for the future we certainly take those recommendations and considerations into account, but for purposes of this RFP, both said the same thing, which is, ultimately, the most economic bids were selected, that Mr. Peterson's were fortuitously, the interconnection issue did not interfere with the market testing of the wind projects.

So that's really what that robust response is. I think you're looking to get market information to verify that the projects that are before you are the lowest cost, and here, we can say that because the final shortlist was -- initial final shortlist was selected before the transmission restudy results were done.

And the results of that were to change out one Company project for another, so it's not as if there were, you know, PPAs or other bidders out there whose participation was thwarted because of, you know -- that they didn't make it because of that interconnection queue. I think the IE identified one PPA that was close, but ultimately he concluded that the final shortlist was the most economic shortlist.

So, you know, Mr. Peterson did say he believed that the response was robust, that there were 72 bids, there were thousands of megawatts received. All that happened and was not -- that didn't get undone by the fact that there was a transmission-queue issue at the end. So that's the answer to your first question.

With respect to your second question, I was ready for it because you suggested you might have an interest in that answer, and my understanding is that on the transmission-queue issue, ultimately there is -- you cannot get -- FERC will not waive the requirement that you follow serial order in a transmission queue. That is a non-waive-able requirement. That's just the way it works. That's the rules of the road.

Those transmission queues are public. People can sort out, you know, through the kinds of options and agreements how to move themselves up in the queue by getting a better queue position, but ultimately, you follow a serial order in queue positions.

Now, what is potentially waive-able, what FERC has looked at and given some flexibility is different ways to study the queue, but ultimately when it finally comes down to who gets the transmission rights, it's strictly serial queue order and that is not waive-able.

CHAIR LEVAR: Thank you. I appreciate those answers. Does that leave any follow-up questions? Commissioner White.

COMMISSIONER WHITE: Well, not those specific questions, but I want to follow up on a question you asked previously. Again, I don't want folks to read anything into this also, but help me understand in terms of the process in Oregon and where the Company stands now with respect to the combined projects and help me understand what that would look like or how it would differ from if there was a rejection here and yet a potential waiver approval.

Does that leave the Company to be in the same spot or does it -- help me understand how that might or might not be different.

MS. MCDOWELL: Let me just talk about the Oregon process. The Company -- I think as we went through and reviewed that Order in the context of this hearing, the Company has IRP acknowledgment, and the Commission was clear in not approving the shortlist, that that didn't take anything away from that IRP acknowledgment, and ultimately that is the critical approval or acknowledgment that the Company needed.

So in Oregon the next step would be to use the mechanisms that are statutorily allowed for recoverability of renewable resources in that jurisdiction, so that -- there's a particular statute that allows the company outside of a rate case to use deferral mechanisms and a specific automatic adjustment clause mechanism to recover renewable resources and associated transmission.

So the Company would proceed through that process. That's the Company's intention. So it would not require a general rate case. It would be a fairly straightforward process, and, basically, once the resources go online, there would be a deferral to capture those full amounts and then they would go into rates through that renewable adjustment clause. There would be a prudence review of the resources in that context, so that's the Oregon process.

Here, if the Commission waived the requirement for resources approval, I think that puts the Company in a position of needing to file a rate case to get recovery of those resources, and, you know, that would follow in the normal rate case process. I guess I would say that, you know, the reason we're here is because -- and the reason there's this statute is because we've heard loud and clear from folks that they don't want us to go out and spend a lot of money without having a pre-approval process.

So certainly if this Commission denied pre-approval, you know, that would give the Company pause about moving forward on such a significant investment just because of the context. I mean, pre-approval matters. It matters because that's the statutory scheme here, and I think since it's not the statutory scheme in Oregon, it has a different flow to it and would make the Company consider its options as, I think, Ms. Crane indicated in her testimony.

COMMISSIONER WHITE: Thank you.

CHAIR LEVAR: Did you have anything else before we move on?

COMMISSIONER CLARK: If I may.

CHAIR LEVAR: You just thought you were done earlier.

MS. MCDOWELL: Pardon me?

CHAIR LEVAR: I said you just thought you were done earlier.

MS. MCDOWELL: Yeah, I know. I just left you speechless.

COMMISSIONER CLARK: My questions relate to

Chair LeVar's first position about queue position. From the record, what did a bidder that had a queue position greater than 0713 learn from the restudy that the bidder wouldn't have known in the information that the Company could provide when the bidding process occurred?

MS. MCDOWELL: Let me just check with my transmission queue expert here.

COMMISSIONER CLARK: Sure.

MS. MCDOWELL: And, you know, perhaps if it's acceptable, I can just have Ms. Link, who really manages those issues for the Company, respond directly.

COMMISSIONER CLARK: It's fine with me. I know she's been here throughout the hearing. Just so, Ms. Link, your comments are confined to the record.

SARAH LINK: Yes, they are confined to the record. Sarah Link on behalf of PacifiCorp.

As Mr. Vail testified, before the interconnection restudies were performed, it was public knowledge on Oasis that the interconnection studies for Queue Position 708 triggered the need for the full the build-out of Segment -- of at least Gateway South.

When we performed the interconnection

restudies, that trigger point was moved down to Queue Position 713, so anybody below 713 was unaffected. Before the restudies they needed the full build-out of Gateway South and after the restudies they needed the full build-out of Gateway South, and that was publicly available information.

COMMISSIONER CLARK: Thanks. I appreciate you reminding me of how that worked.

CHAIR LEVAR: With that, I think we're ready to move to Mr. Holman next.

MR. HOLMAN: Thank you, Chair LeVar. Good afternoon, Commissioners White and Clark. I just want to first thank the Commission for letting us wrap this up with closing arguments. I appreciate the opportunity to reiterate our case.

As you've heard from Ms. Bowman's testimony in her statement today, Utah Clean Energy is in support of the combined projects, but the scope of Utah Clean Energy's testimony throughout this proceeding has largely focused on the benefits that the combined projects afford Utah ratepayers as they relate to risk mitigation and climate change specifically.

Ms. Bowman filed testimony and her

statement today provided details of our position in this docket and in the interest of brevity, to wrap this up a little bit faster, I'll only briefly summarize those questions now, but I'm happy to take questions if you have any after the fact.

Title 54, Chapter 17, Parts 302 and 402 list some of the factors that the Commission considers when determining whether a proposal is in the public interest. These factors include whether the proposal would provide the lowest-reasonable cost electricity but also the long-term and short-term impacts, risk, reliability, and other factors determined by the Commission to be relevant.

Generally, our position is that the combined projects are a positive initial step towards the decarbonizing PacifiCorp's energy generation fleet, which can be realized more economically for ratepayers through the production tax credits. The combined projects will also proactively position the Company to respond to increases in fuel and carbon costs as well as regulatory changes that may require additional renewable resource capacity in the future. This alleviates risks for ratepayers.

The risks identified by other parties in this proceeding can be mitigated with the inclusion of ratepayer protections outlined by the Office and just summarized by Mr. Michel from WRA. Utah Clean Energy also supports these positions as reasonable safeguards designed to help ratepayers realize the short-term and long-term benefits of the combined projects.

While Utah Clean Energy's testimony in this docket addresses many of the public interest factors from parts 302 and 402, I would like to focus for a moment on the last fact, the other factors that the Commission may deem relevant. Throughout our testimony Utah Clean Energy has explained why the risk and costs of climate change are relevant to consider when determining whether the benefits of the combined projects outweigh the costs.

There's widespread scientific consensus based on existing information that significant carbon dioxide emissions reductions are necessary to mitigate the adverse impacts of climate change. Utah Clean Energy cites the climate science special report in our testimony, which broadly outlines the body of knowledge regarding the anticipated impacts of a changing climate.

A number of U.S states and countries have began to address this issue through policies that regulated carbon emissions. In Utah, during the 2018 general legislative session, the Utah legislature enacted and the governor signed, House Concurrent Resolution 7, which is entitled Concurrent Resolution on Environmental and Economic Stewardship.

This resolution acknowledges a change in climate and reasonably encourages state agencies to reduce emissions through incentives. It encourages reliance on and understanding of climate science and states in relevant part, quote, that "We should prioritize our understanding and use of sound science to address causes of a changing climate and support innovation and environmental stewardship in order to realize positive solutions," end quote.

It also states, quote, that "The Legislature and the Governor encourage individuals, corporations, and state agencies to reduce emissions through incentives in support of the growth in technologies and services that will enlarge our economy in a way that is both energy efficient and cost effective," end quote.

These selections from the resolution represent an acknowledgment by the legislature and the governor that our climate is changing and that reduction -- and that reducing emissions through incentive like the PTCs will benefit the public. As such, emission reduction is a relevant factor that the Commission should consider when conducting its public interest analysis.

The combined projects represent a time-limited opportunity to leverage tax incentives that encourage the acquisition of resources that we believe will impute benefited to ratepayers over their useful lifetimes and in part as result of reducing emissions.

The combined projects will also protect ratepayers from future uncertainty and risk related to increasing fuel and carbon costs. For these reasons we believe the combined projects are in the public interest and I respectfully recommend that the Commission approve them. Thank you.

CHAIR LEVAR: Thank you.

Commissioner White, do you have any questions for Mr. Holman?

COMMISSIONER WHITE: Yeah, just one. I am familiar with that resolution. I'm not probably as familiar as UCE is. From your perspective, does it matter where these resources are located? In other words, these resources are located in eastern Wyoming and not in the state of Utah. Does that resolution point to any kind of locational specificity or is it just --

MR. HOLMAN: I don't think the resolution, you know, specifically disqualifies resources that operate outside of bounds of Utah. I think because it was the Utah legislature and the Utah governor generally they had Utah in mind, but because of PacifiCorp's system and the nature of it, resources in another state benefit Utah ratepayers. So by making changes in the PacifiCorp system largely or generally, you are benefiting Utah ratepayers.

COMMISSIONER WHITE: That's all I have. Thank you.

CHAIR LEVAR: Commissioner Clark.

COMMISSIONER CLARK: I don't have any questions. Thank you very much for your participation.

MR. HOLMAN: Thank you.

CHAIR LEVAR: I think I have one. I apologize if this would have been a better question for your witness this morning. I think it might have been to address to her.

MR. HOLMAN: I'll try my best. It's my second month so --

CHAIR LEVAR: Okay. I'm understanding your position is you're suggesting some kind of value-adder that we should consider for climate change in addition to the CO2 pricing that's in the modeling. Do you have any kind of quantification that you're suggesting for that? Or in the alternative, how would we go about quantifying that as economic regulators?

MR. HOLMAN: I think in Ms. Bowman's final round of testimony there is a short quantification of the amounts of carbon that these resources would offset, so by introducing that added value or attributing a value to that carbon and then adding that value to the benefits of the combined projects, you would be able to, in that regard at least, introduce some sort of quantitative benefit when considering whether the combined projects are as a whole in the public interest. But beyond that, we haven't done any quantitative analysis to enable the Commission in this proceeding to determine the benefits holistically of climate change mitigation from the combined projects.

CHAIR LEVAR: Okay. I think the clarification I'm looking for is your position is that value you describe should be an adder-to modeling potential CO2 costs? Is that UCE's position?

MR. HOLMAN: That's correct, yes.

CHAIR LEVAR: Okay. Thank you for your closing statement.

Ms. Hickey.

MS. HICKEY: Thank you, sir. Lisa Hickey representing the Interwest Energy Alliance. Interwest is a trade association of wind, solar, geothermal, and energy storage developers working with nongovernmental organizations to promote the growth of renewable energy around the intermountain region including here in Utah.

Interwest promotes the combined projects because they will provide fuel cost free, stable price, low-cost emissions-free energy with some capacity benefits for Utah ratepayers. Interwest retained Gregory Jenner due to his tax expertise related to the PTCs because we anticipated that potential changes to the PTC may be at issue early in the proceeding and we thought it may be of help to the Commission and the parties.

In the end, he testified that Rocky Mountain Power's tax analysis seems to be valid, confirm that it is not all-or-nothing eligibility but is determined on a turbine-by-turbine basis and said that PacifiCorp's guarantee of PTC eligibility is a valuable one and reliable even in the event of unforeseen roadblocks because there's some ability to prove excusable delays due to permitting and other matters outside of PacifiCorp's control while building the transmission line.

That said, it's clear time is of the essence as described by Rocky Mountain Power to gain these hundreds of millions of dollars in discounts brought by the PTCs available to the wind projects. Mr. Jenner also confirmed that while Interwest clearly supports additional solar acquisitions in the near term, because of solar energy's benefits to balancing the system when added in addition to wind, as testified by other parties including Ms. Kelly, and to acquire the 30 percent ITC levels, Rocky Mountain Power's planning follows industry trends delaying solar until wind has been acquired to acquire the PTCs.

We do look forward to hearing more about solar acquisitions arising out of the solar RFP or other negotiations in the near future. Interwest recommends that Rocky Mountain Power continue to grow its wind fleet because of its hedge values, providing a hedge against natural gas volatility provided over the long-term. That's been testified to by several witnesses.

Renewable energy can provide reliability benefits to the system, especially through a combination of wind and solar as testified by Ms. Kelly. Replacing a system run on fossil fuels with capital investments in modern technologies will be more efficient and reduce regulatory costs going forward.

Interwest and other parties including the Division have consistently recommended that PacifiCorp reduce its reliance on FOTs, front office transactions, due to the likelihood that power costs will rise while natural gas prices rise.

And because of the risks of power price volatility over time, the capacity need is growing to over 3000 megawatts, as testified by the UCE witness Kate Bowman, by the end of the planning period. Even Mr. Peaco from the Division agrees that natural gas prices are likely to rise, so the costs of front office transactions will rise.

Interwest, along with the Division and other IRP stakeholders, have also recommended that PacifiCorp continue its transmission planning to improve reliability and allow it to integrate renewables from remote areas, both wind- and solar-rich regions.

Overall transmission planning will also serve Utah directly through enabling solar interconnections along with the winds as you go forward. Utah can benefit in the meanwhile from the advanced wind technologies brought with these combined projects.

As testified by Rocky Mountain Power witness Teply and Mr. Vail -- Chad Teply and Mr. Vail, this transmission line and upgrades have been planned for about ten years and were anticipated to be built in 2024. Interwest is concerned about the arguments from the Division that transmission upgrades must not be approved until a line is needed for reliability in the immediate future and then must also be separately substantiated through economic principles.

We urge the Commission not to wait to approve these upgrades until the line is affecting reliability in the very near term because as we all know it takes years to permit and build a line and by then Utah ratepayers and businesses in Casper will be suffering losses. Interwest recommends you approve these transmission upgrades while you have the new wind projects to pay for it.

The PTC has already dropped below

100 percent and is scheduled to expire completely. The ITC on the other hand continues for a higher level for a longer period, so solar acquisition trends are moving a bit behind wind. Projects must commence construction in 2019 to qualify for the higher 30 percent ITC levels.

That said, we strongly urge solar acquisitions after these combined projects are approved and moving forward. We will be continuing to urge this in the 2019 IRP so that the planning and the approval process can move forward sequentially and as it is usually contemplated.

I should make some comments about the RFP. Interwest members include the leading wind developers and manufacturers, both winners and losers in this IRP bid review process. We are keenly interested in keeping the markets competitive because it lowers costs for ratepayers, but our advocacy does not just include promoting the benefits of PPAs. Interwest also supports utility ownership of renewables. While PacifiCorp has been somewhat slower to adopt renewables than we might have liked, they are generally following industry trends in this sense, and that's prudent behavior.

We have seen more utilities want to own

wind over the last eight to ten years as PacifiCorp has done, and now over the past few years, utilities have shown a growing interest in owning and operating their only solar plants. Interwest encourages this utility ownership so long as the utility ownership is ground in acquisitions out of competitive solicitations. We need those solicitations to test the prices against the market.

We note that a build-transfer project is not the same as a utility self-build project, and there are more inherent risk reductions with the BTA. These BTA projects have been developed in this case by the sophisticated wind developers as described by the IE, which chose and developed the site and acquired the queue positions that eventually were available to Rocky Mountain Power.

A BTA includes components which have been competitively acquired from the market, again, reducing costs and spreading the economic benefits through the supply chain. These benefits and lower costs will now inure to the ratepayers including Utah electricity customers. Utah believes that utility ownership actually can generate more competitive activity in a market because it makes it more likely a utility will actually acquire from a competitive solicitation.

It's important to note that BTAs were derived from the solicitation. They had to compete directly against those PPAs that were bid including the PPA that was ultimately acquired. The Utah IE found -- I'll quote here at page 78 read by Mr. Hayet this morning, "At the request of the IEs, PacifiCorp ran a 30-year analysis as well as assessments without using nominal dollars for PTC benefits. The results show that BTA and PPA for the most competitive projects to be close in value."

Therefore, utility owned projects are not necessarily higher costs when acquired under these conditions. That is not to say we shouldn't continue to improve and carefully monitor solicitations developed by PacifiCorp and approved by this Commission. A transmission meeting and improved transparency would be appropriate in the future as requirements for solicitations and including the solar solicitations.

As to the modeling, Interwest concurs that Rocky Mountain Power's modeling assumptions appear to be conservative. The totality of the modeling shows costs savings to Utah electricity consumers. As testified by UCE's Kate Bowman, regulatory and costs of burning fossil fuels are more likely to go up rather than down or to remain flat.

Ms. Kelly for Western Resource Advocates's testimony reflects the history of PacifiCorp's modeling of higher carbon price in other IRP venues and other trends in the industry to represent higher regulatory costs going forward. Even if we force-run carbon-producing coal units, that doesn't necessarily mean that prices will not spike for these resources, especially if we continue to include reasonable environment protections in our regulation of these resources. Therefore, the low gas and zero carbon cost scenario seems to be the least likely outcome going forward.

Interwest notes that UCE's testimony this morning which shows a much higher level of benefits when you revert to carbon costs used by PacifiCorp in June 2017.

I wanted to say just something about the MSP discussions which causes concern about risks and cost allocations in the future. There certainly is a trend for changing regulatory schemes for utilities going forward that naturally results in a trend to fear the risks of long-term investments. Long-term investments, therefore, are harder to promote all around the West because each state has its own version of deregulation or new regulation going forward.

But I urge you to consider the potential inefficiency of avoiding long-term investments. There are risks in the future. We always have made long-term investments in the face of uncertainty. Long-term uncertainty has always existed, but considering the potential for grid regionalization, one of the major benefits for regionalization, which I think is widely known is the likelihood of reduced reserve requirements lowering costs. And those reduced requirements result from geographic diversity. Therefore, we will continue to rely on the main-stem grid and transmission planning and continued upgrades going forward.

So we urge continued step-by-step transmission development because it will be critical to maintain reliability and to continue developing stable-price clean energy resources.

Recognizing the cautions warranted, Interwest asks you to find that the combined projects are a unique opportunity to acquire generation capacity resources at a substantial discount due to the PTCs. Interwest promotes combined projects as being economically beneficial over time.

Thank you very much for your attention, for the opportunity to appear, and for all of the hard work to yourselves, of course, and your staff and all of the parties. Thank you.

CHAIR LEVAR: Thank you.

Commissioner Clark, do you have any questions for Ms. Hickey?

COMMISSIONER CLARK: No questions. Thank you, Ms. Hickey.

CHAIR LEVAR: Commissioner White, do you?

COMMISSIONER WHITE: Yeah, this one -- I mean you may not have information or feedback on this, but you represent the only market participants in this process, and certainly a robust process, you know, with competition is extremely important. There's been a lot discussion specifically about the issues of the transmission queue and what was communicated and what wasn't.

What can you tell us in terms of what the market feedback was with respect to how that transpired? I know that's challenging because you represent probably differing market participants, but I think you're the only one who can maybe even provide that because you represent market participants.

MS. HICKEY: It's a very important question, Commissioner White, and it's a challenge, it is, because I represent all sorts of developers; and we do, as I said, have a real interest in maintaining competitive markets and, therefore, transparent and predictable solicitations.

The queue issue was a misstep and could have been at least mitigated by a full discussion of the transmission issues going forward by a separate meeting probably just as recommended by your EI. Time was of the essence as you know, and there is not a lot of testimony about this, but there is a separation.

There was some testimony about the separation in parts of PacifiCorp. Their transmission team can't talk to the generation team, and so there's a built-in lack of communication required by law; and therefore, I think that avoided a melding of step-by-step communication for all the bidders in advance when we would have preferred it.

As one of the IEs described, the generation acquisition got in front of the transmission planning, and the transmission announcements that they could even produce fully for the bidders.

There was disappointment about what happened with the queue and how initially it was published to be anyone around the region could bid, and then it turned out well, didn't matter too much if you came from elsewhere. But recall that the queue positions were owned by developers who had held them and stayed in the queue legitimately and then ultimately were acquired by PacifiCorp as part of BTAs, and I don't know about the PPA, where that fits in there.

So it wasn't as if PacifiCorp was secretly holding on to them themselves and somehow pivoted so that there was something unfair about ending up with those queue positions. It just disappointed those down the line in that they might not have had full opportunity that they thought they had.

So there is some disappointment, but that's why I mentioned that utility ownership now has awakened interest in this market again, and it will bring more robust response in both wind and solar. We've seen that in other areas. I believe that to be true, and it will continue for the next RFP put out by PacifiCorp. We do need to keep monitoring these things. We do need to have the step-by-step approval of the RFPs, requirement for meetings, and, you know, bidder communication that can be monitored by the IE.

Most of those rules are in place, and in the end, these -- you know, some of the best bids were chosen, and those competed against each other and they were very close in price as far as I can tell. I don't have -- anyway, I won't talk about the confidentiality and what was available. But you know that, and so that makes these very low price bids that you've ended up with in these combined projects.

One other thing I wanted to say and I forgot what it was. So in the end -- oh -- well, I would analogize this to, you know, we're trolling along and we hit a snag, but it's not sufficient to turn the boat around. No RFP and bid review process is perfect.

I've read a lot of IE reports. I've talked to a lot of developers, and you would be surprised how much they can shrug off and move forward because they believe this is still a productive market and that there will be more to come especially with regionalization to come.

CHAIR LEVAR: Okay. Thank you, Ms. Hickey.

I think we'll move -- do the other parties have an agreement on what order they wanted to go in or should we go in the order we typically do?

MS. SCHMID: We have discussed allocation of time and order.

CHAIR LEVAR: Okay. Before that, I will mention, if you reserved time for rebuttal, I believe you have roughly 18 minutes after we get through the other parties.

MS. MCDOWELL: Thank you.

CHAIR LEVAR: Okay. Ms. Schmid.

MS. SCHMID: The Division gets to start.

CHAIR LEVAR: Okay.

MS. SCHMID: Thank you for the opportunity to present this closing argument on behalf of the Division. This case is fundamentally about risks, not benefits. The Company has failed to prove that the approval of the combined projects is in the public interest because it has neither grappled with these risks nor adequately considered alternatives.

The Company has seemingly boundless faith in its forecasting that nevertheless ends right at the point where it's risk begins. The future without these projects is a reasonable one with relatively low costs. The future with these projects is uncertain and could involve slightly lower costs or significantly higher costs and stranded assets, particularly in later years.

The Company has engineered a changing set of projections, inputs, and assumptions that in association with its anticipatory procurement activities virtually guaranteed that its projects would be selected. These projects are not needed, and they would only be in the public interest if they resulted in lower costs. The Division does not believe that they do.

Far from being certain, the prospect of net benefits depends on assumptions about gas prices and carbon prices, demand projections, transmission subscription projections through PacifiCorp's OATT, assumptions about the nature of electricity systems many years in the future, and projections of terminal value based on conjecture.

Given that a minor variation in any of one these projections could erode any projected net benefit, the combined projects are not a risk worth taking. Indeed, the Company has evidence its unwillingness to accept virtually any risk of these variations occurring. Even when the Company has been able to mitigate risks, it has come at no cost to it. Rather, it asks the captive ratepayers to bear the risks the Company cannot shift to vendors or others.

I'll highlight just a few of these risks.

I'll start with model inputs. The Company has conducted a large number of analyses and scenarios using complex planning models, but the validity of the results depends on the accuracy of the inputs. It doesn't matter how many runs the Company did or how complex the analysis was, the credibility of the results must be judged by the quality of the inputs, not the volume and complexity of the analysis.

In this case, the Company's analysis masks key assumptions, omits key alternatives, and ignores significant risks resulting in an inflated representation of the benefits of the combined project. The inputs and methods used in the Company's modeling have produced results and analyses that are biased in favor of Company owned wind projects over wind power alternatives.

And these results are biased in favor of the combined projects in total over other alternatives. The Company has repeatedly modified its methodology to omit costs attributed to the combined projects and to impute speculative benefits to justify them.

Next, I'd like to talk about gas risks. There is a risk associated with the three natural gas price scenarios presented by the Company. Division witness Dan Peaco determined that the three natural gas scenarios were skewed high when compared to then-current forward prices.

The Company has updated its natural gas price, but Mr. Peaco continues to believe that the Company's mid and high cases likely overstate the value and that the lower cases should be given significant weight. He also believes that a simple weighted average of the three gas price scenarios also skews the risk-weighted analysis to higher projects.

In response to a question in yesterday's hearing, Mr. Peaco testified that a curious and abrupt bump in gas price projections four or five years in the future raises the gas prices significantly from then on. Higher gas prices yield higher estimates of benefits of the combined project. Without that jump in prices when the Company transitions its forecast from futures to projections, the prices would be significantly lower, eroding benefits.

Indeed the Company's prices are projected to rise faster than general inflation for the duration of the wind projects' lives. To put this in context, to get to the medium gas case proposed by the Company, the Commission would have to assume that natural gas prices would rise from today's pricing at a rate higher than 4 percent a year for year after year for decades. Recent history certainly does not support such inflation projections.

Furthermore, the Company has offered no real support of this -- for its projection of gas price inflation other than generalized conjecture about LNG exports and demands.

Given the Company's poor predicted track record about gas prices, the Division understands why the Company would be unwilling to assume the risks of its projections being significantly wrong. The Division remains uncertain about why the Company is eager to have ratepayers assume the same risks.

Caution is warranted based on the nature of predictions and the Company's history of being wrong in recent years that have led to -- that lead to unacceptable risk for ratepayers. The Company claims that the Division's position in the Jim Bridger docket requires or suggests that the Division support approval here, but the two cases are fundamentally different. In Jim Bridge a choice had to be made. The choice was to invest in the SCRs or to convert the plant to gas. Here the no-action alternative is reasonable and is the least risk.

That is to say that the number of magnitude of the risks of doing nothing is smaller than the number and magnitude of risks involved in approving the combined projects.

The Company claims its gas forecasts are conservative. Yet in the Jim Bridger case it seeks to use it as an example of how its planning and projections work. Actual gas prices ultimately have been lower than the Company's projections. It now appears that converting the plant to gas would have been the most economical decision.

This result supports the Division's request that the Commission be cautious in relying upon the Company's gas forecast. This case is different from the -39 case, and given the uncertainties here, the no-action alternative available here is the decision most in the public interest.

I'll focus here on the request to approve transmission project. Here the Company seeks approval of a nearly 700 million new transmission line, making the accuracy of the risk/benefit analysis more complicated and more critical in this case than it was in the -39 docket because this case not only involves gas forecast but also transmission line estimates.

These risks include that the transmission line is an all-new greenfield construction, that there's a much tighter timeline to meet the PTC 2020 requirement. One-third of the cost of the new transmission, whereas none in the repowering, has to be built and fully produced to support the costs as well as the wind project costs.

Studies are still needed to ensure that transmission will be sufficient to allow full wind delivery, and delivery was not an issue in -39. The benefit/risk ratios are worse in any of the 12 repowering projects in many scenarios. The 12 -- the scenarios -- the lower benefits relative to costs here present a much higher risk than they did in the -39 docket.

The Division is concerned that inaccurate transmission line cost projections could have favored the selection of Wyoming wind resources over projects outside the constrained area. In declining to acknowledge the RFP shortlist pertaining to the combined projects, the Oregon commission noted its IE's concern that the cost projections for the D2 segment, Aeolus to Bridger, are a major driver of selection in this RFP and, if actual costs are higher, it may turn out that a better solution would have been to select more supply from outside the constrained area in Wyoming. And that's with the Commission's Order, DPU Cross-Exhibit 3 at page 4.

The Division shares this concern. Because the required transmission studies have not been completed, it's impossible to accurately predict the true cost of the transmission line, making the overall combined project estimates still uncertain, particularly where the cost/benefit analysis and project selection has been based on mid and high cases that likely overstate the value and on cases that dismiss the low-case results.

The Division believes these low case results should be given significant weight. Regardless of whether other projects might have been selected, the Company's projections could still suffer from small inaccuracies that erode benefits.

I'll talk about MSP risk next. The Oregon decision on the combined projects highlights the risks inherent in this case that are associated with the MSP. In that May order the public -- the Oregon commission declined to acknowledge PacifiCorp's request for proposals related to the combined projects. Through this action the Oregon commission denied the Company and other stakeholders an advance indication that the Commission is satisfied at this point in time with the Company's analysis of which market opportunities meet or met the IRP's objectives as least cost, least risk to customers. That's at page nine.

The Oregon commission decisions and our own IEs' concerns reinforce the Division's concern about the effect that Oregon policy decisions may have on Utah ratepayers and their responsibility through PacifiCorp's multistate process. While the Commission -- sorry -- while the Company correctly pointed out on cross-examination that the failure to acknowledge does not necessarily change the product stance in Oregon, if Utah were to approve while Oregon withholds approval, the Division is concerned that Oregon will have gained additional leverage in the current discussions about realigning resources.

The Commission is not convinced that Oregon would forego using that leverage, given the higher costs it will face, from replacing a larger amount of assets in advance of its 2030 commitment to remove coal from its system. One additional possible adverse consequence is that in a future proceeding Oregon could reject its share of the combined projects after they are built, leaving the Company with the unpalatable option of burdening Utah ratepayers and those of other states with those costs or saddling shareholders with those unassigned costs. That option is surely as unpalatable to the Company as burdening Utah ratepayers with Oregon's share is to the Division.

Indeed, the history of the MSP reflects in part a story of the Company seeking to plug holes created by differing state allocations. This risk was acknowledged when the mergers first began. This risk was specifically dealt with in the most recent acquisition of Rocky Mountain Power by PacifiCorp.

In that case a stipulation agreed to by the parties and approved by the commissions said that the Utah ratepayers were in essence to be held harmless from costs increasing due to the multistate project, but also, I must note, that the stipulation and order approving it did not prohibit the Commission from approving prudent costs.

But the Utah legislature recognized this complexity too, and its solicitation statute allows consideration of this multistate risk. When taking all these together in light of Oregon's decision, when evaluating this over -- or approximately

$2 billion project, the Division urges the Commission to recognize what the statute recognizes, that large procurement decisions can have significant implications in the multistate process, especially if there's any indication of skepticism from one or more states.

The MSP process is at a critical stage with the 2017 protocol expiring December 31st, 2019 and no agreement on what to do when it expires. Because MSP negotiations are occurring right now, the Division urges the Commission not to make decisions that might adversely affect Utah's negotiating position or unjustly burden Utah ratepayers in the future. We don't understand what those may be, but these are risks that the Company has not addressed.

Turning now to benefits, the Company's analysis overstates the benefits and ignores key downside risks, the risk some of which were discussed above. The Company's reliance on speculative assumptions, its omission of key alternatives and its disregard of significant risks, produce an inflated representation of the benefits of the combined projects.

In part the Company relies upon speculative benefits to justify the combined projects such as an arbitrary terminal value and the unproven assumption that transmission subscription revenues will remain at today's levels for decades even though the electric industry is ever-changing.

When combining all of these together, the Company presents a price-policy scenario matrix that suggests that most of the outcomes are net benefits for customers, but this conclusion belies the fact the Company's modeling does not present a fair analysis of the projects in any of the price-policy scenarios.

As a result, simply assuming that more net benefit outcomes in the matrix mean that the combined projects are more likely than not to produce a net benefit for customers is not the correct conclusion. However, some parts of the application surely would result in a different type of benefit, a benefit for the Company, not for the ratepayers.

For example, the Company proposes to create a new mechanism, the RTM, to recover its cost from ratepayers, implementing an RTM would permit the Company to put off filing a general rate case in which all aspects of its business would be adjusted to current conditions. Just as the Commission recognized there was no need for an RTM in the -39 docket, there is no need for the RTM in this docket. A rate case, and one sooner and not later, is the most appropriate way to address recovery of costs associated with the combined projects.

Next I'll briefly address need. The Division has made much of the distinction between need and economic opportunities because in this case it matters. The Division understands the Company's small short position and the general options available to meet it.

The Company would have you believe that only the combined projects will meet the Company's need and that an inquiry need to go no further. That's wrong. These projects would constitute part of the Company's least-cost, least-risk portfolio only if they were cheaper and less risky than front office transactions, other bilateral transactions, different resources, and a host of other resources that have not been considered by the Company in its modeling or in its RFP design.

The Division and others believe that the Company has failed to analyze these considerations and did not solicit capacity from the market generally to meet the Company's asserted need. So in some cases the Company's failure to analyze was that it failed to adequately consider these other options. In others, the failure was that the Company never considered them at all.

Further, the Oregon IE confirmed that selected bids were not the least-cost offers but rather the lowest-cost offers that were viable under the current transmission assumptions and constraints imposed by the Company in its RFP. The Utah IE also discussed the constraints and restrictions that the RFP put on selected resources.

These failures, which the Commission has not yet addressed in the IRP docket, appear both here and in that IRP docket. The Company has resisted pre- and post-filing suggestions that an all-source RFP would reveal the full market. It has resisted modeling changes that would allow contemporaneous consideration of other renewable resources.

It has resisted further development of alternate terminal value and transmission subscription assumptions. It has resisted calls for it to provide full assessment of the downside risks it is asking ratepayers to assume. In short, it appears that the Company has resisted nearly everything that could have jeopardized the Company's projections or competed with the Company built projects, projects that the Company appears to have envisioned from before this case was filed. I base that upon the Company's actions in amassing Safe Harbor assets.

Having failed to consider a number of alternative identified by other parties, there is no basis for the Company's claim that these projects are part of a least-cost, least-risk portfolio. In an attempt to justify this resistance from fully discovering the market and analyzing variables, the Company changed its claim that approval of the transmission projects was needed to capture a time-limited economic opportunity to one that is needed in any event.

The Company's after-the-fact claims of resource needs are not necessarily supported by its analysis or its procurement actions. Recall the discussion earlier in this hearing about the Company's representation in the Oregon special meeting that it would not build the transmission project because it was not needed.

The Company also acknowledged that the transmission projects are not economic without the wind projects and the associated PTC benefits. However, Company questioning of Division witness

Dan Peaco suggested perhaps the Company intends these projects to meet other state's policies including California and Oregon's carbon policies. If PacifiCorp wishes to satisfy those states' public policy goals, the ratepayers from those states should pay for them.

The Division has acknowledged that often utilities and regulators must proceed on the basis of long-term projections we know will be wrong, but this is not one of those times. Here, the future without the combined projects is a reasonably priced future. That is the real conservative assumption. Instead of that future, the Company would have you take a risk for ratepayers while compensating the Company for risks it is not taking.

Far from the Company proposing a reasonable project after a full study of alternatives using conservative assumptions, the Company asks for you to roll the dice. There is some chance it will pay off for ratepayers, but the house always wins, and here it will win big with the addition of billions of dollars worth of rate base.

Locking in billions of dollars of long-term assets that provide very little meaningful capacity value for decades is not an appropriate choice for customers when the risks faced with the combined projects remain largely unaddressed and alternatives remain unconsidered. The Division submits that Rocky Mountain Power's significant energy resource decision should be disapproved. Thank you.

CHAIR LEVAR: Thank you, Ms. Schmid.

Commissioner White, do you have any questions for her?

COMMISSIONER WHITE: I don't. Thank you.

CHAIR LEVAR: Commissioner Clark?

COMMISSIONER CLARK: I just have a question or two about the multistate risk that you have discussed at some length. I think you acknowledged in your argument that Utah in particular could in effect refuse to accept cost allocations of -- or allocations of costs associated with the project if Utah regulators at the time believed that they were unreasonable or weren't serving the needs of Utah customers and that shareholders or someone else could be forced to bear those costs. Is that -- I think you acknowledged that; isn't that right?

MS. SCHMID: I did acknowledge that, and I did reference the merger condition, and I did note that prudently incurred costs could be approved, but the Commission has jurisdiction to make the determinations that are in the best interest of Utah ratepayers.

COMMISSIONER CLARK: So were the Commission to approve the application before it, would it be possible, in your view, to assign a condition that the -- or at least to warn the utility that the Commission would not accept an allocation of cost associated with the project beyond what the current MSP methodology would dictate without some future showing of the reasonableness of that from the perspective of service to Utah customers?

MS. SCHMID: Yes, that is possible, and the statute particularly allows the Commission to set conditions and conditions such as that if the Commission deemed that was in the public interest.

COMMISSIONER CLARK: Okay. Thank you.

CHAIR LEVAR: I think this question is maybe just restating his question in a different way. I apologize if it's that. But when you talk about MSP risk, aren't we our own backstop against MSP risk?

MS. SCHMID: We are. And the Division is urging the Commission not to make decisions now that could adversely affect Utah ratepayers. What is critical is that the MSP agreement ends soon and parties are in the negotiations to see what happens in the future. I can't discuss those negotiations, and I won't, but the future is uncertain.

CHAIR LEVAR: Thank you. A few more questions. As we're considering RFP responses and whether there was a robust response to the RFP, what weight should we give to ineligible bids?

MS. SCHMID: I would think that they should receive significant and careful consideration. One problem is is that had bidders known that they were too far down the queue, they may not have bid and that the additional conditions and restrictions on the RFP and the additional transmission studies, had they known those, they may not have bid. So I question the robustness of the RFP results.

CHAIR LEVAR: Okay. You're not suggesting that we should not consider those bids to have ever happened?

MS. SCHMID: I don't -- that's not my position. I don't believe that's the Division's position.

CHAIR LEVAR: Okay. Do you have a position on whether the condition -- one condition suggested by the Office, a hard cap, would violate other statutory provisions that would allow a future commission to consider the prudence of any costs that exceeded cap?

MS. SCHMID: I honestly don't know, so I'll

leave it at that.
     CHAIR LEVAR: Okay.
     MS. SCHMID: Could I address waiver?
     CHAIR LEVAR: Yes, that's one of my next questions. Before that I want to ask one other question first. If we were to deny the application, what would be your view of the regulatory treatment of the costs that were incurred to meet the Safe Harbor requirements?
     MS. SCHMID: I would think that the Company would have to prove that they were prudently incurred and that the Commission would have the opportunity to review and decide that decision in an appropriate proceeding.
     CHAIR LEVAR: The waiver, is the waiver an either/or or is it only in lieu of the application that we've seen or is it an option if the application were denied?
     MS. SCHMID: I believe it is a statutory option if the application is denied, and I believe that the Company could proceed with the waiver process quickly. The waiver process requires the Company to submit a verified application. The Company should have all that ready. The Company has finally decided what the final projects would be, and it would seem

that the Company would be able to move quickly to put that together. Furthermore, the truncated process established by the statute, I believe, would allow a reasonably timed decision and it might even be a decision that is far in advance of the execution of construction and other pertinent contracts.

CHAIR LEVAR: Thank you. That concludes my question. Were there any follow-ups from --

COMMISSIONER WHITE: Well, I would just ask because I mean -- this might be a pass-along to Ms. McDowell, only if it's in the record. I guess one is a follow-up to yours that I don't know if it has been addressed in the record is, putting aside the fact there was some frustration in terms of like bidders who ultimately got to the point where they realized they didn't have the right queue position, I guess the question is wouldn't they have had to or someone have had to pay for transmission interconnection, you know, whether it -- according to the OATT?

So, in other words, even if that weren't the case, wouldn't that be part of the cost of the project, I guess? I mean does that make sense? I don't want -- I know you're not the expert, but if you can reflect on the record to provide that answer, that would be helpful to me. If it's not in the record, that's fine, but that's part of the question. Again, I don't want to mess up the flow if you want to wait until your summation.

MS. SCHMID: One of the other parties might be able to address that as well. I do not know. I know that some parties here, especially that side of room, are more familiar with the transmission and OATT process.

COMMISSIONER WHITE: You can -- you can address it now or later.

MS. MCDOWELL: Why don't we just jump in now so we don't forget to come back to it, and, again, I think this is one for Ms. Link, who is our transmission queue expert.

COMMISSIONER WHITE: Does that make sense, Ms. Link, what I'm asking? Again, putting aside the frustration, there's got to be -- you got to have a queue position; you got to interconnect; there's going to be a cost. Does that make sense?

SARAH LINK: Yeah. The interconnection queue position -- just to put some context around it, the positions that the winning bidders had were secured in 2015, well before any of this was ever considered by independent developers. And the bidders that we had in this were very sophisticated bidders who know how interconnection queue position works and know the value of the interconnection queue position, particularly in areas with the transmission constraints. They look at reports for people above them in the queue. They know what those reports say.

And so while there may have been frustration -- and I think it -- a belief that maybe we were finding a way to move people up the interconnection queue through this bidding process and we perhaps were not great in making it clear "There isn't that way," but that's really what it comes down to. You have your interconnection queue position and you can't really buy your way up.

You can buy the project that has that queue position, but you can't buy your way up the queue. The only thing that you could potentially do as somebody way down in the queue is pay for the interconnection costs of everybody above you in order to go ahead and interconnect.

So you basically have to look at all their studies and get everything in place that's required to interconnect all of them before you can interconnect. So it's incredibly expensive, and part of that is not buying -- I mean the most an interconnection developer can do to get interconnection when a piece of our long-term plan is required is upfront fund that piece of our long-term plan, but we end up reimbursing them. So they could upfront fund, Gateway West, for example, but we would still have to reimburse and that would still ultimately be borne by retail customers, and nobody is upfront funding the about 2 billion required to build Gateway --

COMMISSIONER WHITE: At some point that would reflected in the bid cost somehow, somewhere?

SARAH LINK: Gateway South wouldn't be because it's part of our long-term plan, and you're not allowed to assign that to any bidder or interconnection position, but the interconnection costs associated with buying your way up the queue, would have to be imposed on the bidders.

COMMISSIONER WHITE: Okay. Thanks.

COMMISSIONER CLARK: In the same area, is there anything on the record that would offer any more information on why a bidder with a queue position higher than 708 would have submitted a bid, knowing that even if in the first information -- the first transmission study information that was available as I understand it, meant that they would -- their bid would not be meaningful, at least if I understand the answers to your questions.

SARAH LINK: Yes. I think -- that's a good question, and we basically in lifting the requirement for the system impact studies to be completed, not every bidder had their own system impact study, and in opening it up to Wyoming wind generally, you took away sort of the impact of the transmission line on the bidding process for evaluation of all the bids. So there was some testimony yesterday that got confusing I think about this, but when the bids were evaluated, the costs of the transmission line were not imposed on any bid.

So Uinta -- the costs of the transmission line were not imposed on Uinta or any other bid in the bid evaluation process, so they were looked at based on economics alone and what was required in directly assigned interconnection costs, which aren't D2, and evaluated on that basis. So all of them had the equal basis to compete.

In terms of what that meant in their interconnection queue position, at that point nobody knew what the interconnection restudies would show or what studies would show once building of D2 was considered as an assumption. So at the point where we had Gateway South triggered at Queue 708, we didn't know at that point, nor did any of the other bidders -- they knew it was triggered at Queue 708 if they read the publicly available information -- but they didn't know what evaluating the addition of just D2 would change, how that would change, where interconnection capability would start to -- how far down in the queue we'd be able to get.

I think bidders and we hoped that we would get further down than we were able to get, but the constraints are severe enough that we were only able to get to Queue 713. I hope that's helpful.

COMMISSIONER CLARK: Thank you.

COMMISSIONER WHITE: Going back to that issue of opening up to Wyoming, how did that change the process here, I guess? Remind me, again, was that -- I know -- was that an IE request or how --

SARAH LINK: It was.

COMMISSIONER WHITE: And how did that change, again, the process by opening it up to Wyoming rather than just naming a specific interconnection point, I guess?

SARAH LINK: I don't think it changed the process in how we evaluated the bids. It just meant that -- I think there was some confusion that we opened it up to Wyoming yet we still assigned the cost of this line to any bid, whether they needed it or not, and that was not correct. So projects outside of the constrained area could compete without those costs being imposed on them. So everybody, even the Wyoming projects that didn't rely on the line, were, you know -- when they were viewed through this process, the economics showed that they were not more economic than the projects that relied on the line, because everything was analyzed without consideration -- without imposing the costs on that line on any bid.

CHAIR LEVAR: Why don't we take a ten-minute break, come back about 2:35 and we'll move on --

MS. HAYES: Mr. Chair, pardon me.

CHAIR LEVAR: Yes.

MS. HAYES: I will first note that Mr. Michel had to leave and, second, that I unfortunately have a conflict that I can't avoid later this afternoon, and so we'll have to -- I'm requesting to be excused around 3:00, if that's okay. And Ms. Kelly, as an employee of WRA, is available to represent us if there are any administrative or cleanup matters at the conclusion of the hearing.

CHAIR LEVAR: Okay. Thank you for informing us of that. Thank you.

MS. HAYES: Thank you.

CHAIR LEVAR: Okay. We will recess for about ten minutes.

(A break was taken, 2:23 to 2:37.)

CHAIR LEVAR: We're back on record. And was there an agreement for who's going to be next?

Mr. Moore.

MR. MOORE: Thank you, Chairman LeVar, thank you Commissioner Clark and Commissioner White, and thank you in advance for the consideration you'll give the Office's arguments.

First and foremost, the Company did not meet the primary requirement of the statute, whether the combined projects would most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost.

I'd like to pause a moment and address a statement made by counsel for PacifiCorp in her opening statement. My memory is that she stated this provision is satisfied because the evidence shows that the combined project, together with some future solar acquisition, satisfies this provision.

However, this contention cannot survive even a cursory statutory construction review. For example, Section 54-17-302 dealing with significant energy resource decision provides "Approval of a significant energy resource decision, the Commission shall determine whether the significant energy resource decision going down is in the public interest, taking into consideration production and delivery of electricity at the lowest reasonable cost."

The statute does not say that a significant energy resource decision, together with some future unspecified resource acquisition that may or may not occur that, if it does occur, will be approved outside this Commission's present order and that will occur under unknown circumstances. In fact, allowing an open -- such a construction suggested by PacifiCorp would, I believe, eviscerate the purpose of the statute.

The record in this -- the testimony on record clearly show that solar is likely your lower-cost resource, less risky since it would not rely on the new transmission line, is not as time sensitive, and is limited to PPAs which provide production guarantees to consumers.

Contrary to the Company's assertion, wind does not result in more benefits than solar in the to-36 case. Using level capitalized and level PTCs or nominal capital and nominal PTCs, the results favor solar in all the cases the Company ran. In the 2050 case, which did not appear in Mr. Link's testimony but was included in his work papers, solar produces hundreds of millions of dollars more benefits than wind.

Although the exact numbers have been designated confidential, the confidential numbers can be viewed on page 27 of Mr. Hayet's confidential April 17 rebuttal testimony. Moreover, in the repowering order on page 17, this Commission found that the two hundred and fifty analysis to be more appropriate than the 2036 analysis.

The Company's assertion need misrepresents that concept. This project does not fill a need in the standard sense that typically comes before this Commission. While it is true that the combined projects will offer 180 megawatts of FOTs, the Company has not demonstrated FOTs are no longer available and must be replaced.

Thus, this is not a case in which the Commission must choose among available resources. Clearly the RFP for this project was designed for a time-limited economic opportunity based on the expiring PTCs. It must be emphasized that the Utah IE testified that if the RFP was required for capacity need, he would not have recommended an all-wind RFP but one that would include more types of resources, perhaps an all-source RFP.

The contention that the transmission line needs to be built in 2024 strains credibility. The fact that the line is in their long-range transmission plan does not support this contention. If simply being in the plan was sufficient to demonstrate the transmission line would be built by 2024, it would also mean that other large segments of the Gateway transmission plan would need to be built by 2024 at an extreme cost.

In addition, the contention that the line needs to be built in 2024 was not mentioned until the January 16 testimony, after tax reform devastated the economic analysis presented in the Company's initial direct testimony. If the Company truly considered transmission line to be needed in 2024, they would have included this in their status quo case.

Mr. Link's explanation for why it was not included -- i.e., that the Company was being conservative in their analysis -- reflects a lack of credibility that has plagued PacifiCorp's arguments throughout this case. Mr. Link emphasized in every round of previous testimony that the analysis is conservative based on small and speculative potential additional benefits but did not note the profoundly larger 300 million associated with the transmission line until his May 15 testimony.

Clearly it has been demonstrated that the line would not be built without an addition of new wind resources, and it is only because of those resources that the line is needed. The Company admitted this much in its Oregon proceeding.

Importantly, this Commission must also consider to what extent it is true that this line offsets future investment needs in the region. This transmission line would add 951 megawatts of transfer capacity, but the combined projects would add 1155 megawatts of new resources, and QS in the region would bring in new -- additional resources connecting to the line to over 1500 megawatts. The Company has not explained how a more fully subscribed transmission addition solves the region's congestion problem.

Since need is overstated, that brings back to the issue of a time-limited economic opportunity. The time limits presented in this case are of the

Company's own creation. The Commission has evidence in this docket and others, most notably the 2017 IRP, that demonstrates the Company began making Safe Harbor purchases and other preparations that could have allowed it to bring forward the proposal in 2016.

The Commission must not limit this opportunity -- review of this opportunity to the price-policy cost/benefits results. The costs are known, nearly $2 billion with uncertain benefits and unqualified additional risks.

For example, the MSP risk is real. There is currently no multistate allocation method in place for these projects that will come into service and go on -- there is currently no multistate allocation method in place for when these projects will come into service and ongoing discussions risk the potential of a significantly different paradigm that may place Utah in a difficult negotiation position.

There are significant risks that are not included in this economic analysis. These risks include cost overruns, energy production. As PacifiCorp said it does not guarantee the wind will blow and force majeure. The facts that these risks are real and substantial is proven by the fact the

Company refuses to guarantee against them. If these risks are too significant for the Company to bear, they should be found too profound for the customers.

The record in this proceeding demonstrates that the Company request should be denied. However, if the Commission is inclined to approve the combined project, then the Office has presented conditions that the Commission should impose that will help mitigate this risk.

That's the conclusion of my argument.

CHAIR LEVAR: Thank you, Mr. Moore.

Commissioner White, do you have any questions for Mr. Moore?

COMMISSIONER WHITE: I don't. Well, let me ask you this one question: The conditions you proposed, can you maybe compare or contrast those to what's currently available in the solicitation statute, which I don't want to misstate it, but essentially allow that at a certain point if there's cost overruns for the utility to come in. Help me understand the protections that affords versus what the Office is proposing.

MR. MOORE: Well, our hard cap -- well, first of all, under the significant energy resource decision, the statute provides that the Company needs to show the prudence of cost overruns in a future general rate case. Our conditions would provide other procedures that could satisfy that requirement before -- prior to a general rate case, so it leaves some flexibility there.

Also, our conditions of our hard cap would give the customers protection against risks that were not in the Company's control and that they will claim were caused by decisions that cannot be interpreted as being imprudent.

This is proper because throughout these proceedings the Company has clearly taken the position that costs are set and there will be no overruns. This is what the IE in Oregon relied on when he -- I believe it was a man -- gave a condition of an unconditional guaranty cap on costs.

Our condition for the multistate service -- for the multistate protocol is also something that would occur outside a general rate case and would -- is a soft cap and would provide the Company -- I mean the ratepayers with protections in negotiations.

While the Commission always serves as the backdrop, this will provide us with acknowledgment that the Commission is serious about this cost in negotiations.

In denying the resource tracking method, which is not a condition because it's not called for in the statute, protects the customers from -- well, protects the customers from the Company from recovering all costs of the project and then when they propose to start a new general rate case -- this is just their plan -- in 2020 with a future test year proposed as 2021, that would lead to allowing them recover all the costs from the project even if they are not under-earning and then set their rates on the highest capital costs that are presented in the plan for the combined projects.

And, again, the energy benefits should be guaranteed at 95 percent of the forecast, again, reflects the Company's position that the energy costs, the energy benefits are fairly significant and predictable.

COMMISSIONER WHITE: Thank you. That's all the questions I have.

CHAIR LEVAR: Thank you.

Commissioner Clark?

COMMISSIONER CLARK: I want to drill a little deeper on the hard cap question because I want to make sure I understood what you said. I think you said that because the Company didn't -- while it did present alternative scenarios that addressed future carbon policy costs or future -- different future scenarios related to the price of natural gas, it didn't evaluate those scenarios in terms of a variety of capital costs for the project.

So because of that, then the Commission should be able to, as a condition of approving the resource, cap the costs at the cost level that was inherent in the economic analyses of the Company? Is that -- am I getting the flow right?

MR. MOORE: You said it much better than me, Commissioner. I would concur.

COMMISSIONER CLARK: Thank you. I understand then.

CHAIR LEVAR: Thank you. I would like to get your take on a couple questions I asked earlier. The first one is, if we were to disapprove this application, what would be your view of the costs that have been expended to meet the Safe Harbor thus far?

MR. MOORE: I would concur with the Division. I believe the statute allows recovery of costs in the -- allows, doesn't require -- recovery of costs in the case of a denial of an energy resource decision, but that should be determined in a later

proceeding to determine prudence.
CHAIR LEVAR: Okay. Thank you for that answer. And then do you view the waiver statute as only being an option in lieu of making the application the Utility has made or is it still an option once the Utility has made its application for approval?
MR. MOORE: I believe that the waiver is still an option if this Commission would issue an order denying the application. I also believe that the record in this case would more than satisfy most of the requirements of the energy resource decision waiver statute and that that proceeding can proceed quickly, particularly since it would -- the proceedings would be in accord with most of the arguments of the parties opposing the application.
CHAIR LEVAR: Thank you. I appreciate those answers. I think that concludes our questioning of you. Thank you for your closing statement.
Is there an agreement for who's going next?
MR. RUSSELL: That would be me. Thank you, Chair LeVar, Commissioner Clark, Commissioner White, for the opportunity to present closing arguments. It's been a really long week, and I appreciate your attention to the details of this matter. They are not easy issues, so I appreciate that.

UAE strongly opposes the Company's application for approval of the resource decisions that are before you today. We do not believe that the Company has presented the case that these resources present the lowest-reasonable cost resources available.

We believe that these resources present significant risks to UAE and to other ratepayers. We also are keenly aware of the near-term incremental rate increases that would be guaranteed if the Commission were to approve the application as well as a potential for long-term risks that have been addressed in multiple rounds of prefiled testimony as well as four days now of live testimony.

I won't repeat that or summarize it. Rather, I'm going to address a fairly narrow issue, and it is an issue or, rather, a concern that is being expressed by UAE, the independent evaluator in this matter as well as the Commission in the prior docket regarding approval of the solicitation process. And I want to explain how that concern has not been addressed.

As the Commission is, of course, well aware, the Commission granted the Company's application for approval of the solicitation process with the suggested modification that the Company include solar resources. UAE and other parties had suggested to the Company to expand the RFP to include solar resources or others, and when the Commission granted the application with that suggested modification, it included -- I'll use my term -- warning, I suppose, that in a later proceeding, this proceeding, the Company would have to come in and justify its decision if it elected not to include those solar resources.

And, of course, we know that the Company did not include solar resources. What the Company has said in response to that statement in the Commission's order is that, having gone through this process and placed the projects that were included in the solar RFP final shortlist against the projects in the wind RFP final shortlist into their SO model through 2036 and had that model selected both resources or both sets of resources, that that satisfies the conditions. And I'm going to talk a little bit about why it does not.

And indeed I think I'm going to leverage most of that argument on the statements of the independent examiner engaged by this Commission as to why it does not, but first, I want to talk about what we know now that we did not know when the Commission approved the solicitation process. We knew when the Commission approved the solicitation process that the independent examiner had said that he can't determine whether the process will lead to the lowest-cost resources.

Mr. Oliver testified in this proceeding he couldn't know that until the end. It was kind of results-based determination. He won't know until we get to the end. Now that we're at the end, he has stated in both in the report and in his live testimony that he can't say that the process -- even now he could not conclude that the process resulted in the lowest-reasonable-cost resources.

And I'll direct your attention to pages 71 and 84 of the independent examiner's report. I'll quote from page 84. What he says is "Since PacifiCorp's solicitation is based solely on the solicitation for system wind resources, it is not possible to determine if other resources would have been included in a final least-cost, least-risk system portfolio, potentially displacing one or more wind resources."

We don't have a transcript yet of the Wednesday proceeding, but I have listened to some of the audio, and I'll direct your attention if you're so inclined to the audio of the May 30 proceeding starting at around an hour and nine through around an hour and 13 minutes for his live testimony on that point.

Mr. Oliver also testified his recommendation to approve the wind-only RFP process, so to exclude other resources, was based on his understanding that PacifiCorp sought to take advantage of a time-limited opportunities to -- for the PTCs. He testified live before you that, had he known PacifiCorp was taking the position that the resources it sought to install would be based on a capacity contribution, that he might have made a different recommendation than the one that he did make.

I think we also know now, having seen the results of the solar RFP, that the solar -- the cost of the solar resources from PacifiCorp's 2017 IRP were wildly inflated. PacifiCorp was wildly wrong about the cost of solar, the cost to produce solar and the competitiveness of solar as compared to the competitiveness of wind.

My colleagues have discussed it some already. We have seen testimony from Mr. Peaco, Mr. Hayet, and Mr. Mullins, all pulling from PacifiCorp's own numbers that the solar resources are vastly superior when you look at that 2050 time frame and also that the solar resources provide greater benefits in that 2050 time frame, and there is no price-policy scenario, whether you're looking at 2036 or 2050, in which the installation of the solar resources results in costs to ratepayers.

In contrast, the wind resources, I will acknowledge PacifiCorp's own numbers say the wind resources result in benefits in all nine price-policy scenarios through 2036 but only seven of the nine through 2050. The solar resources provide benefits in all 18, whether you're looking at 2036 and 2050.

And I'll point to you the page numbers of the prefiled testimony, page 53 of Mr. Peaco's surrebuttal testimony, pages 25 through 27 of Mr. Hayet's surrebuttal testimony, and pages 18 through with 21 of Mr. Mullins's surrebuttal testimony.

I will also address -- I also want to address PacifiCorp's statement that placing the solar alongside the wind in the SO model, running that out to 2026 satisfies its obligation to demonstrate to you that it was a wise decision or a prudent decision to exclude solar. I think it actually shows quite the opposite.

The fact that the SO model selects solar and wind ought to tell you they should have been included because that's what would have happened if PacifiCorp had priced solar correctly in the IRP to begin with. As you recall in the solicitation approval docket, there was a fair bit of discussion and disagreement about the cost of solar.

I'm not going to repeat the Commission's order on that, but there were parties to the proceeding that indicated solar was a lot cheaper than what PacifiCorp was saying and, if PacifiCorp had priced it correctly, we may have had that result, which is their SO model yielding a result that solar and wind ought to be placed in same the RFP and not in separate RFPs.

And I also want to talk a little bit about the statements of the independent examiner that explain how and why you can't look at that 2036 time frame to adequately compare different price structures. This is PPAs versus BTAs and benchmark resources. And this goes whether the PPA is a solar or a wind resource, but because they are different price structures, because they have different lengths, it's inadequate to just take look at the 20-year price range. So just very quickly, with a BTA or a benchmark, those all run out to 30 years.

The way that PacifiCorp has modeled those, the way that it models them now and the way that it modeled them in the SO run that it's talking putting them side by side with solar, is to have all of the PTCs using nominal numbers, meaning that they all occur in the first ten years.

So that 2036 look captures 100 percent of the production tax credits from the BTA and benchmark resources. In contrast, when you're talking about a 20-year PPA, because the solar resources would have come online at the end of 2020, you're looking at the first 16 years of a PPA, and PPA, the structure is that the developer takes the cost -- or excuse me -- takes the risk that it will bid the right price to -- taking the risk of its own capital costs and its own ability to harvest ITCs or PTCs, I suppose.

And so it builds that into its price, and that's then levelized out over a 20-year period, so now, you are looking at 16 of those 20 years because the 2036 model does not go out to the full-term of the solar or the wind PPA. So you're capturing 16 of 20 years of the PPA, which means that you're only capturing 80 percent of the tax credit benefits. You're also only capturing 80 percent of the cost, assuming the benefits and the cost -- the tax credits and the capital costs are evenly distributed.

In contrast, as I mentioned, you're getting 100 percent of the tax credits from a BTA or benchmark resource, but because PacifiCorp has insisted on continuing to use real levelized costs for those resources -- and we talked about this some in the repowering docket -- but what that means is that you take the capital costs and you spread them out evenly every year for 30 years.

When you look only at 2036, you're leaving out the last 14 years, or approximately 50 percent of the costs of that project. For all of those reasons, the independent examiner indicated that's not the appropriate way to compare those two different types of price structures.

There are a number of places in his report -- Mr. Hayet talked about them some this morning -- where Mr. Oliver indicated, or the IE indicated, that using the SO model out to 2036 presents a bias towards the BTA and benchmark resources for all the reasons I just indicated.

I can give you those citations. I think

Mr. Hayet actually captured them this morning. I think they are on pages 62, 64 to 65, and 81, and those are all from the -- I apologize for this -- from the confidential version of the IE's report. I don't have the citations from the redacted version.

I do want to read from some of those. At page 62, page 62 of the IE's report he states, "The capital cost inputs for the benchmarks and BTAs are based on real levelized costs for the period 2017 to 2036, consistent with the IRP methodology. The IEs raised the issue that this approach could bias the evaluation results towards BTA options if only a portion of the capital costs associated with the benchmarks and BTAs are recovered during the 20-year evaluation period since these projects have a 30-year life and capital-cost recovery period."

He goes on to talk about the IEs, the Oregon IE having asked PacifiCorp to run a sensitivity case in which the PTC values would also be levelized, and that's precisely what Mr. Hayet did in his analysis that I referenced you to earlier.

On page 65 of the Utah IE report, the statement here is "The Oregon IE requested a sensitivity where the PTC benefits produced by BTA and benchmark options would be levelized over the full 30-year life of the project. A second issue raised by the IEs was whether the term of the analysis through 2036, approximately 16 years, and the real levelized cost treatment for capital revenue requirements adequately reflects all the capital costs associated with utility ownership options over a 30-year project life." That's at page 65.

I'll remind the Commission of Mr. Hayet's testimony where he stated that in order to determine to place PPAs and BTAs on an equal footing, you have to go out to the end of the life of the project. So he testified for a BTA or benchmark option it's 30 years. You have to go out to 30 years. If it's a PPA option, it's 20 years. You go out to 20 years. He also indicated if there's a five-year option, you go out to the end of that option as well.

And for those reasons I submit that PacifiCorp has not demonstrated that it was correct or made correct decision in deciding not to include solar in the RFP, and I think the results would have been very different if they had. Thank you.

CHAIR LEVAR: Thank you, Mr. Russell.

Commissioner Clark, do you have any questions?

COMMISSIONER CLARK: No questions. Thank you.

CHAIR LEVAR: Commissioner White.

COMMISSIONER WHITE: No questions. Thank you.

CHAIR LEVAR: We have had a lot of different parties weigh in on a couple issues, so I'll just get your position on them too.

What's your -- do you have a position on the statutory authority for one of the conditions recommended by the Office, a hard cap, as a -- since we have one statute that says we can impose conditions; we have another statute that refers to future prudence review of any cost overruns, do you have a view on those?

MR. RUSSELL: On the hard cap, I don't. The Commission can, of course, impose conditions. I think the statute is fairly clear it can do that. Whether the statutory authorization to impose conditions runs up against other potential concerns, I don't know. I don't know enough about this to be helpful to you here. I wish I did.

CHAIR LEVAR: Okay. Well, then another question that I've asked other parties is do you have a position on the waiver statute whether it's an either/or that can only be applied for in lieu of the application we have in front of us now or whether it's still an option that remains available?

MR. RUSSELL: Yeah, I appreciate that. I don't -- I think when it was written it was probably contemplated as an either/or but when you look at the statute, it doesn't indicate that you have one or the other.

So my suspicion is that if we look at the plain language of the statute and the Commission elects to decline to approve, that the Company could turn around and file an application for the waiver under the other provision and we could move forward that way.

CHAIR LEVAR: Thank you. I appreciate your answers to those.

MR. RUSSELL: Can I address one of the questions you've asked other parties?

CHAIR LEVAR: Yes.

MR. RUSSELL: Okay. It relates to your question about robustness and how the interconnection queue addresses -- I'll be very brief. You will recall I had the discussion with Mr. Oliver about this issue, and I'll be candid: He testified he thinks the robustness element was met.

But he also indicated that he thought that the interconnection queue eliminated most, if not all, of the competition for the benchmark resources.

And I submit to the Commission that the issue of competition is really at the heart of what the robustness element is about.

While Mr. Oliver and I may disagree about the definition of that, I think that ought to carry some weight. I don't think you should ignore the market response, but I do think that the purpose of setting up a solicitation process to garner a market response is to garner a market response that can compete for the benchmark resources.

CHAIR LEVAR: Thank you. I appreciate that additional perspective, and thank you for your closing statement.

MR. RUSSELL: Thank you.

CHAIR LEVAR: Mr. Baker.

MR. BAKER: Thank you. Good afternoon, Chairman LeVar, Commissioner Clark, and Commissioner White. On behalf of the Utah Industrial Energy Consumers, I appreciate the opportunity to provide these closing arguments and discuss why this Commission must deny the Company's request.

A significant energy resource requires an energy resource decision. The Company's decision -- Ekola Flats, TB Flats I and II, and Cedar Springs -- was first announced in this docket a short two weeks before the start of this hearing in the Company's surrebuttal testimony. Before this final decision PacifiCorp changed its mind not just once or twice but three times, the resource portfolio justifications or analyses changing with each round of filed testimony.

The Company's shifting stories date back to at least 2015 when the Company represented to this Commission that it had no resource need for the next decade. During the same 2015 proceeding, the Company also argued its desire to protect ratepayers from inherent uncertainties associated with 20-year forecasts and the fixed-cost risk that hedges against future prices creates.

Prudent concerns, given RMP history of being wrong, as Mr. Mullins's testimony demonstrates, the Company's official forward price curve has exceeded actuals approximately 90 percent of the time. Casting these ratepayer concerns aside today, the Company is asking the Commission to approve a bet of an estimated $2 billion against future forward forecasts modeled out over 30 years. Based on its earlier statement, this is a bet the Company would not make or not recommend.

By failing to make a decision and stand

still, the Company deprived UIEC and other parties from ever having a full and fair opportunity to assess the true project, its costs, risks, or purported benefits.

Besides failing to comply with the Energy Resource Procurement Act and its regulations that require a final resource decision before an application is ever submitted, the Company's rush for tax credits has affected the entire process, leaving this Commission no choice but to deny the resource decision.

This Commission cannot preapprove a project and in the process create the uncertainty in this proceeding, taking real money from real ratepayers' pockets on an incomplete record. The Commission must make complete, accurate, and consistent findings of fact in accordance with the Energy Resource Procurement Act, which on this incomplete record, it cannot do.

The resulting failure to undertake a complete review of the facts required by this act invites error and would be arbitrary and capricious. As part of its public interest review, this Commission must evaluate risk. As described in the testimony of Mr. Mullins and supported by the testimonies of Dr. Zenger, Mr. Peaco, Mr. Vastag, Mr. Hayet, opinions from the Oregon and Utah independent evaluators and an order from the Oregon commission, the combined projects have much risks -- cost overruns, project delays, underproduction, and interstate allocation to name a few.

And let's not forget the uncertainty in the Company's modeling assumptions. Mr. Mullins's testimony and summary today demonstrated that a few minor adjustments such as wholesale transmission revenues and wind integration costs would disrupt the claimed benefits in the Company's preferred medium gas/medium CO2 price-policy scenario.

Missing from this record are final drawings of new critical towers as well as the executable governing contracts. The foundation of the Company's alleged mitigation measures and their squishy, my term, guarantees against these risks.

The Company submitted only generic pro forma examples offered to bidders as part of the RFP. We have no way of knowing whether or not these pro forma, after having undergone significant redlines, resembled their original form. The Company admitted that the revisions were to material terms and conditions involving contractor guarantees and excusable events such as the definition of a force majeure, a definition the Company intends to use to limit its PTC qualification commitment, and these agreements still remain in negotiation.

An opportunity for limited party review of these ever-changing drafts, which the Company claimed to be highly confidential, is an ineffective alternative for the Company's failure to have final executable documents by April 16, 2018 as pledged by Mr. Teply in his January and February testimonies, by May 15 with the Company surrebuttal or at this hearing at the latest.

And with these last two I'm not suggesting that such a last-minute surprise would not prejudice the parties in this process. One must wonder if the Company is as good at meeting construction deadlines as it professes. Perhaps this demonstrated inability to meet schedules help drive the 7 percent cost overrun the Company experienced on portions of the Energy Gateway transmission line, an approximately 40 million-plus hit to the combined project forecast economics, if history repeats itself.

Failure to submit to the record such foundational documents deprived UIEC, parties, and the Commission an opportunity to review, explore, or even verify the Company's risk mitigation claims. "Because the Company told you so" is not sufficient grounds on which this Commission can render a decision.

We also do not know the impacts of the appeal of the RFP approval in Docket 17-035-23. Subparagraph (3)(a) of Title 54, Chapter 17, Part 3 requires that a resource decision comply with the Energy Resource Procurement Act and its rules. A resource decision cannot comply with the Energy Resources Procurement Act if the entire RFP process -- the first step under the Act did not comply with the Act. This question now rests with the Utah courts.

We do not speculate on this appeal risk. It exists and the Company failed to tell this Commission how this risk could impact the combined projects. More troubling, when asked about options to protect ratepayers in the combined projects from this risk, Ms. Crane merely indicated the Company would comply with future orders, effectively ignoring a risk that the Company would not accept in its own arm's length agreements and depriving the Commission an opportunity to explore this appeal risk, its impact, and possible mitigation.

The Company similarly failed to explore the risks associated with the Oregon commission's refusal to acknowledge the RFP shortlist, because -- I refer you to page ten of the Order, DPU Cross-Exhibit No. 3 and quote:

"We simply cannot conclude at this time that the narrow shortlist from the Company RFP, a package bundle of mostly Company owned Wyoming wind resources connected to a single transmission line clearly represents the renewable resource portfolio offering the best combination of cost and risk for the Company customers."

The Company does not have a pre-approval, order, stipulation, or otherwise in Oregon, a state with an aggressive RPS standard, and must now seek rate recovery in the future from a commission that is, at best, skeptical of the Company's decision.

The Company refused to address how Utah customers will suffer in the event of a full or partial disallowance in Oregon. This Commission should not race ahead of Oregon and disadvantage Utah by preapproving a decision that does not offer the lowest-cost, lowest-risk resource to Utah customers.

Project supporters make much about the do-nothing alternative. Assuming for the sake of argument something to which UIEC does not agree, that something needs to be done, do-nothing is not the only alternative. In the Company's own words, solar resources, which the Company sensitivity demonstrates better economic benefit to ratepayers and which offered better capacity to fill a falsely claimed need, can still being built and will get cheaper. The Company's actions deprive an alternative in this proceeding.

It isn't good enough the combined projects may provide environmental benefits. It isn't good enough that sprinkled with fairy dust, again, my term, the combined projects' economics look good.

Marginal, speculative benefits that quickly vanish with the occurrence with any one risk or modest assumption adjustment, let alone a combination of them, do not support a pre-approval. We must know the costs; we must know the risks with much more certainty. We must have a complete record. We have none of these.

Neither the record, nor this process, pressured to chase PTCs, support or permit Commission approval of the combined projects. Accordingly the UIEC requests the Commission deny the Company's request. Thank you again for the opportunity to present UIEC's position.

CHAIR LEVAR: Thank you, Mr. Baker.

Commissioner White, do you have any questions for him?

COMMISSIONER WHITE: I don't. Thank you.

CHAIR LEVAR: Commissioner Clark.

COMMISSIONER CLARK: No questions. Thank you, Mr. Baker.

CHAIR LEVAR: Do you want to address any of the questions that I've asked some the other parties? Do you want me to repeat them?

MR. BAKER: Sure, yeah, there's a couple of them that I would like to comment on them. The first, if I may, just a brief moment respond to your question regarding exceptions to the first-come, first-served transmission queue exception.

I would like to refer you to 128 FERC P61155 as an example of the cluster study waiver that Ms. McDowell referenced. In this case El Paso Electric company requested and was granted such a study exception to facilitate studies to help meet New Mexico's renewable portfolio requirement.

I understand that a cluster study waiver can't waive the first -- first there -- first-in, first-selected requirement. However, it can have the practical effect of moving a resource up the queue.

For example, if a higher queue project drops out of the queue, for example, as being selected in an RFP, a lower queue project part of a clustered study would move up the queue, and with the benefit of having this advance to a completed study. Such an event could have avoided the queue cut-off impact in dispute, but now we will never know.

With respect to the soft cap issue and whether or not future prudence review under the statute would provide inadequate mechanism, I just would argue that once the first -- I find it problematic and of little comfort that once the first cubic foot of concrete is poured the temptation of the sunk cost fallacy would be too great.

With respect to whether the Commission can put in hard caps, I too can't, you know, describe further than what others have, and I would submit that with respect to the waiver question, the law is not clear. I can't cite to anything to say that, you know, the Company cannot proceed with a waiver should this process -- should it be denied during this process.

I will say, however, that that would seem to provide an unfair second bite at the apple, and in some instances render this process meaningless.

With that, I have nothing further.

CHAIR LEVAR: Thank you. I appreciate your answers and your closing statement.

Ms. McDowell, we have time reserved for final statement.

MS. MCDOWELL: Thank you, Commissioners. Let me just begin by going around the room and addressing, I think, the arguments generally in order although I may combine some of my responses if it makes sense.

First of all, with respect to the DPU's extensive comments on the MSP process, I would say most of that was not reflected in testimony and not developed in the record, but in any event I think the reason it was not developed in the record and subject of much conversation in this hearing is because MSP is its own separate process.

And I guess would urge you to keep it that way and not prejudge or prejudice what's going on in that docket by making really advanced or premature decisions about allocation issues in this docket. Just echoing what Commissioner LeVar said, we don't think it's necessary for the Commission to address MSP or allocation issues at this point because the Commission can always backstop that issue by reviewing it at a later point and we think that's what's most appropriate here.

Moving on to some of the comments that the Committee made. First of all, the Committee reflected or started out its closing argument by referring to the low-cost factor, the first factor in the list of six factors as the primary factor the Commission must decide.

I think it's clear that all of the factors are important. There is no direction to the Commission to consider one as a primary factor and ignore the others. I think on a case-by-case basis the Commission has looked at different factors in different ways.

And with respect to how we believe we've satisfied that statute, we believe we satisfied it in the same way that the Commission has historically looked at this issue and in the way the Commission looked at it in the repowering docket, which is to look at the benefits of resource acquisition and also look at the whole context.

So the part of the Committee's statement that we're alleging that basically by acquiring wind now with a promise to look at solar later, that that's our position that's how we satisfy it, that's just not a correct statement of the record. What we have said is that applying our SO model, applying the model in which we compared all of the bids in the RFP process, if you apply the RFP model, which is the SO model to do the comparative analysis of solar bids and wind bids, we did that analysis head to head and the wind projects came up better.

And that's the primary basis for which -- and that's not to say solar didn't have benefits. We've also said solar looks good, so we'll continue to explore that, but in terms of what goes first, both the timing of the wind and the benefits of the 2036 analysis is what the Company relied on.

Now, folks -- and I'll kinds of get into some of the UAE at this point too -- folks have said, "Well, but other analyses show that solar is better." I guess this is the point we tried to make throughout, that it is important and it's actually a requirement of the rule to apply consistent analyses across all RFP processes.

And the consistent analysis was that 20-year SO model. That's what we used in the IRP. That's what we used in the RFP. Certainly the IE asked for some sensitivities to 2050. We did those, and the IE's conclusions were, based on those sensitivities, that ultimately there was no bias.

And if you go to page 81, which people continue to say -- they want to go to this as far as, you know, "The IE says basically the results were basically comparable, perhaps there's a small bias," and folks end there. And then the IE's ultimate conclusion was "We do not believe any bid had an undue inherent competitive advantage within the parameters of the solicitation process."

That was the conclusion, and it's not fair to just read down to the one section and not take into account the conclusion of the IE in that context. Another issue that the Committee -- excuse me -- the Office.

COMMISSIONER CLARK: Can I ask you a question about that before you leave?

MS. MCDOWELL: Of course.

COMMISSIONER CLARK: Do you understand that statement to be about the analysis process or isn't it really about the information requirements that the bidders had?

MS. MCDOWELL: So I read the statement and I thought this was the discussion in the hearing with the IE that basically it all follows on that you have the discussion about the modeling and then the IE concludes that there was no inherent competitive advantage with respect to one type of bid over another, and that is a fair conclusion based on the statement that says that the results above -- the results showed that the BTA and PPA for the most competitive projects to be close in value.

In addition on page --

COMMISSIONER CLARK: Thank you. I apologize for interrupting.

MS. MCDOWELL: No worries. On page 75 there's a related conclusion from the IE stating "Overall the results indicated that there did not appear to be an inherent advantage associated with the utility ownership bid due to shorter evaluation purposes for purposes of evaluating and selecting a portfolio of resources."

So, again, that's back to the 2036 analysis, and I'm stressing this because, you know, you can't do -- I mean it's a basic premise of the RFP process that you need to use a consistent analysis across your bidding process.

So you can't use one analysis to judge all of -- to comprise your shortlist and to assess the projects and then at the end use a different analysis, a 2050 nominal analysis and say, "Oh, that's what the results should have been."

When we applied the analysis, we used across the board to the comparison of solar and wind, wind came up ahead of solar, and that's before taking into account the cost of the transmission line, which if you do the solar bids, you're left in a position where the customers are exposed to the 300 million net present value of the cost of that line.

The Company's clearly indicated that line is in the plan for 2024. That's a near-term need. Now, the Company with its transmission planning has made clear it takes those dates and tries to be as flexible as possible to ensure that those lines can be brought on as cost effectively as possible.

But that's not to say when you have a need like that you can continue to push it on and out into the future for forever. I think all the discussion around the transmission queue and the congestion reinforces that is it really not a question of if; it's question of when with respect to that line. And you've heard that testimony from many of the Company's witnesses on that point.

So while some folks say "Well, it's an advantage the solar bids don't require the transmission line," from our perspective what happens if you go forward with the solar bids, they might look attractive because you don't have the transmission costs, but you also don't have the benefits that are paying for that transmission, which is ultimately the 300 million NPV costs for the transmission line.

So with respect to the concerns that we, you know, never reviewed other bids outside of solar, that we should have done an all-source bidding process, I just want to say no party has ever raised this issue that the Company should have looked at a gas plant or that some other kind resource would be competitive. That just was never disputed here.

The only issue raised was would solar resources be competitive, and that's simply because the IRP process clearly showed that the renewable resources were the only resources that could possibly compete with the front office transactions. So that's the evidence on that.

With respect to the need question, I just want to say that on the one hand the Office has said that the 2050 analysis is the one that the Commission ought to be looking at even though the 2036 analysis was used in the RFP process, and they are pointing to the wind repowering order for that.

And it was clear -- and I think the testimony was clear -- is that the 2050 analysis in repowering was particularly important because that back-end benefit was such a big part of the analysis of whether repowering made sense.

So once -- basically it's the life extension benefit. Once the old plants were going to go off, what was the value of the remaining years where you presumably would not have had those wind plants, and that's a very large benefit which was not captured in the 2036 analysis.

So here, we've got a different set of considerations. We're really looking at how does the RFP compare to bids, and it uses the 2036 model for that. But in any event, on the one hand, the Office is pointing to the repowering order for the use of the 2050 analysis but then not considering how the Commission really reviewed that low-cost factor in the context of the repowering decision.

The Commission really looked at benefits, and is there a net benefit, and economic benefit, to customers, not some of the other need arguments that have been raised both here and in the repowering context.

So let me just check my notes here for a moment. It's hard to talk and read my notes at the same time. So just give me one moment to catch up.

So there is also the contention that simply having the line in our long-term plan is not enough to show need for that transmission line, and I think there's been a fair amount of evidence beyond just the fact that that line is in our transmission plan to show the need.

And it's some of the issues I raised earlier about relieving congestion, providing additional voltage support, allowing the Company to manage all of its resources more flexibly, and the evidence we've produced that even the Dave Johnston plant closes and even if there is no additional wind that's brought on, we still are in a place where we're very close to having -- you know, being put into that place where we have a reliability need that would mandate construction of that line and bring on that $300 million NPV cost.

Now, there was -- there have been questions about the hard cap and the legality of the hard cap. I just want to also make an argument that isn't just around legality but is around fairness. What we're looking at here is a proposal to cap the Company's costs at its estimates to ensure some level of benefit.

And the fallacy of that argument is that you could have a situation where you've capped the Company's costs at the estimated level; you end up having significant benefits that, you know, maybe are either what the Company's estimated or even more than that; there's an occurrence that's outside of Company's control that the Company prudently responds to, say, costs at 50 million; and a hard cap would put the Company in a position that, notwithstanding the fact customers are enjoying potentially hundreds of million of dollars of benefits, the Company is not going to be able to recover that 50 million in prudent expenditures.

So it puts the Company in a position where people are not saying, you know, "Cap this at the projected benefits." They are saying, "Cap it at the projected costs irrespective of benefits." So you do get in a position -- we think any hard cap is inappropriate and not authorized.

But it's also pretty unfair because it could lead to a situation where customers have significant benefits and the Company is unable to recover prudent costs.

So with respect to UAE, some of UAE's

comments around the IE and his conclusions that he personally could not say whether -- because he was not the IE in the solar resource RFP and had not reviewed all the evidence in this docket and the IE work in that solar docket, that he personally could not say that the wind resources -- well, he said certainly that the wind resources provided substantial benefits to customers and were the best and most competitive bids the market could offer for wind.

He could not say whether they were, on a relative basis, lower cost than solar, that that was just not his job. I just want to be clear -- and I believe the IE testified -- that that's not to say that you can't make that decision based on the record that we've provided you, which is much more extensive than what the IE reviewed.

So let me just be clear that the IE did not say that that decision can't be made by you. He said it could not be made by him based on scope of his work.

We believe, based on the record that we have provided, that both based on the benefits, the analysis the Company did do of the solar resources, the conclusions of that analysis -- which is wind now, solar next -- that all of that supports the satisfaction of that first factor, that low-cost factor.

Now, with respect to the some of UIEC's comments, one of the comments that UIE's counsel made was that the contracts are missing from the record and that's problematic. I just want to reinforce for the Commission the point that the resource approval statute really contemplates approval before getting into these binding contracts, that it is the normal course of events, at least based on the cases I've read, in particular the Bridger SCR case, where the Company really takes the contracts up to, you know, a sort of finally negotiated point, waits for the regulatory approval process to be depleted, and then files the contracts with the Commission so the Commission can review them.

Obviously, the Company's implementation of its resource decisions are subject to a prudence review by the Commission, so assuming those contracts did not comport with representations the Company made in the context of this proceeding, that would be subject to future commission review.

Now, with respect to UIEC's position that there is a major risk associated with the appeal of the RFP, you know, just there's an irony that UIEC has brought this appeal and now claims the Company -- that there's a huge risk associated with it the Company has not considered.

I mean it seems inappropriate or ironic for a party to create a risk and then say, "Oh, there's too great a risk to proceed and the Company can't move forward and the Company hasn't considered that risk."

I guess we're -- the appeal has yet to go forward, but we believe that just based on similar comments that we've made here about the satisfaction of the low-cost factor, we don't think the appeal has merit. We also think it's inappropriate for a party to create a risk and then claim the Company hasn't properly addressed the risk that they've created.

And with respect to the UIEC's comments about the Oregon order on the RFP shortlist, UIEC referred to this as, you know, that we did not -- the Company did not get a pre-approval order. I want to be clear: There is no such thing as a pre-approval order in Oregon.

The closest thing that Oregon has to that would be IRP acknowledgment or RFP shortlist acknowledgment, one or the other; you don't need both. In this case the Company had IRP acknowledgment, and that's as good as it gets in Oregon. There is no pre-approval scheme like there is in Utah. I don't think the commission could have been clearer in its order that they were not prejudging the outcome and clearly encouraging the Company to go forward and present this in the normal course under Oregon law.

COMMISSIONER CLARK: Can I interrupt you there a second.

MS. MCDOWELL: Of course.

COMMISSIONER CLARK: Would you remind me of the timing of IRP acknowledgment in Oregon and your pursuit of RFP acknowledgment in Oregon, how those operated, what was the timeline for each of them.

MS. MCDOWELL: So the IRP acknowledgment was in December and the RFP shortlist acknowledgment order was just a couple weeks ago. So, basically, just like here, the RFP went on concurrently with the IRP. The IRP was acknowledged first, and then the RFP shortlist issue came before the Commission.

And frankly, you know, I think one of the drivers for the commission's decision was that they had already provided IRP acknowledgment, so they could reserve questions on the RFP shortlist because they -- since they had provided IRP acknowledgment, it really wasn't -- you know, it was a redundant acknowledgment in some ways, and I think that was the gist of the Commission's order.

COMMISSIONER CLARK: Is it something you apply for? You initiate?

MS. MCDOWELL: It's a requirement --

COMMISSIONER CLARK: A request?

MS. MCDOWELL: It's a requirement of a competitive procurement process in Oregon, so it was not something that the Company -- it had to do it because it's just a requirement of the procurement process, so the Company, as a part of the procurement process, it got approval of its RFP.

And when it came to -- when it had prepared a final shortlist, it was required as a part of the procurement review to ask the Commission to acknowledge that final shortlist, and that's the process that occurred.

COMMISSIONER CLARK: Thank you.

MS. MCDOWELL: Before I conclude, let me check with my colleagues to make sure there's nothing else.

Just a couple of other points, assuming I have a couple more minutes.

CHAIR LEVAR: Assuming time for questions, but yeah --

MS. MCDOWELL: I won't take much longer.

CHAIR LEVAR: Maybe two more, yeah.

MS. MCDOWELL: There were some questions that came up about the forward price curve and the fact that the Company -- you know, Company's predicted ability to forecast forward prices, that there was evidence it was problematic. I guess I just want to -- these were comments from the DPU, and I just want to remind the Commission that when we asked the DPU's witness to provide evidence of that, there was never any ability to do that.

So, in other words, there were conclusory statements made that the Company had predicted its forward price curves inaccurately, but the Division witness was never able to point to any evidence establishing that.

And just to remind the Commission, the medium case, the base case forecast, is based on the Company's forward price curve just like in repowering. And just like in repowering where the Commission found that the use of that forward price curve in all kinds of, you know, regulatory contexts here in Utah demonstrated its reasonableness.

I mean it's the same curve that we're using here, and, you know, to the extent that we haven't captured, you know, some of the decline in natural gas forward price curves, that reflects the fact that our curves are based on market inputs.

We're not making this stuff up. We rely on third-party experts. We consolidated and synthesize that information, and that's how we construct our curve. Our curves are audited by all of our commissions because they are used extensively, and our regulatory processes.

And I think the evidence here was pretty clear that compared to, you know, widely relied-upon curves -- namely, the EIA reference case -- the Company's curve has always been a little bit lower, a little bit more moderate, a little bit more conservative, if you will.

So the comparison to the Jim Bridger case, there was never any evidence in the record of actual prices and how those forecasts compared to that.

And then, finally, with respect to this question or the point that UIEC made on the cluster study and the fact that that study could change things with respect to queue position, the point I made remains: The queue -- FERC requires the Company to basically go in serial order.

So even if you did a cluster study, it would still require somebody to drop out. So I guess the wishful thinking would be if you did some kind of study like that somebody might drop out of the queue, but it would still require someone to do that when you have a valuable queue position in a place -- a transmission constraint place like eastern Wyoming.

I think you can fairly and safely assume that people are not going to drop out of the queue. It's valuable to remain in the queue because, obviously, that can be part of a future arrangement such as the ones that occurred in this case.

So those are all the rebuttal comments I have. I really want to, again, say thank you to the Commission for presiding over this case and presiding over this hearing.

CHAIR LEVAR: Thank you. I have one very narrow question on one point you made in your rebuttal statement.

When you were talking about the UIEC statements about the risk of the current pending appeal -- with the understanding that I believe UAE is the appellant -- I think I've got the term right -- in that case, UIEC is not a party to that appeal, does that modify your comments on that risk

to any significant extent?
MS. MCDOWELL: Yes, it does. So I stand corrected.
CHAIR LEVAR: Okay. Do you have any additional questions?
COMMISSIONER CLARK: No, I don't. I do want to thank all counsel that have participated, though. This summation has been very helpful for me. I know it's laborious for each of you, but thank you for your contributions today.
CHAIR LEVAR: Thank you. And I don't want to be repetitive, but we recognize that asking for closing statements was a not-insignificant burden on those of you who already had -- I'm trying not to use a pejorative term -- a pretty rough week.
We recognize it was a significant thing to ask you do to that. It was helpful. It was meaningful. And it allowed to explore some issues in a way that we couldn't do so in testimony. So we appreciate that.
And with that I think -- noting the time constraints that were discussed on the first day of the hearing, I don't know that we're ready to make any commitments today on timing of Commission action except to say we will take this under advisement and

give this matter serious consideration and take action when we're able to do so.

With that, we're adjourned. Thank you.

(Whereupon the hearing was adjourned at 3:52 p.m.)

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C E R T I F I C A T E

STATE OF UTAH)
)
COUNTY OF SALT LAKE)

THIS IS TO CERTIFY that the foregoing hearing was taken before me, Letitia L. Meredith, Registered Professional Reporter and Notary Public for the State of Utah and Certified Shorthand Reporter for the State of California.

That the hearing was reported by me in Stenotype, and thereafter transcribed by computer under my supervision, and that a full, true, and correct transcription is set forth in the foregoing pages, which also includes excerpt taken from PSC recording.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Spanish Fork, Utah, this 6th day of June 2018.

Letitia L. Meredith, CSR, RPR

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