ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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June 17, 2021

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

RE: Docket No. 17-035-40
Application for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision
Reply Comments

On April 30, 2021 Rocky Mountain Power (the "Company") filed its first New Wind and Transmission Report for Calendar Year 2020 ("Report") in compliance with the Public Service Commission of Utah ("Commission") June 22, 2018 Order and October 22, 2018 Order on Reporting Requirements (together, the "EV2020 Orders"). In accordance with the Notice of Filing and Comment Period issued by the Commission on May 3, 2021, Rocky Mountain Power submits its reply comments in response to the comments filed by the Division of Public Utilities ("Division"), the Office of Consumer Services ("Office") and Utah Association of Energy Users ("UAE"). Division and the Office each conclude that the Report complies with the reporting requirements in the EV2020 Orders and offer a few recommendations for changes to the Report. UAE makes several recommendations with respect to the Report. These reply comments address their recommendations.

<u>Summary of Recommendations</u>

The Office and UAE make several recommendations, which overlap to some extent. Thus, the Company's reply comments are organized by the topics shown in the following summary of recommendations.

Summary of Recommendations *EV2020 Compliance Report*			
	Division	**Office**	**UAE**
General			
Report Template Tab Labeling	x		
(i) Final Costs			
Explanation for cost differences		x	x
Explanation for 230 kV NU Costs		x	x
Allocated 230 kV NU to projects			x
(ii) PTC Benefits			
Identify # of Generators per Ciruit			x
Explain Variation from Approved		x	x
(iii) Energy Benefits			
Identify the HLH and LLH Hours			x
Explain Variation from Approved		x	
(v) Liquidated Damages			
Explain Variation from Approved		x	
(viii) Wind O&M			
Explain Variation from Approved		x	
Explain differences between projects			x
(ix) RECs			
Explain Variation from Approved		x	

General

The Division recommends using numerical numbers in the report template tabs instead of the roman numerals used by the Company. The Company used roman numerals to align with the numbering styles used by the Commission when it outlined its requirements in its June 22, 2018 Order and is consistent with the approved report template. The Company prefers to continue using the numbering labels as filed as they make it easier to identify how the Report ties to the information required by the Commission's June 22, 2018 Order.

Recommended Changes to (i) Final Costs

Explanation of Cost Differences

The Office and UAE both recommend that the Company be required to provide explanations for variances among the cost categories shown in the report. UAE lists several examples where the Company reported variances from the approved budget to the actual costs in individual cost categories like Allowance for Funds Used for Construction ("AFUDC") and transaction costs. UAE requests an explanation of any category that was greater than 5 percent of the projected amount. The Office makes a similar request for a detailed explanation for "significant differences" although it does not offer a threshold for what variance it considers to be a significant difference.

The Company agrees to provide an explanation for variances on tab (i) Final Project Costs where total project cost is 5 percent greater than the approved amount, to the extent the explanation has not already been addressed in another proceeding, once the costs are final. The Company does not believe it would be a useful or meaningful exercise to explain the variances for every individual cost category in the projects. For example, UAE highlights an example of a cost category variance of less than $200,000 related to transaction costs at one of the projects. This cost item represents less than 0.1 percent of the total project cost and notably, the total project cost is 3 percent less than initially approved. While the Company understands it bears the burden to justify all costs for a project, a reasonable level of discretion is appropriate to narrow down which cost variances require more detailed explanation for auditing purposes.

When the Company forecasts large projects, it does its best to project the costs for the individual categories, but as the actual costs are realized and the applicable accounting standards are applied, costs will always vary. The more valid method to assess how the Company performed against the projections at the time of pre-approval is to look at the Company's ability to deliver the project within the overall budget at the time of pre-approval. Requiring the Company to add these excessive variance explanations would overly complicate the report without adding anything meaningful.

Explanation of 230 kilovolt ("kV") Network Upgrade Cost Differences

The Office and UAE also recommend that the Company include a detailed explanation of the cost variances in the 230 kV Network Upgrade projects based on its observation that they were significantly overbudget. Both parties recommend the Company be required to provide additional explanation of the cost increase for this project to have the information on the record.

A detailed explanation for the cost increases related to the 230kV network upgrades was provided in the Company's last general rate case, Docket No. 20-035-04 ("2020 GRC") in the direct testimony of Mr. Rick A. Vail filed on May 8, 2020. Specifically, lines 223-333 of Mr. Vail's testimony provide the explanation for the increase in costs from the originally approved amount of $77.3 million to an updated $92.2 million. An excerpt of the Mr. Vail's explanation for the cost increase is included below.

> The increase in cost was due to the competitive bid price received for the transmission line elements of the 230 kV Network Upgrades, which exceeded the initial forecast value. The increase in transmission line costs are attributable to market conditions that changed after the initial cost estimate was prepared in early 2018 and approved by the Commission in Docket No. 17-035-40. The estimate was prepared using historical metrics to develop a cost plan, which could not have accounted for the rapid expansion of projects in the industry that occurred just prior to the time of the bid, including Pacific Gas & Electric Company's transmission improvement program, initiated in response to extensive wildfires in California.

During the review of the 2020 GRC, the Office explored the cost increase further through discovery in OCS Data Request 3.65.

OCS Data Request 3.65

> **Vail's Direct Testimony -** Page 17, line 309. Is the $14.9 million in higher costs related to the 230 kV Network Upgrades in addition to the $30.8 million in higher capital costs for the wind

turbines? Please provide a total value for the amount over-budgeted in total for all wind repowering and transmission upgrade projects.

Response to OCS Data Request 3.65

Yes, the increased costs associated with the 230 kV Network Upgrades are in addition to the $30.8 million cost increase. Please refer to Confidential Attachment OCS 3.65 which provides the forecasted costs as compared to the pre-approved costs for all Energy Vision 2020 new wind, repowering, and transmission projects.

Thus, the actual variance from the approved amount has already been approved to be included in rates in the 2020 GRC. The Company notes that it used the older amount from Docket No. 17-035-40 as it was a specific requirement as part of the approved reporting template, which stated that the required comparison was "Comparable to amount May 15, 2018 Surrebuttal Testimony of Rick A. Vail at page 3, line 63." The Company suggests that instead of being required to repeat an explanation for the project cost that is already available on the record and being recovered in rates from the 2020 GRC, the template be updated to reflect the final approved budget amount of $92.2 million. The Company includes a version that reflects the updated amount with these comments as Confidential Attachment 1.

Allocate 230 kV Network Upgrade Cost to Individual Wind Projects

UAE requests that, to the extent possible, the Company allocate the 230 kV Network Upgrades to the individual Wind Projects. The Company is willing to provide this in future reports, but, as predicted by UAE, it will not be able to do so until the next filing.

<u>Recommended Changes to (ii) PTC Benefits</u>

Explain Variation of Approved Amounts to Final Amounts

UAE requests that the Company provide an explanation of what it deems to be significant variances from the original projected amount of PTC benefits in the pre-approval filing to the actual amounts reported for 2020. The Company notes that the bulk of the variance is explained by the fact that the Report only covers calendar year 2020 data and that the projects were placed into service during December, which makes a meaningful comparison difficult for a partial year. This is not a true "variance" in the sense that customers will miss out on the benefits. The projects qualify for a full ten years of PTCs. A more meaningful comparison will be provided once a full year of PTC data is available.

Identify Number of Generators on Each Circuit

UAE requests that the Company identify the number of generators on each circuit when circuit information is available. The Company agrees to this recommendation and has added the requested information to the updated Report included as Confidential Attachment 1.

<u>Recommended Changes to (iii) Energy Benefits</u>

Explain Variation of Approved Amounts to Final Amounts

The Office requests an explanation of significant variances in all tabs in the report. This filing is an attempt to explain those differences. However, there may be some variances that are not explained through in-service dates or accounting differences. For example, the Energy Benefits tab on the report is determined by wind speeds and the amount of energy produced at various wind speeds. The variations of wind speed from year-to-year and month-to-month will have a significant influence on the parts of the report reliant on the Energy Benefits.

Identify HHL and LLH Hours

UAE requests that the Company better define the low load hours ("LLH") and heavy load hours ("HLH") during the period in question. Heavy load hours and light load hours are defined by the Western Electricity Coordinating Council ("WECC") as: HLH – 0600 through 2200 hours, Monday through Saturday, excluding North American Electric Reliability Corporation ("NERC") holidays, and LLH – 2200 through 0600 hours, Monday through Saturday, and all day Sunday and on the six NERC Holidays (New Year's, Memorial Day, Independence Day, Labor Day, Thanksgiving, and Christmas). For all hours, Pacific Prevailing Time is used. The Company agrees to this recommendation and has added this information to the updated Report included as Confidential Attachment 1.

Recommended Changes to (v) Liquidated Damages

Explain Variation of Approved Amounts to Final Amounts

As previously discussed, the Office applies a blanket recommendation to all the tabs in the Report and asks that the Company be required to explain significant variances. Since the Company did not include liquidated damages in its projected costs at the time of pre-approval, and given the existing requirement to provide a detailed explanation of liquidated damages if/when they occur, the Company believes the Office's recommendation as it applies to this tab is unnecessary.

Recommended Changes to (viii) Wind O&M

Explain Variation of Approved Amounts to Final Amounts

At this time, a full year of data to report wind O&M costs is not available. Since O&M costs vary throughout the year, the current O&M is not a meaningful comparison to the approved amounts. When the Company has a full year of data, it will be able to provide a more accurate analysis on any variances between approved amounts and final O&M amounts.

Explain Differences Between Projects

As the Company has only a few days of data, an explanation of differences between the projects is premature.

Recommended Changes to (ix) RECs

Explain Variation of Approved Amounts to Final Amounts

As previously discussed, the Office applies a blanket recommendation to all the tabs in the Report and asks that the Company be required to explain significant variances. Since the Company did not include any revenue related to the sale of RECs from the wind projects, the Company believes the Office's recommendation as it applies to this tab is not valid.

Conclusion

The Company appreciates the Division, Office and UAE for their review of the Report and looks forward to working with parties and the Commission to ensure it provides helpful and meaningful information.

Sincerely,

Joelle Steward
Vice President, Regulation

CERTIFICATE OF SERVICE

Docket No. 17-035-40

I hereby certify that on June 17, 2021, a true and correct copy of the foregoing was served by electronic mail to the following:

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