–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO INCREASE ITS RETAIL ELECTRIC UTILITY SERVICE RATES IN UTAH AND FOR APPROVAL OF ITS PROPOSED ELECTRIC SERVICE SCHEDULES AND ELECTRIC SERVICE REGULATIONS	))))))))	**DOCKET NO. 20-035-04** **Exhibit No. DPU 8.0 DIR** **Dr. Joni S. Zenger**

Redacted

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Direct Testimony of

Dr. Joni S. Zenger

September 2, 2020

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Dr. Joni S. Zenger. I am a Technical Consultant for the Utah Division of Public Utilities (Division). My business address is 160 East 300 South, Salt Lake City, Utah 84111.

Q. On whose behalf are you testifying?

A. The Division.

Q. Please summarize your background for the record.

A. I have been working for the Division for 20 years. During that time, I have filed testimony and memoranda with the Public Service Commission of Utah (Commission) involving a variety of economic, regulatory compliance, and policy topics. I also manage the Division's review of Rocky Mountain Power's (Company) Integrated Resource Plan (IRP). I have a Ph.D. and M.S. in Economics, both from the University of Utah.

Q. What is the purpose of your testimony in this case?

A. My testimony addresses issues associated with the Company's acquisition of the Pryor Mountain Wind Project (Project) that is included in this case. The decision to acquire the late-stage Project was time sensitive, high risk, and was performed outside of any least-cost planning and request for proposal (RFP) processes. However, because of the benefits the Company sets forth, the Division has attempted to evaluate the Project in a judicious manner and may recommend approving the Project at a later date with certain conditions tied to its approval. However, as the case currently stands, the Division recommends denying the Company's Application for approval of the Pryor Mountain Wind Project and its associated Project costs. The Division has not made an adjustment against Rocky Mountain Power's revenue requirement at this time, but may do so as the docket progresses.

First, the Company needs to demonstrate that the Project produces customer benefits in the Company's IRP modeling runs without including the potential value of renewable energy credits (RECs) generated by the incremental energy output from the Project. I will further describe the reasoning for this later in my testimony. The Division reserves the right to determine if the Pryor Mountain Wind Project is prudent or if it is a net benefit to Utah ratepayers, after further analysis and after the Company's Rebuttal Testimony is filed. The Division is still evaluating information as it comes in in this case.

In the meantime, the Division has considered a series of conditions that it may put forth at a future date, as conditional approval requirements. The conditions I am referring to for this Project are stringent, but reasonable, given the unique situation that the Company has put forth in its case--a Project incremental to any long-term resource plan and presented under the terms of an Oregon Schedule 272 - Renewable Energy Rider Optional Bulk Purchase Option (Schedule 272) Agreement for large, non-residential consumers receiving delivery service.[1] The Schedule 272 Agreement in the Company's Application is a highly-confidential contract that contains the terms, prices, and

[1]PacifiCorp's Notice of Exception under OAR 860-089-0100, September 27, 2019.

conditions for the purchase of the RECs that will be generated by the Project over a 25-year period.[2]

It is pertinent that the Schedule 272 Agreement process is currently being questioned and is subject to a review in Oregon in the context of PacifiCorp's current general rate case in Oregon.[3] As a highly-confidential agreement, the contract terms and pricing of the REC sales are not transparent to the remaining cost of service ratepayers, who are left paying for the Project for the full 30 years of its depreciable life.

The recommended conditions serve to protect cost of service ratepayers, and Utah customers in general, from the types of risk that ensue when the Company acquires a resource, incremental to its IRP and outside of Commission planning and procurement processes. Because the resource is not needed to serve load or cure a reliability deficiency, the Project is only beneficial if it provides net economic benefits to its customers. The Project must be carefully evaluated to determine whether there is a high probability that customers will be better off with the Project than without it.

Q. What is the Pryor Mountain Wind Project?

A. The Project is a new 240 MW nameplate capacity wind generating resource located in Carbon County, Montana.[4] The Project includes a mix of 110 Vestas wind turbine generators (WTGs) and four General Electric (GE) WTGs, a 34.5 kV collector system, a collector substation with two 34.5 kV to 230 kV step-up transformers, an operations and

[2] Company's Highly Confidential response to UAE 2.21, May7, 2020.
[3] UE 374, Oregon Staff Reply Comments, Storm, p. 36, lines 11-16.
[4] Id., p. 3.

maintenance (O&M) building, and site access roads.[5] A new point of interconnection substation will be built on the Project site in Montana. The Project will ultimately tie to the Company's transmission line in northern Wyoming.

Based on current regulatory practice, the Project has been assessed using a depreciable life of 30 years. The planned in-service date for the Project is December 31, 2020. The Project must be certified commercially operational by the end of 2020 to qualify for 100 percent of the federal production tax credits (PTCs).[6]

Q. What is the Pryor Mountain cost for which PacifiCorp is seeking recovery in this proceeding?

A. PacifiCorp's testimony states that the Pryor Mountain Wind Project costs included in this proceeding are approximately [redacted][7] The Project plan and transmission revenue requirement included in the test period in this case is approximately [redacted] on a total Company basis and [redacted] on a Utah allocated basis.[8] If the Project is approved, the Company states that it will do the following:

> PacifiCorp will prudently administer key contract provisions to manage project risks within acceptable limits and deliver the project before the end of 2020 to ensure the full value of available federal production tax credits are captured.[9]

[5] Id.
[6] Id.
[7] Id., p. 4.
[8] Company's confidential response to UAE 2.27, July 8, 2020.
[9] Company's confidential response to DPU data request #6.1-10, August 7, 2020, p. 2.

Q. Will you please explain the development and implementation timeline of the Project?

A. Yes. The Company testifies that it first became interested in the Project in October 2018,[10] although in DPU data request #6.1-10, the Company states that it originally evaluated the project for [redacted][12] By September 30, 2019 the Company had completed the final terms on all WTG equipment and on the engineer, procure, and construct (EPC) contract.[13]

In the same time period, Berkshire Hathaway Energy (BHE) Resources competitively bid and procured safe harbor wind turbines from the market making them available to deploy on the Project.[14]

Also in parallel, PacifiCorp was approached by, and negotiated a final offer with, Vitesse, LLC (Vitesse, a wholly-owned subsidiary of Facebook, Inc.), for the purchase of all RECs to be generated by the Project under Oregon Schedule 272 Agreement. The process from initial discussions and negotiation to final terms of the REC purchase took place in under six months.[15] The Company states that the importance and timing of the May 2019 acquisition from Innogy, the acquisition of safe harbor wind turbine equipment

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[10]Direct Testimony of Robert Van Engelenhoven, (Van Engelenhoven), p. 3, lines 64-68.
[11] Company's confidential response to DPU 6.1-10, August 7, 2020, p. 5.
[12] Id.
[13] Van Engelenhoven, p. 3, lines 64-68.
[14] Id., p. 4.
[15] Id., p. 4, lines 69-73.

from BHE, and the timing of the Schedule 272 REC purchase from Vitesse were instrumental in the Project's development.[16]

Q. Will you explain the time-sensitive nature of the Project?

A. The time-sensitive nature of the Project is primarily driven by the pending phase-out of the federal PTCs for new wind resources, much like the Energy Vision 2020 new wind projects approved by the Commission in Docket No. 17-035-40 and discussed in the Direct Testimony of Mr. Timothy J. Hemstreet in this docket.[17] With an in-service date before the end of 2020, the Pryor Mountain Wind Project will be eligible for the full rate (100 percent) of the PTCs. The Company purchased safe harbor Vestas WTG equipment before December 31, 2016.[18] The Company also purchased equipment, through an affiliated interest purchase from BHE, in order to achieve eligibility on the start of construction date.[19]

In Internal Revenue Code section 45, the Internal Revenue Service (IRS) provides PTCs at the 2017 full rate of 2.4 cents per kilowatt-hour of electrical energy produced by a wind facility.[20] The PTCs are available for a 10-year period that starts when the facility is placed in service. The Protecting Americans from Tax Hikes Act of 2015 (the "PATH Act") extended the availability of the PTCs for wind facilities under construction before January 1, 2020.[21] The PATH Act extension also provides for a phase-out of the PTCs.

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[16] Id.
[17] Direct Testimony of Mr. Timothy J. Hemstreeet, p. 12.
[18] Van Engelenhoven, p. 4. Lines 90-91.
[19] Id., p. 5, lines 99-101.
[20] https://www.irs.gov/newsroom/path-act-tax-related-provisions.
[21] https://www.irs.gov/newsroom/path-act-tax-related-provisions.

Wind facilities that began construction before January 1, 2017, per IRS rules, will realize the full PTC credit, which is the case for the Pryor Mountain Wind Project.[22]

To receive "safe-harbor" PTCs, the facilities must be placed into commercial operation by the end of the fourth calendar year following the year in which construction began (the start-of-construction standard) or otherwise meet specific IRS continuity standards throughout the implementation timeline. If a wind facility begins construction in 2017, the PTCs are reduced by 20 percent. The PTCs are reduced by 40 percent if construction begins in 2018, and by 60 percent if construction begins in 2019. Under the PATH Act, PTCs are not available for wind facilities that begin construction after December 31, 2019.[23]

The Company's acquisition and implementation plan for the Project is designed to meet the year-end 2020 in-service schedule. As of this date, the Company reports the Balance of Plan (BOP) contractor's mechanical completion date remains at November 16, 2020, and the substantial completion date remains at December 12, 2020.[24]

Q. What are the benefits that this Project brings to customers?

A. The Project benefits include the following:[25] (1) PTC benefits, (2) net power cost benefits, and (3) it supplies Vitesse with RECs for its data center in Oregon for 25 years. The 2.4 cent discount (PTC benefit) from the IRS for each kilowatt-hour of energy produced for a period of 10 years is the primary benefit of the Project. The Company

[22] Van Engelenhoven, p. 5.
[23] Id.
[24] Company's response to UAE 2.22, July 6, 2020.
[25] Van Engelenhoven, pp. 4-7.

describes this as a "unique opportunity."[26] As previously discussed, this benefit accrues and is passed through to customers for the first ten years of operation of the wind plant, assuming the full 100 percent PTC benefit is realized. It is important to note that there is no PTC benefit for the remaining 20-year depreciable life of the Project or for ratepayers who will still be paying for the Project 20 to 30 years from now. There will also be Operating and Maintenance expenses and other ongoing costs for the remaining years after the PTCs expire.

The Project will also provide net power cost benefits as it will be a zero emitting energy resource with a wind generating capacity factor of that stated in Mr. Van Engelenhoven's testimony.[27] The Project will be a renewable generation resource supplying incremental electricity to the Company's system.

Next, the Project meets the needs of one large customer in Oregon to purchase RECs or green energy for its data center. The Project will be the Company's means to fulfill a contract the Company executed with Vitesse on June 27, 2019, for the purchase of all RECs generated by the Project under the Company's Oregon Schedule 272 Agreement.[28] The Schedule 272 Agreement outlines the pricing, terms, and conditions for the purchase of the RECs by Vitesse over a 25-year period. Pursuant to the Schedule 272 Agreement, PacifiCorp will retire all RECs generated by the Project on behalf of Vitesse.[29]

[26] PacifiCorp's Notice of Exception under OAR 860-089-0100, September 27, 2019, p. 2.
[27] Van Engelenhoven, p. 6, line 120.
[28] Direct Testimony of Joelle R. Steward, p.12, lines 236 – 245; p. 13 lines 254 – 258.
[29] PacifiCorp's Notice of Exception under OAR 860-089-0100, September 27, 2019.

The Company describes the execution of the Schedule 272 Agreement with Vitesse as "a necessary milestone" for the Project to move forward to mitigate the risk of deteriorating value under different price and policy scenarios.[30] Utah's allocation of the REC revenues will be passed through to Utah customers through Electric Service Schedule No. 98 – REC Revenue Balancing Account.[31]

This benefit raises questions in that the Project's depreciable life is 30 years and the Vitesse contract is for 25 years. The Company's cost-of-service customers will receive "bundled" renewable energy from the Project for its last five years, when the value of the produced RECs is uncertain. Will the deteriorating value under different price and policy scenarios be what remains once the Vitesse agreement ends? This is another reason the Company should in its Rebuttal filing provide the Project's economic analysis without REC sales and respond to these questions posed by the Division. The Division would like to see evidence that supports the REC sales as optimizing value for the rest of the system, but separately and only after the PVRR(d) and nominal levelized benefits as in Table 4 are presented without RECs.

The Division questions whether the benefit to one large Oregon commercial delivery customer for a small attribute (green energy or REC) of an overall Project of this magnitude is really a benefit to the rest of the Company's cost of service customers who pay for the Project through retail rates for 30 years of the project's depreciable life, but who also assume the project risk to construct the wind generating unit, and pay the

[30] Id., p. 4.
[31] Company's response to UAE 2.31, July 6, 2020.

ongoing operating and maintenance costs through the life of the project. Here we have the situation where, as Oregon Citizen's Utility Board member, Mr Jenkes, stated quite fittingly, "other cost of service customers are essentially procuring a brown resource with a variable load shape."[32]

Until the Schedule 272 disagreement in Oregon has been vetted and completed its review, any project benefits in this general rate case should be calculated using the pre-REC or without REC scenarios that the Company's other projects in this proceeding have been evaluated by. Any incremental RECs can be considered as an incremental customer upside to the PVRR(d) results, just as they were in the Energy Vision 2020 Projects and as Leaning Juniper was evaluated as in this proceeding.[33]

Q. Will you please now turn to the customer benefits? Please outline the economic benefits of the Pryor Mountain Wind Project as presented by Company witness, Mr. Rick T. Link?

A. Company witness Mr. Rick T. Link provides the Company's calculation of the net benefits for customers using Integrated Resource Planning (IRP) software modeling tools. His economic analysis of the Project relies on an assessment of system value based on two Planning and Risk model (PaR) runs with a simulation period covering 2019-2038. One PaR run includes the incremental wind generation from the Project, and one is without the incremental generation from the Project.[34]

[32] UE 374. Oregon Citizen's Utility Board, Mr. Bob Jenks Direct Testimony, August 2020, p. 35.
[33] Direct Testimony of Mr. Rick T. Link (Link), p. 7, lines 134-138.
[34] Id., p. 14.

Mr. Link uses the same two price-policy scenarios as in PacifiCorp's project-by-project wind repowering analysis for Foote Creek I. The economic analysis covers the 30-year life of the asset from 2020 through 2050, although the value of energy is extended out through 2050 by extrapolating the system values calculated from modeled data over the 2028 to 2038 timeframe and from 2034 to 2038. The assumed system value, expressed in dollars-per-megawatt-hour, is applied to the incremental energy output from the Project. The system value of incremental energy is converted to a dollar-per-megawatt-hour value by dividing the reduction in annual system costs associated with the Project by the change in incremental energy from the Project.[35]

According to the Company's filing, the net benefits range from $1 million to $82 million, depending on modeling assumptions, including carbon and natural gas prices. (This is quite a large range for benefits and provides little assurance of accuracy.)

The nominal levelized benefit ranges from $0.12/MWh to $8.56/MWh of incremental energy.[36] This analysis was performed for two of the price-policy scenarios—the medium gas price, medium carbon price (MM) and the low gas price, no carbon price (LN) through 2038.

As Mr. Link and Mr. Van Engelenhoven mention, the methodology used to perform the economic analysis is consistent with the methodology used to perform the economic analysis of the Energy Vision 2020 Projects.[37] The only difference is that for

[35] Id., p. 16.
[36] Id.
[37]Van Engelenhoven, p. 7, lines 138-141.

the Energy Vision 2020 wind projects, for the repowering projects, and for Leaning Juniper and Foote Creek Projects in this general rate case, the Company includes the benefits from REC sales *after* it has performed the PVRR (d) calculation and sometimes only mentions the fact that there would be some incremental value in the RECs had they been included.

In Table 4 below, Mr. Link added the REC sales to the project economics *before* calculating the net benefits, so that Table 4 *includes REC benefits.* It also includes PTC benefits. The Company should provide the Table 4 results *without the REC benefits* included, and calculated separately, as it has in the other projects in this general rate case. Although some of Mr. Link's work papers identify REC benefits, there have been several versions of Table 4, and it is unclear from his work papers how to identify benefits without including RECs in the PVRR (d) analysis. It is incumbent upon Mr. Link, who created and understands his own work papers to put forth the results of his economic analysis in Rebuttal Testimony for the Commission and so that others can verify the current Table 4 benefits minus the RECs. The REC benefits can be provided separately as an increment to the benefits in Table 4. Again, the Division reserves the right to determine if the Project without the REC benefits results in net benefits to Utah ratepayers.

Table 4. Net Benefits from the Pryor Mountain Wind Project[38]

Price Policy Scenario	PVRR(d) Net (Benefit/Cost($million)	Nom. Lev. Benefit ($MWh of Incremental Energy)
MM ('28-'38 Extrapolation)	($69)	($7.22)
MM ("34-38 Extrapolation)	($82)	($8.56)
LN ('28-'38 Extrapolation)	$1	$0.12
LN ("34-38 Extrapolation)	($7)	($0.72)

Mr. Link, in his Energy Vision 2020 testimony does not count the RECs in calculating the project economics of the RECs. He states the following (italics added):[39]

> Consistent with my direct testimony, the PVRR(d) results presented in Table 2-SD do not reflect the potential value of RECs generated by the incremental energy output from the Wind Projects. Accounting for the updated performance estimates discussed above, customer benefits for all price-policy scenarios would improve by approximately $31 million for every dollar assigned to the incremental RECs that will be generated from the Wind Projects through 2036 (up from $26 million in my original analysis). Quantifying the potential upside associated with incremental REC revenues is simply intended to communicate that *the net benefits from the Combined Projects could improve if the incremental RECs can be monetized in the market*.

As another example, see the Direct Testimony of Rick T. Link, May 2020, p. 7, lines 134-138 in this docket:[40]

> **Q. Is there incremental customer upside to the PVRR (d) results calculated from the SO model and PaR through 2036 for Leaning Juniper?**

[38] (Link), May 2020, p. 16, lines 306-307.
[39] Docket No. 17-035-40, Supplemental Direct and Rebuttal Testimony of Rick T. Link, January 2018, p. 29, lines 587-595.
[40] (Link), p. 7, lines 136-138.

> A. Yes. As is the case for the February 2018 analysis, the PVRR(d) results presented in Table 1 do not reflect the potential value of renewable energy credits ("RECs") generated by the incremental energy output from the repowered facilities.

Also, see Mr. Link's Supplemental Direct Testimony in Docket No. 17-035-39, p. 23, lines 399-407.

> **Q. Is there incremental customer upside to the PVRR (d) results calculated from the SO model and PaR through 2036 for Leaning Juniper?**
>
> A. Yes. As is the case for the February 2018 analysis, the PVRR(d) results presented in Table 1 do not reflect the potential value of renewable energy credits ("RECs") generated by the incremental energy output from the repowered facilities.

Q. Do you have any other concerns with the project economics and benefit calculation?

A. Yes. If what the Company has presented in Table 4 is the best-case scenario with the PTCs and RECs included, do the project economics without the RECs in the modeling even make the Project worth pursuing?

Second, as opposed to traditional resource acquisitions, the Company's development of the Project does not result from a near-term energy, capacity, or Renewable Portfolio Standard compliance need. We know this because the Company's RFP procurement activity in fulfillment of the Company's 2017 IRP action items regarding new wind generation facilities and related transmission--collectively

PacifiCorp's Energy Vision 2020 new wind and transmission projects--was already underway in Docket No 17-035-23.[41]

Third, the Company has taken a lot of risks venturing into this project. It has circumvented most regulatory hurdles in order to make this acquisition happen. I'll start with the Integrated Resource Plan (IRP). The Company filed its 2017 IRP on April 4, 2017 in Docket No. 17-035-16.[42] The Energy Vision 2020 wind projects were in the 2017 IRP, but the Pryor Mountain Wind Project was not.

Q. Was the Project included in the Company's 2019 IRP?

A. No, it was not. There was no mention of the Project in PacifiCorp's 2019[43] or in the Commission's Report and Order on PacifiCorp's 2019 IRP.[44] The Project was not part of any type of least-cost planning process put in place by this Commission.

The first regulatory filing that I am aware of pertaining to the Project was filed in Oregon, a requirement when a utility bypasses the typical request for RFP bidding process, which is put in place so that bidders can put forth their lowest cost, competitive bid for goods and services. The Company bypassed competitive market bidding and procurement processes and filed a Notice of Exception with the Oregon Public Utility Commission (OPUC) after the matter of the fact.[45] The Notice stated the following;

> To meet the December 31, 2020 commercial operations date, PacifiCorp determined that issuing a RFP under Oregon's

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[41] Docket No. 17-035-23, PacifiCorp's Application for Approval of a Solicitation Process, June 16, 2017.
[42] https://pscdocs.utah.gov/electric/17docs/1703516/3005351703516rao3-2-2018.pdf.
[43] Docket No. 19-035-02. PacifiCorp's 2019 IRP, October 18, 2019.
[44] Docket No. 19-035-02, Report and Order, May 13, 2019.
https://pscdocs.utah.gov/electric/19docs/1903502/3137781903502o5-13-2020.pdf
[45] PacifiCorp's Notice of Exception under OAR 860-089-0100, PacifiCorp Report, September 16, 2019.

> competitive bidding rules would not allow for the prompt contracting required to ensure 100 percent PTC eligibility.
>
> A RFP process would have taken many months to complete and would have exceeded the timeline necessary to capture the unique value of this opportunity.
>
> This is especially true in light of the competition for contractors due to the impending expiration of PTCs (i.e., many entities are competing for the same resources in an effort to complete projects before the December 31, 2020 commercial operations date). To secure contractors and other resources, it was necessary to move quickly.[46]

Again, the Company acted quickly, knowing that the time-sensitive nature of the PTCs are paramount to making this Project economic.

Q. How did the OPUC respond to this filing?

A. The OPUC wrote the following (italics added):[47]

> *There is no means by which the resource can be acknowledged.* The Notice of Exception was filed on September 29, 2019, before the Company's Integrated Resource Plan was filed on October 18, 2019.

By pursuing the Project outside of all regulatory processes, the Division recommends that the Company and its shareholders should bear all risks pertaining to the Project. The regulatory processes were put in place to protect ratepayers who have no choice or decision in a utility's actions, especially when the utility behaves as an unregulated monopolist.

[46] Id.
[47] Docket No. LC 70, Comments on PacifiCorp's September 27, 2019 Notice of Exception to the Competitive Bidding Rules, October 25, 2019, p. 7.

Next, because the Company excluded the Project from all IRPs and from all competitive procurement processes, we cannot know if the Project is the least-cost, least-risk option. We cannot know if the Company's compressed schedule to purchase a time-sensitive wind plant in Montana that benefits Vitesse's desire to go "green" in Oregon is the best option for Utah ratepayers, who will be paying for the Project 20 years after the PTCs expire and for five years of unbundled RECs when the Schedule 272 REC contract expires. As a result, the only way the Company should pursue this is if the full risk of any net costs associated with the project rests with PacifiCorp and not with Utah ratepayers.

Q. What are the risks you are referring to?

A. Any type of delay that affects the December 31, 2020 deadline to qualify for the full value of the PTCs is a risk. Examples of this type of risk include the following: inclement weather, a construction delay that could make the project ineligible for any PTCs, a delay in delivery of parts necessary to complete the project, a shortage of labor to erect the turbine parts, and a lower-than-expected capacity factor could cause a sub-optimal resource to be locked into PacifiCorp's resource mix for decades. Alternatively, an unexpected renewal of the PTC could make this opportunity relatively less valuable compared to potential future wind resources. These are foreseeable risks that a prudent utility would have planned for and that I discussed previously in my testimony.

Q. Are there any other factors that should be considered here?

A. Yes. On a positive note, the Company has extensive experience constructing wind generating resources, building transmission infrastructure to support wind generating plants, repowering wind plants, securing BOP contractors and EPC contractors, scheduling delivery of giant wind turbine blades, etc. The Company has been successful in delivering wind projects throughout Wyoming, beginning with the original Foote Creek dating back to approximately 2007. The Pryor Mountain Wind Project is the Company's first wind plant in Montana, but the Project is located north of Wyoming's border. The Company's proven track record in building wind projects should be considered here.

While the Division does not recommend circumventing long-term planning and competitive procurement processes, the Company has justified the need to secure this Project in a timely manner to make it economic. However, not on the backs of Utah customers. There are still too many unaccounted for risks associated with the Project that the Division would like answers to. For example, the Division would like to see the project economics without the REC sales in the Company's Rebuttal Testimony. If the Project shows customer benefits without the RECs, the Division may recommend the Commission approve the Project as long as there are significant risk mitigation assurances in place.

Q. Please summarize the Division's recommendation to the Commission regarding the Company's Pryor Mountain Wind Project.

A. The Company pursued the Project as an economic opportunity to take advantage of the PTCs before the tax benefit expired. This acquisition occurred outside of all normal Commission planning and procurement processes, so we will not know whether the proposed Project is the lowest-cost, lowest-risk resource necessary. The Project is beneficial only if it provides net economic benefits to customers.

The Project must be carefully evaluated to determine whether there is a high probability that customers will be better off with the Project than without the acquisition. The Division has identified potential benefits from the Project that might be realized to customers, but still many risks remain. The Division recommends not approving the Pryor Mountain Project in this general rate case at this time. The Division will continue to look for answers to its salient questions in Rebuttal Testimony and in discovery responses.

The Company needs to provide Table 4 (without RECs) in its Rebuttal Testimony in order to determine if the Project shows net benefits exclusive of RECs in the project economics. The Division continues to evaluate this matter and expects that some of its questions will be answered in the Company's Rebuttal Testimony. With respect to Oregon's investigation and review of the Schedule 272 Agreement used in this docket, the Division will continue to monitor this matter closely.

Q. Does this conclude your Testimony?

A. Yes.