

**–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–**

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<b>IN THE MATTER OF PACIFICORP’S</b>	)	
<b>APPLICATION FOR APPROVAL OF</b>	)	
<b>ALTERNATIVE COST RECOVERY FOR MAJOR</b>	)	<b>DOCKET NO. 21-035-42</b>
<b>PLAN ADDITIONS OF THE PRYOR MOUNTAIN</b>	)	<b>Exhibit No. DPU 1.0 DIR</b>
<b>AND TB FLATS WIND PROJECTS</b>	)	<b>Direct Testimony of Dr. Joni S. Zenger</b>

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**Redacted**

FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH

Direct Testimony of

Dr. Joni S. Zenger

October 6, 2021

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1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.**

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

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

7 A. The Division.

8 **Q. PLEASE SUMMARIZE YOUR BACKGROUND FOR THE RECORD.**

9 A. I have been working for the Division for 21 years. During that time, I have filed  
10 testimony and memoranda with the Public Service Commission of Utah (Commission)  
11 involving a variety of economic, regulatory compliance, and policy topics. I most  
12 recently testified in Docket No. 20-035-04, the Company's 2020 General Rate Case  
13 (2020 GRC) filing, involving the prudence approval review of PacifiCorp's (the  
14 Company) Pryor Mountain Wind Project (Pryor Mountain). I also testified in Docket No.  
15 17-035-40, the Company's Energy Vision 2020 Project (EV 2020) filing that included the  
16 prudence approval review for the Company's TB Flats Wind Project (TB Flats). I have a  
17 Ph.D. and M.S. in Economics, both from the University of Utah.

18 **II. PURPOSE AND WITNESSES**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?**

20 A. My testimony presents the Division's analysis, discovery, and recommendations to the  
21 Commission regarding the Company's Application for alternative cost recovery for  
22 additional cost increases in the Pryor Mountain and TB Flats projects (together Projects)  
23 that the Company asserts were due to delays resulting from the COVID-19 pandemic.  
24 My testimony also provides the Division's analysis and findings with respect to the

25 Company's request for alternative cost recovery pertaining to Pryor Mountain.<sup>1</sup> Finally, I  
26 will provide a brief explanation of the adjustments recommended by each witness and  
27 present the Division's overall recommendation at this time.

28 **Q. WHAT OTHER DIVISION WITNESSES ARE SUBMITTING TESTIMONY**  
29 **REGARDING THE APPLICATION?**

30 A. In addition to my testimony, the following witnesses provide testimony for the Division:

- 31 • Dr. William "Artie" Powell, DPU Witness 2.0, provides testimony on whether the  
32 investments in Pryor Mountain and TB Flats satisfy the statutory requirements for  
33 alternative cost recovery per §54-7-13.4, outside a rate case and whether each of the  
34 respective Projects in the Company's Application meets the one percent requirement as a  
35 major plant addition.<sup>2</sup> He also addresses the permissibility of adjusting base net power  
36 costs outside of a general rate case.
- 37 • Mr. Trevor Jones, DPU Witness 3.0, provides information on the TB Flats wind project.
- 38 • Mr. Gary Smith, DPU Witness 4.0, provides the Division's review of the Company's  
39 proposed change to the base net power costs (NPC) and base production tax credits  
40 (PTCs) in the Energy Balancing Account (EBA).

41 **Q. WHAT IS THE DIVISION'S POSITION IN THIS CASE?**

42 A. The Commission should deny the Company's request because it does not satisfy the 1%  
43 capital addition threshold required by Utah Code § 54-7-13.4. Should the Commission  
44 find that the Application does satisfy the statute, it should nevertheless approve only a  
45 portion of the request. As a preliminary matter, it should limit the additional recovery of  
46 Pryor Mountain to a combined total of [REDACTED] until actual project costs and

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<sup>1</sup> Please note that I have attached the relevant Company responses to discovery to my testimony as Confidential DPU Exhibit 1.1 DIR.

<sup>2</sup> Utah Code § 54-7-13.4.

47 pandemic-related delayed project costs are known and can be properly evaluated. It  
48 should also not approve any additional incremental costs above those approved in the  
49 2020 GRC for TB Flats until the Company can provide more definitive costs and  
50 demonstrate that they are accurate, final, and prudent. While the Commission may be  
51 able to approve a change in base NPCs in this proceeding if it finds that the incremental  
52 capital additions meet the statutory threshold, the Commission should consider the  
53 prudence of doing so given the current difference between base NPCs and actual NPCs.  
54 The Division recommends cautious consideration of the Company's request to change  
55 base rates given the apparent underperformance of assets and the resulting instability in  
56 rate levels for customers during 2022.

57 **III. BACKGROUND**

58 **Q. WILL YOU BRIEFLY REVIEW THE BACKGROUND AND FACTUAL**  
59 **FRAMEWORK SURROUNDING THIS DOCKET?**

60 A. The Projects have gone through several regulatory reviews. The Commission first  
61 approved TB Flats as a resource decision as part of the Company's EV 2020 project in  
62 Docket No. 17-035-40.<sup>3</sup> In that docket, the Commission approved total project costs for  
63 TB Flats in the amount of [REDACTED],<sup>4</sup> which was based on an in-service date of  
64 November 1, 2020. The TB Flats approved project costs in the amount of [REDACTED]  
65 [REDACTED]<sup>5</sup> were then included in the 2020 GRC to begin recovering the project costs in  
66 rates.<sup>6</sup> Both of the projects identified in this case were included in formulating general  
67 rates in the Commission's 2020 GRC orders.<sup>7</sup> In this proceeding, the Company testifies  
68 that TB Flats was placed in service on July 1, 2021, with an estimated final project cost

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<sup>3</sup> Docket No. 17-035-40, Order, June 22, 2018.

<sup>4</sup> Id., at p. 33. See the amount presented in Confidential Exhibit RMP (RTL-1SS) cell F11 referencing RMP Exhibit RMP\_RTL-1SS.

<sup>5</sup> Docket No. 20-035-04, Rebuttal Testimony of Steven R. McDougal; See Exhibit RMP SRM-3.

<sup>6</sup> Docket No. 20-035-04, Confidential Order, December 30, 2020, p. 50.

<sup>7</sup> Id., at pp. 44-50.

69 of [REDACTED].<sup>8</sup> The Company states that, at the time of its MPA filing, it does not yet  
70 know what the final project costs will be for TB Flats.<sup>9</sup> As I previously stated, DPU  
71 Witness Mr. Jones will describe the full background and analysis on TB Flats.

72 With respect to Pryor Mountain, the Commission affirmed the prudence of the  
73 Company's acquisition and development of Pryor Mountain in the 2020 GRC.<sup>10</sup> The  
74 Company's original request for approval of Pryor Mountain was at a total project cost of  
75 [REDACTED].<sup>11</sup> I will describe the various changes to the project costs later in my  
76 testimony.

77 **Q. WILL YOU PLEASE EXPLAIN WHY THE COMPANY IS AGAIN ASKING**  
78 **THE COMMISSION TO APPROVE INCREASED COSTS FOR THE**  
79 **PROJECTS?**

80 A. At the time the Company filed its May 8, 2020, Application in the 2020 GRC, requesting  
81 rates go into effect for the Projects and as it stated in that docket, the Company expected  
82 Pryor Mountain and TB Flats to achieve commercial operation in December 2020 and be  
83 in service for the entire calendar year 2021 test period in the case. The Company  
84 explained that the completion of construction for both wind projects was unavoidably  
85 delayed due to the COVID-19 pandemic.<sup>12</sup> The Company's witness Mr. Timothy J.  
86 Hemstreet explained that approximately 191 megawatts (MW) of the 500 MW TB Flats  
87 project would be delayed until late spring or early summer 2021 and only approximately  
88 309 MW of the nameplate capacity was expected to be in service at the start of the 2021  
89 test period.<sup>13</sup>

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<sup>8</sup> Confidential Direct Testimony of Steven R. McDougal, August 3, 2021, p. 7, lines 121-123.

<sup>9</sup> Id.

<sup>10</sup> Docket No. 20-035-04, Confidential Order, December 30, 2020, p. 46.

<sup>11</sup> Docket No. 20-035-04, Confidential Direct Testimony of Robert Van Engelenhoven, May 8, 2020, p. 4, lines 74-75.

<sup>12</sup> Docket No. 20-035-04, Confidential Rebuttal Testimony of Timothy J. Hemstreet, October 2020, p. 6, lines 130-134.

<sup>13</sup> Id.

90 Similarly, the Company’s witness Mr. Robert Van Engelenhoven, explained that  
91 approximately 60 MW of nameplate capacity of Pryor Mountain would be delayed until  
92 mid-year 2021. Mr. Van Engelenhoven explained that approximately 180 MW of the  
93 240 MW project was expected to be in service at the start of the 2021 test period.<sup>14</sup>

94 Because of the delayed plant in its GRC, the Company requested that the Commission  
95 approve a two-step rate increase, with the first increase occurring on January 1, 2021  
96 (Step 1), and the second (Step 2) to be effective as of July 1, 2021.<sup>15</sup> Given the Company  
97 was seeking the traditional 13-month average calculation for rate base, this would require  
98 an implied test year for the pandemic-delayed plant for the Projects that would extend  
99 from July 1, 2021, through June 30, 2022. The test period for all other aspects of the rate  
100 case was January 1, 2021, through December 31, 2021.<sup>16</sup>

101 **Q. WAS THE COMPANY’S PROPOSAL FOR A TWO-STEP RATE CHANGE**  
102 **ACCEPTED BY THE COMMISSION?**

103 A. No. The Commission denied the Company’s request to implement a two-step increase,  
104 which would have included annualized recovery of the delayed plant investments rather  
105 than an average-of-period for plant in service during the test period.<sup>17</sup> The Commission  
106 determined that the portion of the Projects that was delayed due to the COVID-19  
107 pandemic could not be recovered through an extended test year.<sup>18</sup>

108 However, the Commission adjusted the Company’s revenue requirement in the 2020  
109 GRC to include the delayed portions of the Projects through the end of the 2021 test

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<sup>14</sup> Docket No. 20-035-04, Confidential Rebuttal Testimony of Robert Van Engelenhoven, October 2020, p. 3, lines 66-68.

<sup>15</sup> Docket No. 20-035-04, Confidential Rebuttal Testimony of Joelle R. Steward, October 2020, p. 10, lines 188-192.

<sup>16</sup> Docket No. 20-035-04, Direct Testimony of Joelle R. Steward, May 8, 2020, p. 7, lines 144-147.

<sup>17</sup> Docket No. 20-035-04, Confidential Order, December 30, 2020, p. 46.

<sup>18</sup> Id.

110 period.<sup>19</sup> The Commission approved total project costs of [REDACTED]<sup>20</sup> for TB Flats  
111 and [REDACTED]<sup>21</sup> for Pryor Mountain in the 2020 GRC.

112 **Q. DO CURRENT RATES INCLUDE BOTH THE PROJECTS PROPOSED TO BE**  
113 **INCLUDED IN RATES THROUGH THIS MAJOR PLANT ADDITION FILING?**

114 A. Yes. The plant in both the Pryor Mountain and TB Flats projects was included in rates  
115 authorized by the Commission’s 2020 GRC orders.<sup>22</sup> These are not new generating  
116 facilities proposed in this docket that are not included in general rates.<sup>23</sup>

117 **Q. PLEASE CLARIFY, HAS THE COMMISSION ALREADY PRE-APPROVED**  
118 **ALL COVID-19 PANDEMIC-RELATED COSTS PERTAINING TO BOTH**  
119 **PRYOR MOUNTAIN AND TB FLATS?**

120 A. No. The approved project costs above reflect the total projected project costs as of  
121 December 31, 2021, and includes the portion of Pryor Mountain and TB Flats that were  
122 unavoidably delayed due to the COVID-19 pandemic through the end of the 2021 test  
123 year. Any additional project costs incurred after December 31, 2021, or above the  
124 already-approved amounts, for the delayed portions of the Projects have not yet been  
125 approved.

126 **Q. WHAT IS THE DIVISION’S UNDERSTANDING OF WHAT THE COMPANY IS**  
127 **REQUESTING IN THIS DOCKET?**

128 A. The Company states that it has made investments in TB Flats and Pryor Mountain that  
129 are not being recovered in rates—investments that were made after the rates were

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<sup>19</sup> Id., at p. 51.

<sup>20</sup> Confidential Direct Testimony of Timothy J. Hemstreet, August 3, 2021, p. 4, lines 80-83.

<sup>21</sup> Company’s Confidential Response to OCS DR #1.5, September 16, 2021.

<sup>22</sup> Id., Also see Docket No. 20-035,04, Confidential Rebuttal Testimony of Joelle Steward, p. 3, lines 56-58, “Notably, the costs associated with this investment are included in the generate rate case...,” referring to Energy Vision 2020 projects, which includes TB Flats.

<sup>23</sup> Id. Also see Confidential Direct Testimony of Timothy J. Hemstreet, August 3, 2021; Docket No. 20-035-04, Confidential Rebuttal Testimony of Robert Van Engelenhoven, October 2020, p. 3, lines 53-55; and Docket No. 21-035-42, Company’s Confidential Response to OCS DR #1.5, September 16, 2021.



130 approved by Commission in the 2020 GRC. The Company's MPA request seeks to  
131 recover the portion of the costs of the Projects that were not included in customer rates in  
132 the 2020 GRC.<sup>24</sup> The Company's August 3, 2021, filing has several major elements:

- 133 • The Company's Application was filed outside a rate case, pursuant to Utah Code  
134 Annotated § 54-7-13.4. The Company's Application states that it satisfies the statutory  
135 requirements for alternative cost recovery, outside a rate case.<sup>25</sup> As I noted, Dr. Powell  
136 addresses this claim in his testimony for the Division.
- 137 • The Company claims that alternative cost recovery should be authorized because Pryor  
138 Mountain and TB Flats, respectively, constitute major plant additions pursuant to Utah  
139 Code Annotated § 54-7-13.4.<sup>26</sup>
- 140 • The Company states that its Application complies with the minimum filing requirements  
141 established by the Commission in R746-700-30 of the Utah Administrative Code for cost  
142 recovery of a major plant addition.<sup>27</sup>
- 143 • The Company is requesting approval from the Commission for an additional [REDACTED]  
144 for the TB Flats wind project.<sup>28</sup>
- 145 • The August 3, 2021, Application states the Company is requesting approval from the  
146 Commission for an additional [REDACTED] for the Pryor Mountain wind project.<sup>29</sup> The  
147 Company points out in discovery that it has made several errors to its Application that I  
148 will discuss in the next section of my testimony.

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<sup>24</sup> Docket No. 20-035-42, Confidential Application, August 3, 2021, ¶ 8.

<sup>25</sup> Id., at p. 1.

<sup>26</sup> Id.

<sup>27</sup> Id.

<sup>28</sup> Id., at ¶ 18.

<sup>29</sup> Id.

- 149       • On a Utah-allocated basis, the Company is requesting to add approximately [REDACTED]  
150       in additional rate base recovery to the rates set in the GRC Order for Pryor Mountain.
- 151       • The combined request for additional project costs in the amount of [REDACTED] for TB  
152       Flats and [REDACTED] for Pryor Mountain totals [REDACTED].<sup>30</sup> On a Utah-allocated  
153       basis, the portion of incremental plant investments is [REDACTED].<sup>31</sup>
- 154       • In its filing, the Company proposes to modify the base net power costs and base  
155       production tax credits in the Energy Balancing Account (EBA).<sup>32</sup>
- 156       • The Company requests to incorporate the base rate changes to customer classes based  
157       upon the final rate spread decision adopted by the Commission in the 2020 GRC and the  
158       revenue requirement presented by Company witness Mr. Robert Meredith.<sup>33</sup>
- 159       • The Company requests that the Commission approve the application for full rate base  
160       recovery of TB Flats and Pryor Mountain wind projects, effective January 1, 2022,  
161       through its proposed tariffs presented in Exhibit RMP\_(RMM-3).<sup>34</sup>

162   **Q.     WHAT IS THE UTAH REVENUE REQUIREMENT IMPACT IN THIS FILING?**

163   A.     Based on the Company’s August 3, 2021, filing, the requested revenue requirement  
164       comprises the capital cost recovery not currently in rates and results in a net decrease to  
165       customers of \$4.2 million in base rates, or 0.2 percent.<sup>35</sup> This is calculated using the  
166       Company’s 2020 Protocol allocation method, approved by the Commission in Docket  
167       No. 19-035-42—the same method used in the 2020 GRC.<sup>36</sup>

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<sup>30</sup> Id.

<sup>31</sup> Id.

<sup>32</sup> Direct Testimony of Joelle R. Steward, p. 2, lines 33-35.

<sup>33</sup> Docket No. 20-035-42, Confidential Application, August 3, 2021, ¶ 27.

<sup>34</sup> Id., at p. 2.

<sup>35</sup> Id.

<sup>36</sup> Confidential Direct Testimony of Steven R. McDougal, August 3, 2021, p. 5, lines 79-83.

168 **Q. PLEASE EXPLAIN WHY THE APPLICATION RESULTS IN A DECREASE,**  
169 **RATHER THAN AN INCREASE, TO UTAH RATEPAYERS?**

170 A. Company witness, Mr. Steven R. McDougal states that incremental plant cost increases  
171 are offset by incremental production tax credits and net power cost savings. Specifically  
172 he explains that the requested incremental revenue requirement results in a net decrease  
173 of \$4.2 million in base rates, or 0.2 percent because the incremental plant costs are offset  
174 by incremental production tax credits and net power cost savings.<sup>37</sup>

175 **Q. WHAT IS THE DIVISION'S UNDERSTANDING OF THE BASE CASE FOR**  
176 **MAJOR PLANT ADDITIONS?**

177 A. The base case as presented by the Company is the Commission's Order in the Company's  
178 2020 GRC.<sup>38</sup>

179 **Q. DO THE DIVISION'S FINDINGS IN THIS CASE DIFFER FROM THE**  
180 **COMPANY'S REQUESTED \$4.2 MILLION CHANGE IN BASE RATES?**

181 A. Yes. At this time the Division has not been able to complete its analysis of the full  
182 revenue requirement difference, as the Division's final recommendation is dependent on  
183 discovery that has not been received at this time and on final project costs that are  
184 unknown. The Division's witness, Mr. Jones, has not calculated a change in base rates at  
185 this time, pending further discovery and responses from the Company in its rebuttal  
186 filing. The Division has preliminarily determined that costs for Pryor Mountain should  
187 not be approved beyond the stated [REDACTED] project costs, and any delayed project  
188 costs related to the COVID-19 pandemic should be further evaluated once final project  
189 costs are known.

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<sup>37</sup> Id., at p. 4, lines 65-69.

<sup>38</sup> Docket No. 20-035-04, Confidential Order, December 30, 2020.

<sup>39</sup> Confidential Application, August 3, 2021, ¶ 9.

190 **Q. PLEASE OUTLINE THE DIVISION’S ACTIVITIES IN EVALUATING THIS**  
191 **APPLICATION.**

192 A. As previously mentioned, the Division reviewed the filings made by the Company,  
193 including the Attachments included with the Application pursuant to Commission Rule  
194 R746-700-30, parts A-E, as well as all Company Testimony and Testimony Exhibits.  
195 The Division management and staff attorneys reviewed the statutory requirements for  
196 alternative cost recovery under Utah Code Annotated § 54-7-13.4, as well as the  
197 Company’s rate base from the 2020 GRC.

198 The Division has reviewed the net power cost adjustments that the Company proposes  
199 and the capital expenditure costs for Pryor Mountain and TB Flats that were related to the  
200 delayed projects. The Division reviewed the Company’s proposed rate spread, rate  
201 design, and proposed tariff changes that the Company requests be effective January 1,  
202 2022.

203 The Division issued 14 sets of data requests to PacifiCorp as of October 6, 2021. We  
204 have considered the Company’s responses to our data requests as well as the responses to  
205 data requests by other intervening Parties. The Division also reviewed the Pryor  
206 Mountain and TB Flats Projects in the 2020 GRC, as well as in this MPA filing.

207 The Division also reviewed the Force Majeure claims for the Projects, the Emergency  
208 Change Orders, and project change costs in this docket to determine if they were  
209 reasonable, COVID-19 related, and to determine if the Emergency Change Orders  
210 justified the delayed in-service dates and cost overruns of the Projects.

211 With respect to other aspects of the case, such as net power costs, the energy balancing  
212 account, rate design, tariff implementation, legal and regulatory aspects, the Division  
213 evaluated the Company’s proposals put forth in testimony and documentation, while  
214 keeping to the Commission’s schedule in this MPA Application. The Division’s silence  
215 on any issue in this proceeding should not be construed as acceptance or agreement. The

216 Division reserves the right to challenge issues that arise, by any intervenors or the  
217 Company, in its surrebuttal testimony or as this case progresses.

218 **Q. DOES THE COMPANY’S APPLICATION COMPLY WITH THE MINIMUM**  
219 **FILING REQUIREMENTS ESTABLISHED BY THE COMMISSION IN R746-**  
220 **700-30 OF THE UTAH ADMINISTRATIVE CODE FOR COST RECOVERY OF**  
221 **A MAJOR PLANT ADDITION?**

222 A. Yes. The Division reviewed the Company’s Application, including all the following sub-  
223 section categories of information listed in RMP Attachment 1 to the Company’s filing,  
224 for Pryor Mountain and TB Flats, respectively. These categories comport with R746-700-  
225 30: (A) general information requirements; (B) financial and revenue information; (C)  
226 capital cost, rate base, and jurisdictional allocation information; (D) cost and operating  
227 expenses information; and (E) net power cost information. The Company’s Attachment 1  
228 also identifies the location in the filing for each of the above sub-categories for each of  
229 the Projects.

230 The Division has determined that this is a complete filing. The Company’s Application  
231 complies with the minimum filing requirements established by the Commission in R746-  
232 700-30. However, as discussed in this testimony, if the Company substantially revises its  
233 case for Pryor Mountain or other aspects of its application in rebuttal testimony, the  
234 Division will review the new information for compliance under these rules and may  
235 recommend an extension or restart of the 180-day clock.

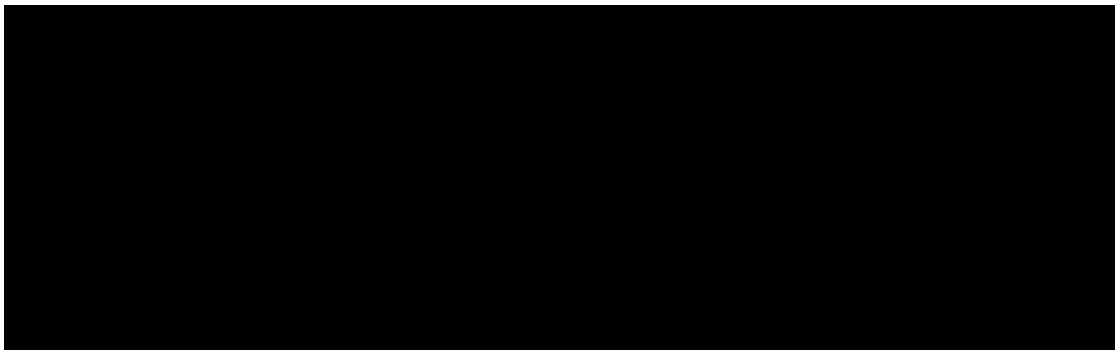
236 **IV. PRYOR MOUNTAIN ANALYSIS**

237 **Q. PLEASE PROVIDE AN OVERVIEW OF THE PRYOR MOUNTAIN WIND**  
238 **PROJECT.**

239 A. Pryor Mountain is a 240 MW wind project, located in Carbon County, Montana,  
240 approximately 60 miles south of Billings. The project consists of 114 wind turbine  
241 generators (WTGs), an electrical collector system, a collector substation with two 34.5

242 kilovolt (kV) to 230 kV step-up transformers, an operations and maintenance (O&M)  
243 building, and site access roads.<sup>40</sup> The expected capacity factor for Pryor Mountain was  
244 evaluated with the assumptions made in support of the economic evaluation of the project  
245 and is 38.7 percent.<sup>41</sup> A new point of interconnection substation located on the project  
246 site in Montana was also constructed. The project will ultimately tie to the Company's  
247 transmission line in northern Wyoming.<sup>42</sup> The make and model of the 114 WTGs as  
248 reported in the Company's Application, are listed in the table below:<sup>43</sup>

249 Table 1. Pryor Mountain WTG Composition<sup>44</sup>



250

251 I will discuss concerns regarding the WTG composition later in my testimony.

252 **Q. YOU PREVIOUSLY MENTIONED THAT PRYOR MOUNTAIN WAS**  
253 **ADDRESSED IN PRIOR REGULATORY PROCEEDINGS? DID THE**  
254 **COMMISSION ESTABLISH THE PRUDENCE OF THE COMPANY'S**  
255 **DECISION TO ACQUIRE PRYOR MOUNTAIN?**

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<sup>40</sup> Confidential Application, August 3, 2021, ¶ 1.

<sup>41</sup> Confidential Direct Testimony of Robert Van Engelenhoven, August 2021, p.3, lines 49-56.

<sup>42</sup> Id., at, p. 2, lines 24-26.

<sup>43</sup> This contradicts the Company's Confidential Direct Testimony of Robert Van Engelenhoven, who reports: 57 Vestas 2 MW safe harbor, 16 Vestas 2.2 MW safe harbor, and 37 Vestas, 2.2 MW follow-on WTGs (p. 2, lines 24-25).

<sup>44</sup> Company's Confidential Application, August 3, 2021, Confidential RMP MPA A-General.

256 A. Yes. Therefore, the prudence of the acquisition itself is not addressed in this proceeding.  
257 The Commission in the 2020 GRC Order determined that the Company's decision to  
258 acquire the plant was prudent.<sup>45</sup>

259 **Q. WHAT IS THE COMPANY REQUESTING IN THIS APPLICATION WITH**  
260 **RESPECT TO PRYOR MOUNTAIN?**

261 A. According to its Application, the Company is asking the Commission to approve the  
262 recovery of costs for the associated delays in the project associated with the COVID-19  
263 pandemic, which resulted in the project being only partially included in rates in the test  
264 period in the 2020 GRC.<sup>46</sup> The Company represents that its requests for increased costs  
265 are due to construction delays attributable to disruption in the worldwide supply chain  
266 caused by the COVID-pandemic.<sup>47</sup> As previously mentioned, the Company's  
267 Application states that this delay has caused an additional approximately [REDACTED]<sup>48</sup> in  
268 incremental capital costs that it is requesting for Pryor Mountain in this case that were not  
269 included in rates in the 2020 GRC.

270 **Q. WHY ARE THE PROJECT COSTS FOR PRYOR MOUNTAIN NOT KNOWN**  
271 **AT THIS TIME?**

272 A. At the time of the drafting of my testimony, it is unclear what the Company is now  
273 requesting the Commission to approve with respect to Pryor Mountain. This is because  
274 approximately six weeks<sup>49</sup> after the Company filed its Application, in response to  
275 discovery, the Company pointed out errors in its filing, in particular, paragraph 9 of its

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<sup>45</sup> Docket No. 20-035-04, Confidential Order, December 30, 2020, p. 50.

<sup>46</sup> As noted on Page 5 above, the entirety of the facilities themselves is included in rates set by the 2020 GRC orders, but some costs that were then unknown are not reflected in rates and the projects are in rates based on an average test year, not a year-end test year.

<sup>47</sup> Confidential Direct Testimony of Robert Van Engelenhoven, August 2021, p.4, lines 77-80.

<sup>48</sup> Confidential Application, August 3, 2021, ¶ 18.

<sup>49</sup> The Company filed its Application on August 3, 2021, and its Confidential response to OCS DR # 1.5 on September 16, 2021.

276 Application and on page 4, lines 75-76 in the Direct Testimony of Robert Van  
277 Engelenhoven.<sup>50</sup>

278 The following excerpt is from the Company's Confidential response to OCS DR #1.5:

279 Referencing the direct testimony of Company witness, Robert Van  
280 Engelenhoven, which provides an overview and information  
281 regarding PacifiCorp's Pryor Mountain wind project, the Company  
282 responds as follows:

283  
284 In preparing the response to this request, the Company identified  
285 an error in its Application in paragraph 9 and in Mr. Van  
286 Engelenhoven's direct testimony at page 4, lines 75-76, regarding  
287 the cost of the Pryor Mountain wind project approved by the  
288 Public Service Commission of Utah (UPSC) in the 2020 general  
289 rate case, Docket No. 20-035-04 (2020 GRC). Specifically, the  
290 Application and direct testimony stated that the UPSC approved  
291 costs of [REDACTED]  
292 [REDACTED] for the Pryor Mountain wind project.  
293 However, the total projected costs of the Pryor Mountain wind  
294 project actually approved by the UPSC were [REDACTED]  
295 [REDACTED] as  
296 provided in Mr. Van Engelenhoven's confidential rebuttal  
297 testimony at page 3, line 55 filed on October 5, 2020.

298 Because the current estimated total cost of the Pryor Mountain  
299 wind project is [REDACTED]  
300 which is less than the [REDACTED]  
301 approved by the UPSC in the 2020 GRC, there are no cost  
302 increases for elements of the project such as wind turbine  
303 generators (WTG), collectors, access roads, transformers,  
304 operations and maintenance (O&M) buildings, etc. that the  
305 Company is presenting for recovery in this major plant addition  
306 (MPA) proceeding.

307 The Division is not aware of what cost elements, if any, the Company is requesting  
308 approval of. Further exasperating the Division's review is the fact that the Company has  
309 stated in multiple places in its filing that the final project costs for Pryor Mountain are not

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<sup>50</sup> Company's Confidential response to OCS DR #1.5, dated September 16, 2021.



310 known.<sup>51</sup> For example, in the Company’s response to DPU DR #1.2, dated September  
311 17, 2021, the Company writes the following:

312 The Company continues to negotiate with the Balance of Plant  
313 (BOP) and Turbine Supply contractors to settle contractual delay  
314 claims due to the COVID-19 pandemic. Negotiations are  
315 advancing in a productive manner are expected to be settled before  
316 the end of 2021.

317 This means that we might know the final project costs for BOP contractors and WTG  
318 suppliers by the end of the year. On the other hand, this means *we might not even know*  
319 *what the final project costs are until after the November 29, 2021 to December 1, 2021,*  
320 *hearing in this matter. The Company has asked the Commission to approve or rule on*  
321 *matters that are unknown and are impossible for the Division to discern with respect to*  
322 *Pryor Mountain. The Commission did approve [REDACTED]<sup>52</sup> in the general rate case.*  
323 *However, the Company has in this case revised that number to [REDACTED].<sup>53</sup> The*  
324 *Company points out in its Response to DPU DR # 1.2 the following:<sup>54</sup>*

325 The Company notes that the total project costs for the Pryor  
326 Mountain wind project presented in this proceeding are less  
327 than the project costs included in the Company’s rebuttal  
328 testimony in the general rate case (GRC), Docket No. 20-  
329 035-04.

330 At this point, the Division can only recommend the Commission not approve any  
331 additional costs for Pryor Mountain beyond the Company’s current best estimate, [REDACTED]  
332 [REDACTED]<sup>55</sup> This is the amount reflected in the Company’s Application,<sup>56</sup> as well as in Mr.

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<sup>51</sup> See the Company’s response to DPU DR # 1.2, DPU DR #1.10 and Confidential Direct Testimony of Steven R. McDougal, August 3, 2021, p. 7, line 123; p. 8, line 144.

<sup>52</sup> Company’s Confidential response to OCS DR #1.5, dated September 16, 2021.

<sup>53</sup> Confidential Direct Testimony of Robert Van Engelenhoven, August 3, 2021, p. 4, line 75.

<sup>54</sup> Company’s response to DPU DR #1.2, dated September 17, 2021.

<sup>55</sup> Confidential Application, August 3, 2021, ¶ 9: “Rocky Mountain Power’s total investment in Pryor Mountain is estimated to be [REDACTED].” Also, see the Company’s Confidential Response to OCS DR #1.5 that states in part: “...the current estimated total cost of the Pryor Mountain wind project is [CONFIDENTIAL BEGINS] [REDACTED]”

<sup>56</sup> Docket No. 20-035-42, Confidential Application, August 3, 2021, ¶ 9.

333 Van Engelenhoven’s Direct Testimony,<sup>57</sup> and in the Company’s exhibits of its witness,  
334 Mr. McDougal.<sup>58</sup> This is the amount that has been consistently reflected throughout the  
335 Company’s filing. The Company’s Application states: “Rocky Mountain Power’s total  
336 investment in Pryor Mountain is estimated to be [REDACTED].”<sup>59</sup> Similarly, Mr. Van  
337 Engelenhoven writes, in his Direct Testimony: “The total projected cost for the project  
338 reflected in this filing is [REDACTED].”<sup>60</sup>

339 If the Company incurs additional costs above this amount, the Company can request  
340 recovery in a separate proceeding or possibly in an extended process under the current  
341 proceeding.

342 The Division can only presume that the Company will attempt to correct and clarify these  
343 matters in its rebuttal testimony on October 28, 2021. However, the intent of rebuttal is  
344 merely that—a chance for parties to rebut issues in the immediate application, not to put  
345 on a whole new case. To that effect, parties would have only three weeks to review all  
346 new information and provide surrebuttal testimony on November 18, 2021.

347 The Company has requested the Commission’s approval of the delayed costs for both TB  
348 Flats and Pryor Mountain in a manner that means the entire analysis and Commission  
349 order must be issued within 180 days of the filing.<sup>61</sup> However, if the Company intends to  
350 put on a revised case for Pryor Mountain in its rebuttal filing on October 28, 2021, the  
351 180-day clock should re-start. Utah Code Annotated § 54-7-13.4-3(4) states that the  
352 Commission can re-start the clock if the changes are material:

353 (c) With respect to the applicable 90 or 150-day time period  
354 under Subsection (4) for the commission to enter an order  
355 as described in Subsection (4)(a)(iii), the commission may:

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<sup>57</sup>Confidential Direct Testimony of Robert Van Engelenhoven, August 2021, p.4, lines 77-80.

<sup>58</sup> See. SRM-1, p. 1, Pryor Mountain costs are [REDACTED].

<sup>59</sup> Docket No. 20-035-42, Confidential Application, August 3, 2021, ¶ 9.

<sup>60</sup> Confidential Direct Testimony of Robert Van Engelenhoven, August 2021, p.4, lines 77-80.

<sup>61</sup> Utah Code Annotated §54-7-13.4.

- 356 (i) if the deficiencies are not material:  
357 (A) continue without delay; or  
358 (B) suspend the applicable 90 or 150-day time period and  
359 resume when the electrical corporation or gas corporation  
360 has filed the required information; or  
361 (ii) if the deficiencies are material, start the applicable 90 or  
362 150-day time period over when the electrical corporation or  
363 gas corporation has filed the required information.

364 The Division is not recommending at this time that the Commission should re-start the  
365 180-day clock. However, if the Company’s rebuttal filing contains substantive changes  
366 or requires new analysis on Pryor Mountain, the Company should explain why the  
367 Commission should not re-start the 180-day clock in this matter. The Division would  
368 review the new information and make an appropriate recommendation at that time.

369 **Q. HAVE THERE BEEN OTHER ERRORS THE DIVISION HAS DISCOVERED IN**  
370 **ITS REVIEW OF PRYOR MOUNTAIN?**

371 A. Yes, the Company’s August 3, 2021, Application contained errors in the nameplate  
372 capacity of Pryor Mountain and the number of WTGs placed in service in calendar year  
373 2020 as compared to those placed in service in 2021. These errors were not a typo or a  
374 digit off but were significantly different reports on the nameplate capacity of wind  
375 turbine generators placed in service. The table below identifies the data reported in the  
376 August 3, 2021, Application as compared to the Company’s Errata Filing, filed on  
377 August 26, 2021.<sup>62</sup>

378

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<sup>62</sup> Errata to Application for Alternative Cost Recovery, August 26, 2021, p. 2, ¶ 4.

379 Table 2. Pryor Mountain Nameplate Capacity

<b>Pryor Mountain Nameplate Capacity</b>		
<b>In Service</b>	<b>Application (MW)</b>	<b>Errata Filing (MW)</b>
<b>2020</b>	<b>160</b>	<b>20</b>
<b>2021</b>	<b>80</b>	<b>220</b>
<b>TOTAL (MW)</b>	<b>240</b>	<b>240</b>

380

381 The table above shows that the Company reported in its August 3, 2021, Application that  
382 160 MW of nameplate capacity was in service as of December 31, 2020, and the  
383 remaining 80 MW came online after January 1, 2021.<sup>63</sup> This is the same nameplate  
384 capacity the Company reported in its rebuttal filing in the 2020 GRC.<sup>64</sup> Whereas, in the  
385 Company’s Errata Filing, filed 13 days after its Application on August 26, 2021, only 20  
386 MW of the nameplate capacity of Pryor Mountain was in-service as of December 31,  
387 2020.<sup>65</sup> The remaining 220 MW came online after January 1, 2021.

388 The Application reports that approximately two-thirds of the 240 MW project was  
389 completed by December 31, 2020, and the remaining one-third (80 MW) was completed  
390 after January 1, 2021.

391 Contrast this to the Errata filing that shows approximately 91 percent of Pryor Mountain  
392 was not in service until after January 1, 2021; only 20 MW (or approximately 8.3  
393 percent) was completed by December 1, 2020. This is a stark difference, especially when

<sup>63</sup> Confidential Application, August 3, 2021, ¶ 4.

<sup>64</sup> Docket No. 20-035-04, Confidential Rebuttal Testimony of Robert Van Engelenhoven, October 2020, p. 2, lines 41-45.

<sup>65</sup> Errata to Application for Alternative Cost Recovery, August 26, 2021, p. 2, ¶ 4.

394 evaluating delayed projects costs that were already included in rates in the 2020 GRC, as  
395 opposed to reviewing incremental project costs in the MPA filing. As I previously stated,  
396 this is not an insignificant error.

397 In addition, referring to Table 1 earlier in my testimony, the Company's reported  
398 numbers and composition of WTGs in its Application<sup>66</sup> are different from those reported  
399 by Mr. Van Engelenhoven in his Direct Testimony.<sup>67</sup> The Application reports a total of  
400 114 different WTGs, versus the 110 reported by Mr. Van Engelenhoven. The Company  
401 should clarify this in its rebuttal testimony.

402 **Q. WHAT IS THE CONSTRUCTION PROJECT STATUS OF PRYOR MOUNTAIN**  
403 **AT THIS TIME?**

404 A. The completed project was placed in commercial operation on April 1, 2021.<sup>68</sup> As  
405 previously mentioned, Pryor Mountain was originally scheduled to be in service in  
406 December 2020. According to the Company Errata Application, only 10 of the 114  
407 WTGs (20 MW of the 240 MW) were placed in service in December 2020. The  
408 remaining 104 circuits were completed and commissioned by March 31, 2021. All  
409 operational elements were included in rate base in the Commission's 2020 GRC orders  
410 and are currently in rates to varying degrees. Both TB Flats and Pryor Mountain are fully  
411 in service and serving customers.

412 **Q, WHAT DO THE ERRORS AND THE RESPONSES TO DISCOVERY INDICATE**  
413 **TO THE DIVISION WITH RESPECT TO PRYOR MOUNTAIN?**

414 A. The Company has made several mistakes in its filing and has had to correct its own  
415 Application. These mistakes give us an extra degree of caution, particularly because the  
416 Commission is being asked to approve other, as yet unknown, project costs. The Division

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<sup>66</sup> Company's Confidential Application, August 3, 2021, Confidential RMP MPA A1-General.

<sup>67</sup> Direct Testimony of Robert Van Engelenhoven, August 3, 2021, p. 2, lines 24-25.

<sup>68</sup> Errata to Application for Alternative Cost Recovery, August 26, 2021, p. 2, ¶ 4.

417 has learned that forecast project costs will be adjusted as they become known.<sup>69</sup> The  
418 errors also suggest that any future projected forecast costs for Pryor Mountain should be  
419 viewed with skepticism, and should be carefully scrutinized and their accuracy verified,  
420 once known, in the context of a general rate case where actual and final costs can be  
421 properly audited.

422 One of the Division’s largest concerns is that the Company is still negotiating settlement  
423 costs with the BOP contractor and the WTG supplier.<sup>70</sup> From documents filed in the  
424 Pryor Mountain prudence review in the 2020 GRC, the Division is aware that these two  
425 elements—the WTG supplier and the BOP contractor—constitute the majority of the  
426 total project costs.<sup>71</sup> The fact that the Company does not have the final costs for these  
427 two major items makes it difficult to review or recommend any approval amount of this  
428 project beyond what is currently in rates. If the Commission approves the Company’s  
429 application, the Division recommends approving the project costs that the Company has  
430 consistently reported, in the amount of [REDACTED]<sup>72</sup> The Division reserves the right to  
431 challenge any future project costs put forth during the pendency of this case or other  
432 proceeding.

433 **Q. HAVE YOU VERIFIED THAT THE IN-SERVICE DELAYS FOR PRYOR**  
434 **MOUNTAIN WERE JUSTIFIED?**

435 A. Yes. The Division verified that the cause for the in-service delays was due to the  
436 COVID-19 pandemic. The Company represented that it received Force Majeure  
437 statements from nearly every vendor, contractor, and supplier. The delayed delivery of

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<sup>69</sup> Confidential Direct Testimony of Steven R. McDougal, August 3, 2021, p. 7, line 123; p. 8, line 144.

<sup>70</sup> Company’s Response to DPU DR #1.2, September 17, 2021.

<sup>71</sup> See PacifiCorp’s Notice of Exception under (Oregon) OAR 860-089-0100, September 27, 2019, pp. 1-2.

<sup>72</sup> See Confidential Application, August 3, 2021, ¶ 9; See Confidential Direct Testimony of Robert Van Engelenhoven, August 2021, p.4, lines 77-80; See. SRM-1, p. 1, Pryor Mountain costs are [REDACTED].

438 major equipment, like WTGs and other large components, was the primary cause of the  
439 in-service delays.<sup>73</sup>

440 **Q. DO YOU HAVE ANY CONCERNS RELATED TO PROJECT COSTS FOR**  
441 **PRYOR MOUNTAIN?**

442 A. Yes. I have attached the relevant Company responses to discovery to my testimony as  
443 Confidential DPU Exhibit 1.1 DIR. The Division’s concerns are outlined below:

444 • In its review of documents, the Division determined that [REDACTED]  
445 [REDACTED]  
446 [REDACTED]  
447 [REDACTED]  
448 [REDACTED]  
449 [REDACTED]  
450 [REDACTED]  
451 [REDACTED]<sup>74</sup>  
452 [REDACTED]  
453 [REDACTED]  
454 [REDACTED]  
455 [REDACTED]  
456 [REDACTED]  
457 [REDACTED]  
458 [REDACTED]  
459 [REDACTED]  
460 [REDACTED]

<sup>73</sup>Company’s Response to DPU DR #1.8, September 17, 2021.  
<sup>74</sup> Company’s Confidential Response to Attachment DPU DR# 1.1, September 17, 2021.  
<sup>75</sup> Company’s Response to DPU DR #3.1, September 16, 2021.  
<sup>76</sup> Docket No. 21-999-01, Confidential PacifiCorp’s Notice of Affiliate Transaction with BHE Wind, LLC, September 8, 2021.

461

[Redacted]

462

[Redacted]

463

[Redacted]

464

[Redacted]

465

[Redacted]<sup>77</sup> [Redacted]

466

[Redacted]

467

[Redacted]

468

[Redacted]

469

[Redacted]

470

[Redacted]

471

[Redacted]

472

[Redacted]

473

[Redacted]

474

[Redacted]

475

[Redacted]

476

[Redacted]

477

[Redacted]

478

[Redacted]

479

[Redacted]

480

[Redacted]

481

[Redacted]

482

[Redacted] The Division reserves the right

483

to address this issue in subsequent rounds of testimony if needed.

<sup>77</sup> Company's Response to OCS DR #1.4, September 10, 2021.

<sup>78</sup> Id.



484 [Redacted]

485 [Redacted]

486 [Redacted]

487 [Redacted]

488 [Redacted]

489 [Redacted]

490 [Redacted]

491 [Redacted]

492 [Redacted]

493 [Redacted]

494 [Redacted]

495 [Redacted]

496 [Redacted]

497 [Redacted]

498 [Redacted]

499 [Redacted]

500 [Redacted]

501 [Redacted]

502 [Redacted] The Division reserves the right to address this issue in subsequent

503 rounds of testimony if needed.

504 • In addition, [Redacted]

505 [Redacted]

506 [Redacted]

507 [Redacted]

<sup>79</sup> Docket No. 21-999-01, Confidential PacifiCorp’s Notice of Affiliate Transaction with BHE Wind, LLC, September 8, 2021.

<sup>80</sup> Id., See Confidential Attachment DPU DR #1.1, [Redacted]

508

[REDACTED]

509

[REDACTED]

510

[REDACTED]

511

Referring to Table 1 earlier in my testimony, the Company reported four GE 2.3

512

MW, Model 116 WTGs in the composition of Pryor Mountain’s 240 MW

513

nameplate capacity.<sup>81</sup> [REDACTED]

514

[REDACTED]

515

[REDACTED]

516

[REDACTED] The Company needs to clearly identify what the exact model, make

517

and composition of WTGs were at the time Pryor Mountain became operational.

518

It should also explain the discrepancies in its Application and its Response to

519

DPU DR #3.1, as well as questions the Division raised regarding the two

520

additional GE WTGs the Company acquired on July 1, 2020. Again, the Division

521

reserves the right to address this issue if needed in future rounds of testimony.

522

- Next, in response to DPU DR #1.2, the Company states the following (italics

523

added):<sup>82</sup>

524

The Company continues to negotiate with the Balance of Plant

525

(BOP) and Turbine Supply contractors to settle contractual delay

526

claims due to the COVID-19 pandemic. Negotiations are

527

advancing in a productive manner are expected to be settled *before*

528

*the end of 2021.*

529

In response to DPU DR # 1.1, the Company states that it received notifications of

530

the COVID-19 pandemic force majeure event from nearly every supplier and

531

contractor. Most important, the Company states: “...the only material claims that

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<sup>81</sup> Company’s Confidential Application, August 3, 2021, Confidential RMP MPA A-General.

<sup>82</sup> Company’s Response to DPU DR #1.2, September 17, 2021.

532 required extensive negotiation and settlement were from the turbine supply  
533 contractor and balance of plant (BOP) contractor.”<sup>83</sup>

534 The fact that the most material claims are from BOP and turbine supply  
535 contractors, and the fact that these costs will not be known until final settlement  
536 negotiations by the end of this year, suggests the scope of these costs could be  
537 large and highlights the importance of auditing these costs in the context of a rate  
538 case setting, once known. The Division reserves the right to review any  
539 additional project costs for Pryor Mountain and TB Flats during the pendency of  
540 this case. The Division recommends the Commission not approve any costs that  
541 have not been subject to regulatory review and require the Company to file for  
542 cost recovery in the context of a general rate case.

543 Finally, if the Company’s rebuttal filing includes material changes to the  
544 Company’s filing, the Division will review the new information and make an  
545 appropriate recommendation on whether should re-start the 180-day clock so that  
546 regulators will have an opportunity to review the revised application in an  
547 appropriate amount of time.

548 **V. PRELIMINARY FINDINGS**

549 **Q. WILL YOU PLEASE SUMMARIZE THE DIVISION’S PRELIMINARY**  
550 **FINDINGS IN THIS CASE?**

551 A. Alternative Cost Recovery as a Major Plant Addition.

552 Dr. Powell’s testimony demonstrates that the investments in Pryor Mountain and TB  
553 Flats do not constitute major plant additions pursuant to Utah Code Ann. § 54-7-13.4.<sup>84</sup>  
554 The Division’s overall position is that the Company’s Application should be denied in

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<sup>83</sup> Company’s Confidential Response to DPU DR #1.1, September 17, 2021.

<sup>84</sup> Utah Code Ann. §54-7-13.4.

555 full. The Company can file for cost recovery for delayed plant costs in a general rate  
556 case. Should the Commission accept this recommendation, the remaining portions of the  
557 Division’s testimony are irrelevant.

558 B. Pryor Mountain Analysis.

559 The Division recommends preliminarily approving [REDACTED] for project costs for  
560 Pryor Mountain. The Division recommends the Company explain its [REDACTED]  
561 [REDACTED]  
562 [REDACTED]  
563 [REDACTED] The Division also requests the  
564 Company explain and justify the cost differential in its rebuttal filing of the Company’s  
565 [REDACTED]

566 Regardless of corrections filed in rebuttal, the Division recommends that the capitalized  
567 costs that finally go into rate base are the actual costs of the projects under consideration,  
568 not projected or future costs. Projected costs are already in rates given the 2020 GRC  
569 orders’ inclusion of these projects. If actual costs are not known, then any other forecasts  
570 of costs for both Projects should be disallowed in this filing. When final project costs are  
571 known, the Company can request cost recovery for them in a future rate case proceeding.

572 C. TB Flats Findings

573 Mr. Jones did not have enough information at the time that testimony was due to make a  
574 full evaluation of the additional, incremental project costs for TB Flats. The Division is  
575 awaiting further discovery for TB Flats. The Company has stated that it will provide  
576 final project costs when known.<sup>85</sup>

577 D. Net Power Costs and EBA.

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<sup>85</sup> Company’s Response to DPU DR #1.14, September 13, 2021.

578 The Division’s witness, Mr. Smith, compared the level of unrealized 2021 reported NPC  
579 and PTC base results compared to existing base rates casts and found the original forecast  
580 to be highly inaccurate. This casts doubt on the wisdom of adjusting base rates  
581 downward at this time. If the original forecast is proving to be persistently inaccurate,  
582 adding to that inaccuracy would not be in the public interest. The Company needs to  
583 more adequately demonstrate that its proposal to modify the current NPC and PTC base  
584 is prudent and in the public interest.

585 **VI. CONCLUSION AND RECOMMENDATIONS**

586 **Q. WHAT ARE THE DIVISION’S CONCLUSIONS?**

587 A. In this docket, the Division evaluated the statutory requirements in Utah Code Section  
588 54-7-13.4 for alternative cost recovery of major plant additions. The Company’s  
589 Application does not qualify under these conditions and should be denied in whole.

590 Nevertheless, the Division continued to evaluate the reasonableness of the asserted  
591 COVID-19 pandemic-related delayed plant costs for the Pryor Mountain and TB Flats,  
592 respectively. The Company represents at the time it filed its discovery on September 16,  
593 2021, that it does not know the final project costs in this case and might not have the final  
594 Project costs until the end of 2021,<sup>86</sup> after the hearing in this matter. This causes the  
595 Division great concern.

596 The Division cannot determine if the delayed project costs for TB Flats or Pryor  
597 Mountain are prudent until the final costs are known, at which time the Division will  
598 review them to determine if they have been prudently incurred.

599 The Division has preliminarily determined that no additional project costs for Pryor  
600 Mountain beyond the stated [REDACTED] should be approved. The Division continues to

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<sup>86</sup> Company’s Response to DPU DR #1.2, September 17, 2021.

601 evaluate discovery and anticipated rebuttal from the Company regarding miscellaneous  
602 WTG equipment and delays due to the pandemic for both Projects. The Company can  
603 file a request for recovery of pandemic-related costs in another filing when the final  
604 project costs for TB Flats and Pryor Mountain are known.

605 Finally, although it may be permissible to adjust base net power costs in a major plant  
606 addition proceeding,<sup>87</sup> the Division recommends that the Company should more  
607 adequately demonstrate that its proposal to modify the current NPCs and PTC base costs  
608 is prudent and in the public interest. Mr. Smith finds that the difference between base  
609 NPC and actual NPC is quite significant. The Company's proposal could make customer  
610 collections more volatile and may not be in the public interest, particularly if the  
611 projected benefits of the projects are likely to be lower than stated in the application.

612 **Q. WHAT DOES THE DIVISION RECOMMEND?**

613 A. For the reasons stated above, the Division recommends the Commission deny the  
614 Company's Application in whole. What follows are alternative recommendations in the  
615 event the application is not denied. The Division recommends that no additional project  
616 costs should be approved for Pryor Mountain, and the Division cannot recommend  
617 approving any pandemic-related costs for either Pryor Mountain or TB Flats until the  
618 final project costs are known. The Division recommends the Commission find that it is  
619 not in the public interest to modify the current NPCs and PTC base costs, pending the  
620 Company demonstrating that its proposal to do so is prudent.

621 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

622 A. Yes.

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<sup>87</sup> Utah Code § 54-7-13.5, amended by Chapter 249 during the 2021 legislative general session, allows the consideration of an interim rate request with an EBA filing.