

–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF PACIFICORP’S)	
APPLICATION FOR APPROVAL OF)	
ALTERNATIVE COST RECOVERY FOR MAJOR)	DOCKET No. 21-035-42
PLANT ADDITIONS OF THE PRYOR MOUNTAIN)	Exhibit No. DPU 3.0 DIR
AND TB FLATS WIND PROJECTS)	Direct Testimony of Trevor R. Jones

Redacted

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

Direct Testimony of

Trevor R. Jones

October 6, 2021

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1 **INTRODUCTION**

2

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

4 A. My name is Trevor R. Jones. I am a Utilities Analyst for the Utah Division of Public
5 Utilities (Division). My business address is 160 East 300 South, Salt Lake City, Utah
6 84111.

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

8 A. The Division.

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

10 A. I have been working for the Division for one and half years as a Utilities Analyst, and I
11 have been working for the State for five and half years. I have a bachelor's degree in
12 Chemical Engineering and an MBA from the University of Utah.

13

14 **PURPOSE AND SUMMARY**

15

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

17 A. The purpose of my testimony is to provide information and analysis related to
18 PacifiCorp's (Company) TB Flats wind project.

19 **Q. CAN YOU SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS?**

20 A. In this application, the Company is asking for an increase in the total project estimated
21 costs for the TB Flats project but the final costs are not available at this time. Therefore, I

22 withhold any recommendation until more information has been provided. However, I do
23 share some observations with respect to information the Company has provided to date.

24

25 **TB FLATS**

26

27 **Q. WHAT IS THE TB FLATS WIND PROJECT?**

28 A. TB Flats is a 500 MW wind project located in Carbon and Albany Counties, Wyoming
29 and consists of 132 wind turbine generators (WTGs), an electrical collector system,
30 collector substations, access roads, meteorological towers, an operations and management
31 building, communication equipment, and supervisory control and data acquisition control
32 equipment. The WTGs are comprised of 28 Vestas model V110-2.0 each with a
33 nameplate capacity of 2 MW and 104 Vestas model V136-4.3 each with a nameplate
34 capacity of 4.3 MW. The total nameplate capacity is 503.2 MW but is limited by its
35 interconnection capacity of 500 MW.¹

36 **Q. WILL YOU PROVIDE SOME BACKGROUND ON TB FLATS AND WHEN IT**
37 **WAS CONSTRUCTED?**

38 A. This project was approved in Docket No. 17-035-40, Rocky Mountain Power's
39 Significant Energy Resource Decision. The estimated completion date for the project in
40 that docket was November 2020.² In the Company's most recent general rate case filing,
41 Docket No. 20-035-04, the Company again estimated in direct testimony that this project
42 would be completed by November 2020.³ In rebuttal testimony the completion date was

¹ Response to Division data request DPU DR 7.1.

² Docket No. 17-035-40, RMP CONF Exhibit CAT2-6 6-30-17, In Service Date: 11-Nov-20.

³ Docket No. 20-035-04, PROPRIETARY RMP Exhibit TJH-1 5-8-2020, Excel cell C9.

43 changed to June 2021 due to the COVID-19 pandemic.⁴ Construction was not completed
44 until July 26, 2021.⁵

45 **Q. HAS THE TOTAL COST OF THE PROJECT CHANGED OVER TIME?**

46 A. Yes. In Docket No. 17-035-40, the total project cost estimate was [REDACTED] million.⁶ In
47 Docket No. 20-035-04, in the Company's direct testimony the cost was stated as [REDACTED]
48 million⁷ and in rebuttal the cost increased to [REDACTED] million.⁸ In this Docket the total
49 project cost estimate has increased to [REDACTED] million.⁹

50 **Q. WERE THE PRIOR COST INCREASES APPROVED BY THE COMMISSION?**

51 A. In Docket No. 17-035-40, the TB Flats total project costs were approved in the Order by
52 the Commission at [REDACTED] million.¹⁰ In the GRC Docket No. 20-035-04, the total project
53 costs in RMP rebuttal were approved by the Commission with the increase up to [REDACTED]
54 million.¹¹ However, only [REDACTED] million of the costs were accepted into rate base for the
55 complete test year at that time because of the delays and timing issues surrounding the
56 test year. The Company is now seeking approval for [REDACTED] million in total project costs
57 by adding an additional [REDACTED] million to rate base in base rates, an increase of [REDACTED]
58 million from the [REDACTED] million estimated in the GRC. The Utah allocation of the
59 incremental request is [REDACTED] million.¹² Because the Commission has already approved
60 [REDACTED] million for the total project cost, I will focus on the cost overruns after the general
61 rate case, the additional amount requested in this Application, which increases the total
62 project cost by [REDACTED] million.

⁴ Docket No. 20-035-04, CONFIDENTIAL RMP Exhibit TJH – 1R 10-5-2020, Excel cell C9.

⁵ Docket No. 21-035-42, Confidential Application 8-3-2021, page 4.

⁶ Docket No. 17-035-40, RTL-1SS – CONF, cell F11; as referenced in the Order for 17-035-40, page 37.

⁷ Docket No. 20-035-04, PROPRIETARY RMP Exhibit TJH-1 5-8-2020, Excel cell E9.

⁸ Docket No. 20-035-04, CONFIDENTIAL RMP Exhibit TJH – 1R 10-5-2020, Excel cell F9.

⁹ Confidential Direct Testimony of Steven R. McDougal for Rocky Mountain Power 8-3-2021, line 122.

¹⁰ Docket No. 17-035-40, Order, page 37, RTL-1SS – CONF, cell F11.

¹¹ Docket No. 20-035-04, Confidential Order 12-31-2020, page 46.

¹² Confidential RMP Workpapers 1 – SRM 1 Page 1 to 5 8-3-2021, tab TB Flats Wind Project.

63 Q. IS [REDACTED] MILLION THE FINAL COST?

64 A. No. The final cost is still undetermined and is only an estimate.¹³

65 Q. HAS THE COMPANY INDICATED WHEN THE FINAL COST OF THE TB
66 FLATS PROJECT WILL BE DETERMINED?

67 A. In response to DPU Data Request 4.2 (Attachment 3.1), the Company stated that the final
68 project cost will not be available for 9 to 12 months after commissioning of the project. I
69 have included the full data request and response here:

70 **DPU Data Request 4.2**

71
72 **Final Project Costs.** The final cost of the TB Flats and Pryor Mountain
73 projects are not yet known (Steven McDougal’s direct testimony page 7, line 123,
74 and elsewhere). Please explain the delay in the final project costs, as Pryor Mountain
75 was placed in service in March 2021, and TB Flats was placed in service in July
76 2021.

77
78 Detail the total amount of each project’s capital additions that are known and
79 final and provide details on the total amount of each project’s capital additions that
80 are estimated.

81
82 When will the final capital addition costs be known? Provide the final totals
83 and details when known.

84
85 **Response to DPU Data Request 4.2**

86
87 In the normal course of business, PacifiCorp’s large capital projects (in this
88 instance, wind projects) are placed into service as they become dispatchable to begin
89 providing benefits to customers as soon as possible. However, the work involved
90 with projects of the scope of the TB Flats wind project and the Pryor Mountain wind
91 project does not conclude immediately when the turbines are placed into service and
92 additional activities are necessary to fully complete the project. These activities
93 include site demobilization, reclamation of laydown areas used during construction,
94 crane pad removal, county and site road repairs, site restoration, revegetation, project
95 documentation, job book completion, training, receipt of lien waivers, completion of
96 punch list items, and permit close-out activities. These activities occur after a project
97 achieves commercial operation and may also be components of achieving final
98 project completion, which is a contractual payment milestone that follows project

¹³ Confidential Direct Testimony of Steven R. McDougal for Rocky Mountain Power 8-3-2021, lines 122-123.

99 commissioning. Because completion of some of these activities may be tied to
100 contractual milestones for which liquidated damages may be owed as a result of
101 potential delays, final project costs are unknown until all these items are completed.
102 Additionally, some control system programming follows turbine
103 commissioning to establish curtailment schemes and other necessary turbine
104 monitoring functions to support long-term maintenance and enhance project
105 availability. Project management actions such as the resolution of outstanding change
106 order requests and project notices also occurs following commercial operation.
107 Completion of some of the close-out activities are weather dependent.
108 In addition to the close-out activities that are typical for any large capital
109 project, these projects were built during the COVID-19 pandemic, which, as noted in
110 the Company's direct testimony and the Company's responses to OCS Data Request
111 1.10 and DPU Data Request 1.1, resulted in force majeure and excusable event
112 notices from the Company's contractors. Negotiations with both the turbine supply
113 contractor and the balance of plant (BOP) contractor are ongoing and anticipated to
114 be complete by the end of 2021.
115 Thus, due to normal close out activities and the resolution of the negotiations
116 described above, the Company anticipates the final project costs will be known
117 approximately nine to 12 months after a project has achieved commissioning.

118
119 Although the final costs are currently unknown, the Commission approved in the general
120 rate case an amount up to [REDACTED] million. In this case, the Company is seeking an
121 additional [REDACTED] million for a total cost of [REDACTED] million.

122 It is unclear how any supplemental additional costs that the Company incurs above what
123 the Commission approves in this case, if anything, would be treated. If the Company
124 were to seek approval of those supplemental additional costs, it seems that they need to
125 be reviewed and adjudicated by the Commission in some fashion. If the Company seeks
126 to recover such supplemental incremental costs, I am not sure what path, if any, would be
127 appropriate. Perhaps in a separate proceeding, or potentially as an extension of the
128 current proceeding, or perhaps in the next general rate case.

129 **Q. DO YOU HAVE ANY THOUGHTS ON THE IMPACT OF THE INCOMPLETE**
130 **COST INFORMATION, ESPECIALLY BECAUSE ALL THE COSTS MAY NOT**
131 **BE KNOWN UNTIL THE END OF THE YEAR?**

132 A. Yes. The Division cannot make a recommendation concerning approved cost increases
133 when the amount of those increases is unknown. Piecemeal information permits only
134 piecemeal analysis which will adversely affect the Division's ability to make a
135 recommendation on whether the sought after TB Flats increase should be approved by the
136 Commission. The Division is not recommending disapproval and has not reach any
137 conclusion as to the prudence of the cost overruns. However, at this time, the Company
138 cannot have met its burden of proof to demonstrate prudence of costs when the costs are
139 not yet known.

140 **Q. DID THE COMPANY EXPLAIN OR PROVIDE ADDITIONAL INFORMATION**
141 **TO SUPPORT THE COST INCREASE?**

142 A. The application stated that the increased cost was due to the COVID-19 pandemic. In
143 OCS Data request 1.10, OCS asks:

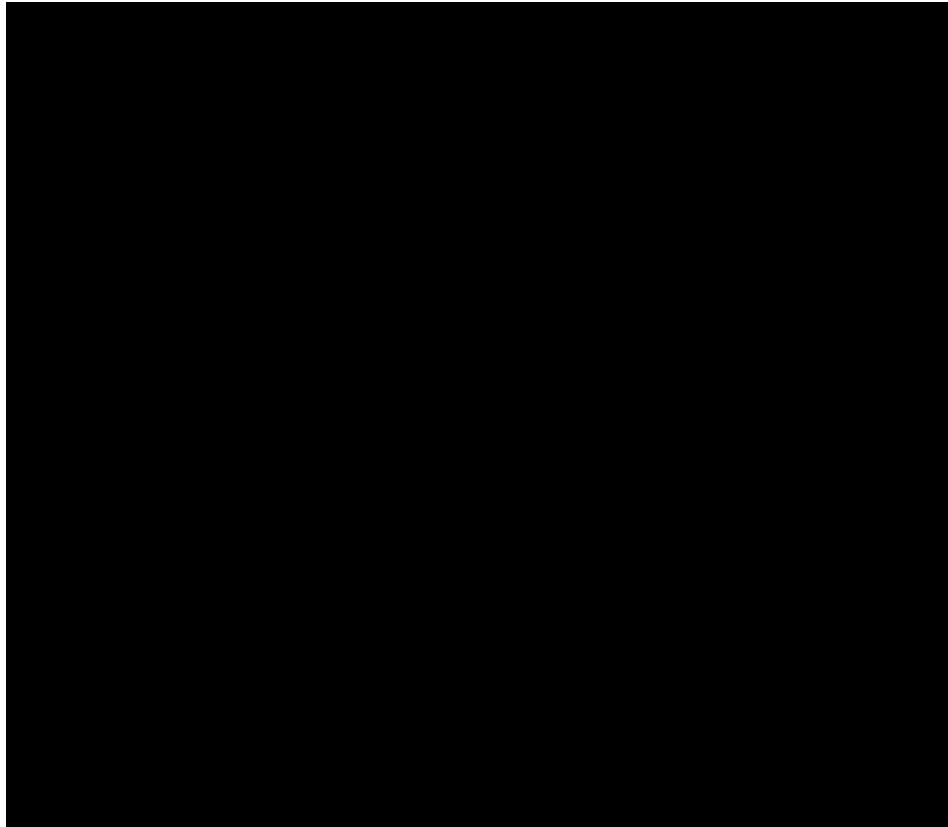
144 For each element of the cost increases delineated in the response provided to question
145 9 above, please explain the basis for and provide supporting documents underlying
146 the assumption the cost increases were related to the delays created by COVID-19. If
147 the costs were related to factors other than COVID-19, please explain the portion
148 related to these other factors, and explain these other factors.

149 OCS Data request 1.9, OCS asks:

150 Please refer to the Testimony of Mr. Hemstreet, page 4, lines 81-82. Please
151 provide detail for the figures quoted on these lines (2020 rate case amounts and
152 current filing amount) showing cost elements by type of plant addition (WTGs,
153 collectors, access roads, transformers, meteorological, towers, O&M building,
154 etc.). Please include detail showing direct costs and AFUDC as applicable. In
155 other words please provide a breakdown of the cost increases for each element of
156 the project, the elements which are listed on page 2, lines 32-35 of Mr.
157 Hemstreet's testimony

158 In response to OCS Data request 1.10, the Company included a table (Attachment 3.2
159 CONF) providing a basic outline of the costs incurred, which make up the [REDACTED] million.¹⁴

¹⁴ Data request response, Attach OCS 1.10-2 CONF.



160

161 **Q. THE BOTTOM OF THE COMPANY'S TABLE PROVIDED IN RESPONSE TO**
162 **OCS DATA REQUEST 1.10 IDENTIFIES A [REDACTED] MARKUP IN ADDITION TO**
163 **THE COVID-19 COST INCREASE. HAS THE COMPANY EXPLAINED THIS**
164 **OR PROVIDED ANY ADDITIONAL INFORMATION RELATED TO THE [REDACTED]**
165 **MARKUP?**

166 A. No. It is unclear if this amount is being added by PacifiCorp or if this charge is being
167 added by the contractor.

168 **Q. DO YOU BELIEVE THE COMPANY OR THE CONTRACTOR SHOULD**
169 **RECEIVE A [REDACTED] MARKUP?**

170 A. Not at this time. There is an outstanding data request for further information regarding
171 the [REDACTED] markup.

172 **Q. WHAT ABOUT THE OTHER COSTS INCLUDED IN THE COMPANY'S**
173 **RESPONSE TO OCS DATA REQUEST 1.10?**

174 A. Data request response OCS 1.10-3 (Attachment 3.3 CONF) includes information
175 regarding rows 1, 2, and 4 for the table found in data request response OCS 1.10-2. I am
176 waiting for further information regarding row 3 before making a recommendation.

177

178 **CONCLUSION**

179

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

181 A. I do not have enough information at this time to determine if all the costs are prudent or
182 not. I am not recommending that costs be disallowed at this time either. I simply do not
183 have enough information to reach a conclusion. I cannot support recovery or recommend
184 disallowance until the costs are known. I withhold a recommendation until the Company
185 provides more information. I am concerned that the total final costs will not be, according
186 to the Company, available until the end of the year. Thus, I reserve the right to address
187 the projects' costs as discovery is provided by the Company and as the Company files
188 additional testimony in this case.

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

190 A. Yes.