

KENNECOTT EXHIBIT 2.8

REDACTED

Rocky Mountain Power

Docket No. 20-035-04

Witness: Robert Van Engelenhoven

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Rebuttal Testimony of Robert Van Engelenhoven

October 2020

1 **Q. Are you the same Robert Van Engelenhoven that filed direct testimony on behalf**
2 **of PacifiCorp d/b/a Rocky Mountain Power (“Rocky Mountain Power” or**
3 **the “Company”) in this proceeding?**

4 A. Yes.

5 **I. PURPOSE OF REBUTTAL TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. The purpose of my testimony is two-fold. First, I provide a construction update
8 regarding the Pryor Mountain Wind Project. Second, I respond to the testimony of
9 Division of Public Utilities (“DPU”) witness Dr. Joni S. Zenger and Office of
10 Consumer Services (“OCS”) witness Mr. Philip Hayet regarding the Pryor Mountain
11 Wind Project.

12 **II. PRYOR MOUNTAIN WIND PROJECT**

13 **Q. What is the current construction status of the Pryor Mountain Wind Project?**

14 A. The Company has received notices from most suppliers and contractors providing
15 materials or service for the Pryor Mountain Wind Project, in which they generally
16 claim delays due to disruption to the global supply chain caused by the COVID-19
17 pandemic. PacifiCorp also continues to review the information provided by suppliers
18 and contractors as the situation with the pandemic continues to evolve. Our primary
19 focus has been to ensure the safety of the workers at the site by following the
20 guidelines established by the Centers for Disease Control and Prevention to control
21 the spread of the COVID-19 virus. To date we have had no confirmed cases of the
22 COVID-19 virus within the workforce at the Pryor Mountain Wind Project.

23 The wind turbine components supplier, Vestas-American Wind Technology,
24 Inc. (“Vestas”), has provided notice of delayed deliveries of all wind turbine
25 components due to the force majeure event. Wind turbine component delivery has
26 been a particularly dynamic situation. In July 2020, some of the supply and
27 transportation issues started to stabilize and Vestas provided a schedule indicating
28 that deliveries would be completed the week of November 23, 2020. This represented
29 a six-week delay and pushed the construction of the project well into the high-wind,
30 winter period. To work safely, wind turbine construction cannot take place with wind
31 speeds over 25 miles per hour, thus limiting the time available to work due to
32 increased daily wind speeds starting late in September. The Company negotiated a
33 change order with Vestas to adjust the schedule to complete the wind turbine
34 component deliveries by the week of November 2, 2020. This revised schedule has
35 been forwarded to the balance of plant (“BOP”) contractor so that they can update
36 their costs and schedule. The Company continues to negotiate the revised costs and
37 schedule with the BOP contractor, with an objective to economically place in-service
38 as many of the wind turbines as possible in 2020. The plan in development includes
39 utilizing wind turbine pre-commissioning by the wind turbine supplier and placing
40 the project’s 12 collector circuits in-service circuit by circuit instead of all at one
41 time. Through this effort the Company is forecasting that circuits 1-8 (160 megawatts
42 (“MW”)) can be placed in-service in 2020, and circuits 9-12 (80 MW) can be placed
43 in-service by the end of the second quarter 2021. The actual megawatts placed in-
44 service in 2020 and 2021 are contingent on the weather conditions. Placing the
45 project in-service on a circuit by circuit basis, when transmission service is available,

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46 allows production tax credits (“PTCs”) and energy from the project to flow to
47 customers as soon as possible. The Company continues to work with suppliers and
48 contractors to develop and revise costs and schedules to complete the construction of
49 the Pryor Mountain project within the delays and uncertainties presented by the
50 COVID-19 pandemic.

51 **Q. Have the delays and uncertainties presented by the COVID-19 pandemic**
52 **impacted the overall costs of the project?**

53 A. Yes. The overall cost of the project has increased from a projected cost of
54 [REDACTED], at the time of filing my direct testimony, to a current projected cost of
55 [REDACTED]. The scheduled completion has shifted from having 240 MW in
56 service at the end of 2020, to having 160 MW in service by the end of 2020 and the
57 remaining 80 MW in service by June 30, 2021. The full value of the PTCs have been
58 preserved but the timing of the full benefit to customers for the final 80 MW has
59 delayed to June 2021. The impact of the updated costs is included in the revenue
60 requirement as discussed by Company witness Mr. Steven R. McDougal in his
61 rebuttal testimony.

62 **Q. Have the delays and uncertainties presented by the COVID-19 pandemic**
63 **impacted the customer benefits you presented in your direct testimony in this**
64 **proceeding?**

65 A. No, only the timing. The full value of the PTC’s, RECs, and customer benefits have
66 been preserved; however, with 160 MW being placed in service in 2020, and the
67 remaining 80 MW being placed in service by June 30, 2021, the timing for receiving
68 the full benefits of the project has been altered. As discussed by Company witness

69 Mr. Rick T. Link, even with the increased costs and delayed benefits, the project still
70 delivers significant benefits to customers, is prudent, and benefits Utah customers.

71 **Q. Please summarize the recommendation of DPU witness Dr. Zenger with respect**
72 **to the Pryor Mountain project?**

73 A. Dr. Zenger recommends the Commission reject the Company's request for recovery
74 of Pryor Mountain at this time, a recommendation she states she may change upon
75 evaluating additional economic analysis. Mr. Link addresses her economic benefits
76 recommendations in his rebuttal testimony. Dr. Zenger also claims that the Company
77 circumvented Integrated Resource Plan regulatory processes and mentions several
78 examples of risks she claims could affect the ability of the project to qualify for full
79 PTCs. Mr. Link addresses Dr. Zenger's claim regarding the regulatory process and I
80 address her concerns about impacts on the project from delays.

81 **Q. Do you agree with Dr. Zenger that any type of delay that affects the December**
82 **31, 2020 deadline to qualify for full value of the PTCs is a risk of the Pryor**
83 **Mountain Wind Project?¹**

84 A. No. The Internal Revenue Service ("IRS") issued revised guidance regarding the
85 commercial operation date of projects qualifying for PTCs. Specifically, in
86 May 2020, the Continuity Safe Harbor was extended to five calendar years for
87 projects that began construction in 2016 or 2017.² Pryor Mountain has a 2016 start of
88 construction date. Accordingly, the continuity requirement will be met if the project is
89 placed in-service by December 31, 2021, and the project will qualify for 100 percent
90 PTCs. As I explained above, about 67 percent of the project is forecasted to be placed

¹ Direct Testimony of Joni S. Zenger at 17 (DPU Exhibit 8.0 DIR).

² Internal Revenue Service Notice 2020-41 (May 27, 2020). See, <https://www.irs.gov/pub/irs-drop/n-20-41.pdf>.

91 in-service by December 31, 2020 with the remainder of the project to be place in-
92 service by the end of the second quarter 2021. Thus, the project continues to qualify
93 for 100 percent PTCs under IRS guidance until December 31, 2021.

94 **Q. Dr. Zenger specifically identifies risks such as inclement weather, construction**
95 **delays and labor shortages. Given the fact that some of these risks have actually**
96 **been realized to some extent due to the COVID-19 pandemic, how do you**
97 **respond to Dr. Zenger’s claims that risks, such as these, should be not be “on the**
98 **backs of Utah customers”³?**

99 A. I disagree that weather, construction, and labor risks have been shifted to Utah
100 customers. As I explained above, the Company has been working with its supplier
101 and construction contractors to mitigate the impacts of the delays that have been
102 attributed to the COVID-19 pandemic. The Company has worked diligently to
103 minimize the impacts on costs and construction as a result of the delays that were
104 beyond its control. As a result, the Company forecasts that circuits 1 through 8 of the
105 project will be placed in-service by the end of 2020 and circuits 9 through 12 will be
106 in-service by the end of the second quarter 2021. Based upon the revised guidance
107 from the IRS, the Pryor Mountain Wind Project continues to qualify for 100 percent
108 PTCs.

109 **Q. Please summarize the recommendation of OCS witness Mr. Philip Hayet with**
110 **respect to the Pryor Mountain project?**

111 A. OCS witness Mr. Hayet asserts that the Company’s acquisition and its use of
112 disparate types of wind turbine generators (“WTGs”) acquired from Berkshire
113 Hathaway Energy Renewables (“BHER”) appears to have been negotiated so BHER

³ Direct Testimony of Joni S. Zenger at 360.

114 could use its and the Company's remaining WTG equipment stocks before the PTCs
115 started phasing out and before BHER and the Company's pre-purchased inventory of
116 WTGs started losing value.^{4 5}

117 **Q. How do you respond?**

118 A. I disagree with Mr. Hayet's unsupported assertion. PacifiCorp will receive Vestas
119 V110 2.0-2.2 MW wind turbine components (specifically nacelles and hubs) from
120 BHER. This transaction was contemplated due to the limited availability and pricing
121 volatility of turbine equipment in the market in 2019 as a result of high demand and
122 limited supply of equipment that could be installed in 2020 to qualify for the full
123 value of available federal wind energy PTCs, and the late-stage development and
124 time-limited nature of the Pryor Mountain Wind Project. The market of available
125 wind turbines was further constrained by the equipment available to erect the wind
126 turbines. The class of large cranes required to erect higher capacity wind turbines
127 were not available, limiting the selection of turbines that could be constructed at the
128 Pryor Mountain Wind Project to certain turbines. PacifiCorp's economic analysis for
129 the project included utilizing the BHER turbine components at the costs included in
130 the Purchase and Sale Agreement with BHER's wholly-owned subsidiary, BHE
131 Wind, LLC, and found the Pryor Mountain Wind Project provided significant
132 customer benefits. PacifiCorp secured the benefits of the project for customers by
133 acquiring the components from BHER and avoided equipment supply limitations,
134 construction issues, and price volatility. As PacifiCorp was planning for the Pryor

⁴ Direct Testimony of Philip Hayet at 24-25 (Witness OCS – 4D).

⁵ *Miscellaneous Correspondence and Reports Regarding Electric Utility Services: 2020*, Docket No. 20-99-02, Redacted PacifiCorp's Notice of Affiliate Transaction with BHE Wind, LLC, Safe Harbor PTC Components (July 2, 2020).

135 Mountain Wind Project, PacifiCorp was also in the process of procuring numerous
136 other turbines for the Energy Vision 2020 projects and the Foote Creek I repowering
137 project. Based on PacifiCorp's experience in bidding those projects, the Company
138 observed price volatility and there were concerns regarding the ability of suppliers to
139 meet the overall market demand and supply turbines for the entire project in a
140 timeframe that would achieve commercial operation before January 1, 2021, as
141 required to achieve full PTC benefits.⁶ PacifiCorp had an opportunity to acquire
142 components that were already manufactured and in storage from BHER at cost, which
143 was the competitive market price at their time of purchase in 2016.

144 Thus, contrary to Mr. Hayet's assertion, the Company engaged in the
145 transaction with BHER due to the limited availability and pricing volatility of turbine
146 equipment in the market in 2019 and the transaction allowed it to ensure the
147 qualification of the full value of available federal wind energy PTCs.

148 **Q. Does this conclude your rebuttal testimony?**

149 A. Yes.

⁶ In response to the COVID-19 pandemic, the Internal Revenue Service recently issued Notice 2020-41 that provides a one-year extension of the continuity safe harbor, thus allowing wind energy facilities that began construction in 2016 to qualify for the full value of PTCs if placed in service before January 1, 2022.