
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Rocky Mountain Power's Application for a
Certificate of Public Convenience and
Necessity for the Gateway South
Transmission Project

Docket No. 21-035-54

PREFILED DIRECT TESTIMONY AND EXHIBITS OF

JUSTIN BIEBER

On Behalf of the

Utah Association of Energy Users

January 25, 2022

1

DIRECT TESTIMONY OF JUSTIN BIEBER

2

3 **Introduction**

4 **Q. Please state your name and business address.**

5 A. My name is Justin Bieber. My business address is 111 E Broadway, Suite
6 1200, Salt Lake City, Utah, 84111.

7 **Q. By whom are you employed and in what capacity?**

8 A. I am a Senior Consultant for Energy Strategies, LLC. Energy Strategies is
9 a private consulting firm specializing in economic and policy analysis applicable to
10 energy production, transportation, and consumption.

11 **Q. On whose behalf are you testifying in this proceeding?**

12 A. My testimony is being sponsored by the Utah Association of Energy Users
13 (“UAE”).

14 **Q. Please describe your professional experience and qualifications.**

15 A. My academic background is in business and engineering. I earned a
16 Bachelor of Science in Mechanical Engineering from Duke University in 2006 and
17 a Master of Business Administration from the University of Southern California in
18 2012. I am also a registered Professional Civil Engineer in the state of California.

19 I joined Energy Strategies in 2017, where I provide regulatory and technical
20 support on a variety of energy issues, including regulatory services, transmission
21 and renewable development, and financial and economic analyses. I have also filed

22 and supported the development of testimony before various state utility regulatory
23 commissions.

24 Prior to joining Energy Strategies, I held positions at Pacific Gas and
25 Electric Company as Manager of Transmission Project Development, ISO
26 Relations and FERC Policy Principal, and Supervisor of Electric Generator
27 Interconnections. During my career at Pacific Gas and Electric Company, I
28 supported multiple facets of utility operations, and led efforts in policy, regulatory,
29 and strategic initiatives, including supporting the development of testimony before
30 and submittal of comments to the Federal Energy Regulatory Commission
31 (“FERC”), California ISO, and the California Public Utility Commission. Prior to
32 my work at Pacific Gas & Electric, I was a project manager and engineer for heavy
33 construction bridge and highway projects.

34 **Q. Have you testified previously before this Commission?**

35 A. Yes, I have testified in the following proceedings before this Commission:

- 36 • Dominion Energy Utah’s request for approval of a Voluntary Resource
37 Decision to Construct an LNG Facility, Docket No. 19-057-13;
- 38 • Rocky Mountain Power’s 2020 General Rate Case, Docket No. 20-
39 035-04; and
- 40 • Rocky Mountain Power’s Application for Alternative Cost Recovery
41 for Major Plant Additions of the Pryor Mountain and TB Flats Wind
42 Projects, Docket No. 21-035-54.

43 **Q. Have you filed testimony previously before any other state utility regulatory**
44 **commissions?**

45 A. Yes. In addition to these Utah proceedings, I have testified in
46 approximately 35 other proceedings on the subjects of utility rates and regulatory
47 policy before state utility regulators in Colorado, Indiana, Kentucky, Michigan,
48 Montana, Nevada, New Mexico, North Carolina, Ohio, Oregon, Virginia, and
49 Wisconsin.

50

51 **Overview and Conclusions**

52 **Q. What is the purpose of your testimony in this proceeding?**

53 A. I address Rocky Mountain Power's ("RMP" or the "Company") request for
54 the Commission to grant a certificate of public convenience and necessity
55 ("CPCN") to construct the 416-mile Gateway South 500 kV transmission line
56 ("Gateway South"), of which approximately 183 miles is located in Utah.

57 **Q. Please summarize your recommendations to the Commission.**

58 I do not oppose RMP's request for a CPCN to construct Gateway South.
59 However, I do have concerns with certain aspects of the Company's proposed
60 justification to build the project. Specifically:

- 61
- 62 • RMP unilaterally created an obligation for itself by identifying Gateway
63 South as a required facility for customers seeking interconnection or
64 transmission service and then executing contracts based on that
65 requirement. The mere fact that RMP created this obligation is not a
66 compelling justification to construct a \$2.1 billion transmission project.
 - 67 • The Company has still not performed a robust analysis of transmission
68 alternatives. The Northern Tier Transmission Group's ("NTTG") 2018-
2019 biennial Regional Transmission Plan identified an alternative

69 transmission configuration (the “NTTG Alternative”) to the Gateway West
70 and Gateway South transmission projects that could provide reliable system
71 performance in all of NTTG’s test cases¹ at a capital cost savings of over
72 \$1.9 Billion.² At the Commission’s direction, the Company performed a
73 sensitivity analysis to evaluate the NTTG Alternative which it presents in
74 this docket. However, the Company’s capital cost assumptions are
75 drastically different than the assumptions utilized in the NTTG Report.
76 Further, the Company’s conclusions are primarily driven by the fact that the
77 NTTG Alternative transmission configuration could not be completed on a
78 comparable timeline to Gateway South. While it may be true today that the
79 NTTG Alternative cannot be completed as quickly as Gateway South, that
80 is the same rationale the Company has been using to justify its lack of a
81 robust analysis of transmission alternatives since at least 2012.³ If the
82 Company’s analysis compared the NTTG Alternative to the Gateway
83 transmission projects on an even footing with regards to the timeline to
84 complete the projects, the results of the analysis would be very different.

- 85 • I do not agree with the Company’s modeling assumption of “unavoidable
86 transmission costs” to provide service to a third-party transmission
87 customer. According to FERC’s transmission pricing policy, a utility can
88 charge the “higher of” its FERC approved OATT rate for transmission
89 service that reflects embedded cost, or an incremental cost rate that is
90 designed to recover the cost to provide service.⁴ If the Company’s FERC
91 approved OATT rate is not sufficient to recover the annual revenue
92 requirement associated with network upgrades required to provide
93 transmission service to a third party, then it has the ability to charge an
94 incremental rate that is designed to recover that entire revenue requirement
95 and hold the Company’s retail customers harmless.

96 To the extent that the Commission approves RMP’s request to grant a
97 CPCN to build Gateway South, I recommend that the Commission clarify in its

¹ Northern Tier Transmission Group 2018-2019 Draft Final Regional Transmission Plan, September 18, 2019, Appendix E: NTTG 2019 Economic Study Request Report, p. 92, reproduced in Exhibit UAE 1.2.

² *Id.* p. 107. Gateway West and Gateway South capital costs estimated to be \$4.5 Billion – NTTG Alternative configuration estimated capital cost \$2.6 Billion = \$1.9 Billion capital cost savings.

³ Large Generator Interconnection Feasibility Study Report, Completed for LGIQ#0409, May 4, 2012, p. 2, reproduced in Exhibit UAE 1.3. The report states that “[a]lternatives to the Gateway Project were not considered, as it is unlikely that new transmission lines could be constructed with an earlier in-service date than the Gateway Project.”

⁴ *Inquiry Concerning the Commission's Pricing Policy for Transmission Services Provided by Public Utilities Under the Federal Power Act*, FERC Docket No. RM93-19-000, Policy Statement (October 26, 1994), p. 5. “In order to provide new or expanded transmission service, a utility may be required to add expensive transmission assets, which can result in an increase in rolled-in embedded cost rates. To address this possibility, the Commission has allowed a utility to charge transmission-only customers the higher of embedded costs (for the system as expanded) or incremental expansion costs, but not the sum of the two.”

98 Order that the granting of a CPCN does not constitute a project pre-approval or a
99 judgment regarding the prudence or future recovery of costs associated with the
100 transmission line.

101

102 **Rocky Mountain Power's Open Access Tariff Obligations**

103 **Q. Please describe the Gateway South transmission project.**

104 A. Company witness Rick Vail explains that Gateway South is a single circuit
105 500 kV alternating current transmission line that extends approximately 416 miles
106 from the Aeolus substation in southeastern Wyoming to the Clover substation near
107 Mona, Utah.⁵ The Gateway South project includes planned modifications to the
108 existing 345 kV transmission system in the Mona/Clover area, modifications to the
109 Aeolus remedial action scheme,⁶ modifications to the both the Aeolus and Anticline
110 substations,⁷ and two series compensation substations at Little Snake Colorado and
111 Coyote.⁸ The Company also proposes installing additional shunt capacitors at the
112 Bonanza 138 kV substation in Utah and the Mustang 230 kV and Riverton 230 kV
113 substations in Wyoming.⁹

114 RMP is also proposing to build Gateway West Segment D.1 ("Segment
115 D.1"), which consists of a 59-mile, 230 kV transmission line from Shirley Basin
116 substation in southeastern Wyoming to Windstar substation near Glenrock,

⁵ Direct Testimony of Rick A. Vail, lines 120-130.

⁶ *Id.* lines 178-189.

⁷ *Id.* lines 227-228.

⁸ *Id.* lines 312-319.

⁹ *Id.* lines 178-189.

117 Wyoming, and reconstruction of an existing 57-mile 230 kV transmission line from
118 Shirley Basin substation to the Dave Johnston substation, near Glenrock,
119 Wyoming. Mr. Vail contends that both Gateway South and Segment D.1 are
120 necessary to interconnect the majority of new low-cost wind resources in eastern
121 Wyoming selected in the 2020 All Source Request for Proposals (“2020 AS
122 RFP”).¹⁰ However, the Company is not requesting a CPCN for Segment D.1
123 because it is located entirely in Wyoming.¹¹

124 The estimated cost for Gateway South is \$2.1 billion. The estimated cost
125 for both Gateway South and Segment D.1 (collectively, the “Transmission
126 Projects”) is \$2.4 billion.¹²

127 **Q. How does Gateway South impact the amount of generation that can be**
128 **interconnected and delivered across RMP’s transmission system?**

129 A. According to Company witness Mr. Link, the combination of both Gateway
130 South and Segment D.1 will increase the system transfer capability between the
131 Aeolus substation in Wyoming and Clover substation near Mona, Utah by 1,700
132 MW. According to Mr. Link, this will allow RMP to interconnect 2,030 MW of
133 generation resources in eastern Wyoming¹³ and provide 500 MW of firm Point to
134 Point (“PTP”) transmission service to a third-party customer, to meet a total

¹⁰ *Id.* lines 37-44.

¹¹ Rocky Mountain Power Application, p. 7.

¹² Direct Testimony of Rick A. Vail, lines 398-401.

¹³ Direct Testimony of Rick T. Link, lines 201-204.

135 obligation of approximately 2,500 MW of interconnection and transmission service
136 requests.¹⁴

137 **Q. The Company claims that it has an obligation under its Open Access**
138 **Transmission Tariff (“OATT”) to build Gateway South in order to reliably**
139 **accommodate nearly 2,500 MW of interconnection and transmission**
140 **requests.¹⁵ Can you please elaborate regarding the Company’s obligation to**
141 **provide interconnection and transmission service?**

142 A. Mr. Vail explains that the Company has executed 13 transmission service
143 and generator interconnection contracts that require either Gateway South, Segment
144 D.1, or both as a “Contingent Facility.”¹⁶ According to Mr. Vail, this means that
145 the Company cannot provide the contracted services to those 13 contractual
146 counterparties without constructing those transmission upgrades.¹⁷

147 **Q. When did the Company first identify Gateway South in a transmission service**
148 **or generator interconnection study as a required facility?**

149 A. According to the Company’s response to discovery, Gateway South was
150 first identified in the generator interconnection study for a project with queue
151 position Q0409.¹⁸ The Feasibility Study Report for the Q0409 generation project,

¹⁴ *Id.* lines 213-216.

¹⁵ Rocky Mountain Power Application, p. 2.

¹⁶ Mr. Vail defines the term “Contingent Facility” in his Direct Testimony at lines 625-631.

¹⁷ Direct Testimony of Rick A. Vail, lines 639-643.

¹⁸ Rocky Mountain Power Response to UAE Data Request 2.1, reproduced in Exhibit UAE 1.1.

152 which identified Gateway South as a transmission requirement, was issued on May
153 4, 2012.¹⁹

154 **Q. Did the Company receive any approvals for its plan to construct Gateway**
155 **South prior to including the project in its long-term transmission plan and**
156 **identifying it as a requirement in a transmission service or generator**
157 **interconnection study?**

158 A. In response to discovery, the Company did not indicate that any approvals
159 were received with respect to its plans to construct Gateway South. According to
160 the Company's response, transmission planners utilize business practices and
161 engineering judgment when performing interconnection studies to identify
162 necessary transmission requirements. RMP further explains that there is no
163 requirement that transmission projects be "approved" in any manner before being
164 identified in an interconnection study.²⁰

165 **Q. Do you have any concerns with the Company's claim that it has an obligation**
166 **under its OATT to construct Gateway South?**

167 A. I have concerns with the *process* by which the Company created this
168 contractual obligation to build Gateway South. Almost ten years ago, the Company
169 began identifying the Gateway South project as a requirement for customers
170 requesting interconnection or transmission service. This decision was based on
171 business practices and engineering judgment, but without any regulatory or other

¹⁹ Large Generator Interconnection Feasibility Study Report, Completed for LGIQ#0409, May 4, 2012, reproduced in Exhibit UAE 1.3.

²⁰ Rocky Mountain Power Response to UAE Data Request 2.1, reproduced in Exhibit UAE 1.1.

172 approval. In fact, as recently as last year, this Commission declined to acknowledge
173 the Company's Action Plan submitted with the 2019 Integrated Resource Plan
174 ("2019 IRP") because of two deficiencies in the analysis placing Gateway South in
175 the Action Plan.²¹

176 RMP unilaterally created an obligation for itself by identifying Gateway
177 South as a required facility for customers seeking interconnection or transmission
178 service and then executing contracts based on that requirement. The mere fact that
179 RMP created this obligation is not a compelling justification to construct a \$2.1
180 billion transmission project.

181 **Q. Do any of the interconnection or transmission customers that have executed**
182 **agreements with the Company that require Gateway South as a Contingent**
183 **Facility have any cost responsibility for Gateway South?**

184 A. No, they do not. In response to discovery, the Company explains that it
185 cannot directly assign costs for network upgrade transmission projects to
186 interconnection or transmission service customers.²²

²¹ *PacifiCorp's 2019 Integrated Resource Plan*, Docket No. 19-035-02, Order (May 13, 2020), pp. 21-22.

²² Rocky Mountain Power Response to UAE Data Request 2.1, reproduced in Exhibit UAE 1.1.

187 **Q. You explain above that the Company cannot directly assign costs for network**
188 **upgrade transmission projects to interconnection or transmission service**
189 **customers. Even though the Company cannot directly assign those costs, does**
190 **the company require interconnection or transmission customers to provide**
191 **any up-front funding for network upgrades that are required to provide the**
192 **requested service?**

193 A. Yes. The Company also explains that when FERC-jurisdictional generators
194 cause upgrades on the PacifiCorp system, the generator is required to fund those
195 network upgrades, but those costs are paid back to the customer over time. So,
196 even though a generator might be required to provide advanced funding for network
197 upgrades, the generator is made whole for its up-front funding such that the
198 generator does not ultimately bear cost responsibility for the network upgrades.²³
199 However, the Company *does not* require advance funding for network upgrades
200 that are identified as Contingent Facilities.

201 **Q. Are any of the 13 interconnection and transmission service customers with**
202 **executed OATT contracts that identify Gateway South as a Contingent**
203 **Facility required to provide any up-front funding for the Gateway South**
204 **project?**

205 A. No. The Gateway South project is part of the Company's long-term
206 transmission plan, and it is identified as a Contingent Facility for the 13
207 interconnection and transmission service customers with executed OATT contracts.

²³ *Id.*

208 As such, these interconnection and transmission service customers are not required
209 to provide up-front funding for Gateway South.

210 **Q. Why is it relevant that none of these 13 interconnection and transmission**
211 **service customers with executed OATT contracts are required to provide any**
212 **up-front funding for the Gateway South project?**

213 A. As I explain above, RMP unilaterally created an obligation for itself by
214 identifying Gateway South as a required facility for customers seeking
215 interconnection or transmission service and then executing contracts based on that
216 requirement. The mere fact that RMP created this obligation is not a compelling
217 justification to construct a \$2.1 billion transmission project. I cannot say with
218 certainty whether those 13 counterparties would have still executed OATT
219 contracts if they were required to provide up-front funding for Gateway South.
220 However, the fact that they are not required to provide any up-front funding for
221 Gateway South reduces an economic disincentive that might have otherwise
222 discouraged renewable energy developers from building generation facilities that
223 require a transmission investment of this magnitude.

224 **Q. Has the Company required up-front funding from interconnection customers**
225 **for network upgrades that are similar in magnitude to the Gateway South**
226 **project?**

227 A. Yes. In the Company's recent Cluster 1 Study Report for the eastern
228 Wyoming area, the Company identified approximately \$1.8 billion of network
229 upgrades, for which the majority of costs are associated with a new 500 kV

230 transmission line between Aeolus and Clover substations,²⁴ similar to Gateway
231 South.

232 According to the Company's OATT, if an interconnection customer has
233 only met Readiness Milestone (d), which is a refundable deposit of \$3,000 per MW,
234 instead of one of the other Readiness Milestones that demonstrate a higher degree
235 of commercial viability, then the interconnection customer is required make a
236 Financial Security payment equal to its Network Upgrade cost responsibility
237 estimated in the most recent cluster study less any amounts already paid by the
238 customer.²⁵

239 Initially, there were nine interconnection requests in the Company's Cluster
240 1 eastern Wyoming study area, for a total of more than 2,800 MW. Since the time
241 that the Cluster 1 Study Report was released on November 10, 2021,
242 interconnection requests in Cluster 1 were required to either meet one of the
243 Readiness Milestones besides Readiness Milestone (d) or make a Financial Security
244 payment equal to its Network Upgrade cost responsibility in the most recent cluster
245 study less any amounts already paid by the customer. As a result, five of the Cluster
246 1 interconnection requests from the eastern Wyoming area, totaling almost 2,000
247 MW, have been withdrawn from the queue.²⁶

248

²⁴ PacifiCorp Generation Interconnection Cluster 1 Study Report, Cluster Area 1, November 10, 2021, pp. 74-75, reproduced in Exhibit UAE 1.4.

²⁵ PacifiCorp Open Access Transmission Tariff, Sections 38.4 and 43.1.

²⁶ PacifiCorp Cluster Study 1 Generation Interconnection Queue (January 21, 2022), reproduced in Exhibit UAE 1.5.

249 **No Robust Analysis of Transmission Alternatives**

250 **Q. Has the Company performed a robust analysis of alternative transmission**
251 **configurations?**

252 A. No. The Company has been developing its Energy Gateway transmission
253 expansion projects for over a decade, yet it has not been able to provide any publicly
254 available transmission planning studies or analyses that have provided a robust
255 evaluation of potential lower cost transmission alternatives. In fact, as long ago as
256 2012, in the Feasibility Study Report for Q0409 (the earliest interconnection
257 request with an executed agreement for interconnection service that lists Gateway
258 South as a Contingent Facility), the Company stated that “[a]lternatives to the
259 Gateway Project were not considered, as it is unlikely that new transmission lines could
260 be constructed with an earlier in-service date than the Gateway Project.”²⁷

261 As I explain above, the Commission declined to acknowledge the
262 Company’s Action Plan submitted with the 2019 IRP because of two deficiencies
263 in the analysis placing Gateway South in the Action Plan. Specifically, the
264 Commission was concerned that the Company did not model the Preferred Portfolio
265 without Gateway South and that the Company excluded from its modeling the
266 potential alternative evaluated in the NTTG 2018-2019 Regional Transmission

²⁷ Large Generator Interconnection Feasibility Study Report, Completed for LGIQ#0409, May 4, 2012, p. 2, reproduced in Exhibit UAE 1.3.

267 Plan.²⁸ The Commission reiterated this concern when approving the 2020AS
268 RFP.²⁹

269 **Q. Have transmission alternatives been evaluated through other transmission**
270 **planning processes?**

271 A. Yes. Given the Company’s failure to provide a robust analysis of potential
272 alternatives, and at the request of multiple stakeholders, the NTTG initiated an
273 Economic Study Request as part of the study process to develop its biennial 2018-
274 2019 Regional Transmission Plan. NTTG’s Economic Study Request Report
275 (“NTTG Report”) identified an alternative transmission configuration (the “NTTG
276 Alternative”) to the Gateway West and Gateway South transmission projects that
277 could provide reliable system performance in all of NTTG’s test cases³⁰ at a capital
278 cost savings of over \$1.9 Billion.³¹ This NTTG Alternative transmission
279 configuration assumed two 345 kV circuits from Aeolus to Anticline and a single
280 345 kV circuit from Anticline to Bridger as an alternative to both the Gateway West
281 and Gateway South transmission projects. The NTTG Report concluded that the
282 NTTG Alternative “showed acceptable performance” and “demonstrated reduced
283 capital costs” when compared to PacifiCorp’s Gateway project proposals.³²

²⁸ *PacifiCorp’s 2019 Integrated Resource Plan*, Docket No. 19-035-02, Order (May 13, 2020), pp. 21-22.

²⁹ Application of Rocky Mountain Power for Approval of Solicitation Process for 2020 All Source Request for Proposals, Docket No. 20-035-05, Order Approving 2020 All Source RFP (July 17, 2020), pp. 14-15.

³⁰ Northern Tier Transmission Group 2018-2019 Draft Final Regional Transmission Plan, September 18, 2019, Appendix E: NTTG 2019 Economic Study Request Report, p. 92, reproduced in Exhibit UAE 1.2.

³¹ *Id.* p. 107. Gateway West and Gateway South capital costs estimated to be \$4.5 Billion – NTTG Alternative configuration estimated capital cost \$2.6 Billion = \$1.9 Billion capital cost savings.

³² *Id.* p. 92-93.

284 **Q. Did the Company perform a sensitivity study to evaluate the NTTG**
285 **Alternative?**

286 A. Company witness Rick Link explains that in response to the Commission's
287 directive in the 2019 IRP and 2020AS RFP the Company did evaluate an alternative
288 to Gateway South based on the NTTG Alternative.³³ The sensitivity analysis was
289 performed using the medium natural gas prices paired with medium CO₂ prices
290 scenario assumptions to calculate the present value revenue requirement ("PVRR")
291 impact to customers if the NTTG Alternative replaced Gateway South and Segment
292 D.1 and the associated resources.

293 **Q. Did the Company's sensitivity study differ from the evaluation of the NTTG**
294 **Alternative in the NTTG Report?**

295 A. Yes, the assumptions that the Company utilized in its sensitivity study differ
296 from those that were utilized in the NTTG study in two critical ways.

- 297 • First, the Company increased the NTTG's cost estimate for the NTTG
298 Alternative from \$2.6 billion to \$3.2 billion. This cost escalation included
299 a 7.96% escalation and capital surcharge and annual inflation rate of
300 2.28%.³⁴
- 301 • Second, the NTTG economic study evaluated an NTTG Alternative
302 transmission configuration that avoided both Gateway West and Gateway

³³ Direct Testimony of Rick T. Link, lines 899-901.

³⁴ Rocky Mountain Power Response to UAE Data Request 3.1, reproduced in Exhibit UAE 1.1.

303 South, resulting in a capital cost savings of \$1.9 billion.³⁵ However, the
304 Company's sensitivity study only assumes that Gateway South and
305 Segment D.1 could be avoided. Based on the Company's assumptions, the
306 NTTG Alternative would have a capital cost *premium* of \$1.2 billion,³⁶
307 instead of a capital cost *savings* of \$1.9 billion, a difference of about \$3.1
308 billion when compared to the evaluation in the NTTG Report.

309 **Q. How does the Company characterize the results of its sensitivity study?**

310 A. Mr. Link claims that the NTTG Alternative would result in an approximate
311 \$2 billion PVRR increase for customers.³⁷ According to Mr. Link, the NTTG
312 Alternative is higher cost, enables less new resource interconnection at a later date,
313 and limits the incremental transfer capability out of eastern Wyoming. He also
314 states that the NTTG Alternative cannot achieve an in-service date that aligns with
315 the 13 executed transmission contracts that require Gateway South to be in-service
316 in order to provide service.³⁸

317 **Q. What is your assessment of the Company's sensitivity study evaluating the**
318 **NTTG Alternative?**

319 A. As I explain above, the Company's capital cost assumptions are drastically
320 different than the assumptions utilized in the NTTG Report. Further, the

³⁵ Northern Tier Transmission Group 2018-2019 Draft Final Regional Transmission Plan, September 18, 2019, Appendix E: NTTG 2019 Economic Study Request Report, p. 107, reproduced in Exhibit UAE 1.2. Gateway West and Gateway South capital costs estimated to be \$4.5 Billion less NTTG Alternative configuration estimated capital cost \$2.6 Billion = \$1.9 Billion capital cost savings.

³⁶ Direct Testimony of Rick T. Link, Table 5. NTTG Alternative capital cost estimate \$3.22 Billion less Gateway South and Segment D.1 capital cost estimate \$2.07 Billion = \$1.15 Billion capital cost premium.

³⁷ *Id.* lines 920-922.

³⁸ *Id.* lines 913-919.

321 Company's conclusions are primarily driven by the fact that the NTTG Alternative
322 transmission configuration could not be completed on a comparable timeline to
323 Gateway South.

324 While it may be true today that the NTTG Alternative cannot be completed
325 as quickly as Gateway South, that is the same rationale the Company has been using
326 to justify its lack of a robust analysis of transmission alternatives since at least
327 2012.³⁹ If the Company's analysis compared the NTTG Alternative to the Gateway
328 transmission projects on an even footing with regards to the timeline to complete
329 the projects, the results of the analysis would be very different.

330

331 **Unavoidable Transmission Assumptions**

332 **Q. Please describe the modeling methodology that the Company used in its**
333 **analysis of the Transmission Projects.**

334 A. Mr. Link explains that the Company calculated a system PVRR by
335 identifying least-cost resource portfolios and dispatching resources through 2040.
336 The net customer benefits are calculated as the difference between the PVRR with
337 the Transmission Projects and the PVRR excluding the Transmission Projects. The
338 wind bids selected in the 2020AS RFP final shortlist that are located in eastern
339 Wyoming are eliminated from the simulation without the Transmission Projects

³⁹ Large Generator Interconnection Feasibility Study Report, Completed for LGIQ#0409, May 4, 2012, p. 2, reproduced in Exhibit UAE 1.3. The report states that “[a]lternatives to the Gateway Project were not considered, as it is unlikely that new transmission lines could be constructed with an earlier in-service date than the Gateway Project.”

340 because it is assumed that those resources cannot connect without the Transmission
341 Projects.⁴⁰

342 **Q. Please explain the “unavoidable transmission cost” that the Company includes**
343 **in the model simulation without the Transmission Projects?**

344 A. Mr. Link explains that the simulation that excludes the Transmission
345 Projects includes an assumed transmission cost of \$1.4 billion for transmission
346 upgrades that, absent the Transmission Projects, would be necessary to
347 accommodate the Company’s obligation to provide 500 MW of firm PTP
348 transmission service to a third-party customer. Mr. Link claims that if the
349 Transmission Projects were not built to accommodate the executed interconnection
350 service contracts, the Company would need to construct a 230 kV line at an
351 estimated cost of \$1.4 billion in order to meet its obligation to provide PTP
352 transmission service to a single customer.⁴¹

353 **Q. Do you agree that the estimated \$1.4 billion of alternative transmission costs**
354 **to provide 500 MW PTP service to a third-party customer should be**
355 **considered an unavoidable transmission cost in the model simulation that**
356 **excludes the Transmission Projects?**

357 A. No, I do not. If the Company were to construct \$1.4 billion of transmission
358 upgrades for the sole purpose of providing transmission service to a third party,
359 then the entirety of those costs should be borne by that third party in accordance

⁴⁰ *Id.* lines 543-554.

⁴¹ *Id.* lines 562-570.

360 with FERC transmission pricing policy. The Company’s retail customers should
361 not be responsible for those costs.

362 **Q. Please explain why retail customers should not be responsible for the cost of**
363 **transmission upgrades to provide transmission service to a third party?**

364 A. According to FERC’s transmission pricing policy, a utility can charge the
365 “higher of” its FERC approved OATT rate for transmission service that reflects
366 embedded cost, or an incremental cost rate that is designed to recover the cost to
367 provide service.⁴² In the Company’s hypothetical scenario described by Mr. Link,
368 it would be required to build \$1.4 billion of network upgrades to provide
369 transmission service to a third-party customer. In that scenario, if the Company’s
370 FERC-approved OATT rate is not sufficient to recover the annual revenue
371 requirement associated with those upgrades, then it has the ability to charge an
372 incremental rate that is designed to recover that entire incremental revenue
373 requirement from the third-party transmission customer and hold the Company’s
374 retail customers harmless. This policy provides a more efficient economic price
375 signal for wholesale transmission service that mitigates or avoids subsidization by
376 retail customers.

377

⁴² *Inquiry Concerning the Commission's Pricing Policy for Transmission Services Provided by Public Utilities Under the Federal Power Act*, FERC Docket No. RM93-19-000, Policy Statement (October 26, 1994), p. 5. “In order to provide new or expanded transmission service, a utility may be required to add expensive transmission assets, which can result in an increase in rolled-in embedded cost rates. To address this possibility, the Commission has allowed a utility to charge transmission-only customers the higher of embedded costs (for the system as expanded) or incremental expansion costs, but not the sum of the two.”

378 **Utah-Specific Transmission Planning Assessments**

379 **Q. Please explain the Company's reference to Utah-Specific transmission**
380 **planning assessments.**

381 A. Mr. Vail explains that on January 21, 2021, Energy Strategies, on behalf of
382 the Utah Office of Economic Development, released the "Utah Transmission
383 Study: A Study of the Options and Benefits to Unlocking Utah's Resource
384 Potential" ("Utah Transmission Study").⁴³ The "goal of the study was to identify
385 transmission constraints to accessing Utah's resource potential and to provide
386 options to address them."⁴⁴ Mr. Vail explains that the study assumed Gateway
387 South to be in service. Therefore, he concludes that the results of the study rely on
388 the transmission benefits and increased capacity provided by Gateway South as a
389 baseline assumption. He also states that even after assuming Gateway South was
390 in service, the study concluded that additional transmission build-out is likely to be
391 required to meet future Utah loads.⁴⁵

392 **Q. How do you respond to Mr. Vail's comments regarding the Utah-specific**
393 **transmission study performed by Energy Strategies?**

394 A. While I am employed by Energy Strategies, I was not involved with the
395 study work and analysis for the Utah Transmission Study. However, I have
396 reviewed the report and am familiar with the results.

⁴³ The study is available here: <https://energy.utah.gov/wp-content/uploads/2021-Utah-Transmission-Study-Technical-Report-FINAL-210121.pdf>.

⁴⁴ Utah Transmission Study: A Study of the Options and Benefits to Unlocking Utah's Resource Potential, p. 1.

⁴⁵ Direct Testimony of Rick T. Vail, lines 1092-1109.

397 It is true that the study assumed a transmission configuration that included
398 Gateway South in service. The study also made numerous assumptions about
399 transmission, loads, and resources across the western interconnection footprint.
400 However, the purpose of the study was to identify transmission constraints and
401 options to enable significant resource buildouts *within the state of Utah*.
402 Specifically, the Utah Transmission Study concluded that approximately \$578
403 million of transmission upgrades to *Utah's north-south backbone transmission*
404 *system* would help access more than 5,000 MW *of new generation and storage*
405 *capacity in Utah*, and a more modest in-state expansion of 3,500-4,000 MW could
406 be enabled with approximately \$325 million of transmission upgrades.⁴⁶

407 In contrast, the Transmission Projects, including both Gateway South and
408 Segment D.1, at an estimated cost of \$2.4 billion, enable the Company to provide
409 interconnection and transmission service to 2,500 MW of generation resources in
410 *eastern Wyoming*.⁴⁷ Since the Utah Transmission Study did not include any
411 sensitivity analyses that evaluated a transmission configuration without Gateway
412 South, it is not appropriate to draw conclusions about how the results would differ
413 if Gateway South was not assumed to be in service.

414

⁴⁶ Utah Transmission Study: A Study of the Options and Benefits to Unlocking Utah's Resource Potential, pp. 59-60.

⁴⁷ *Id.* lines 63-67.

415 **Summary**

416 **Q. Can you please summarize your recommendation to the Commission?**

417 A. I do not oppose the Company's request for a CPCN to construct Gateway
418 South. However, as I explain in this testimony, I have concerns with certain aspects
419 of the Company's proposed justification to build Gateway South, as outlined in the
420 Application for a CPCN. Therefore, to the extent that the Commission approves
421 RMP's request to grant a CPCN to build Gateway South, I recommend that the
422 Commission clarify in its Order that the granting of a CPCN does not constitute a
423 project pre-approval or a judgment regarding the prudence or future recovery of
424 costs associated with the transmission line.

425 **Q. Does this conclude your direct testimony?**

426 A. Yes, it does.