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Public Service Commission of Wisconsin
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**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application for a Certificate of Public Convenience)
and Necessity to Construct and Place in Service a)
Wind Turbine Electric Generation Facility Known as) Docket No. 6630-CE-302
the Glacier Hills Wind Park in Columbia County,)
Wisconsin)

**SURREBUTTAL TESTIMONY OF JONATHAN WALLACH
ON BEHALF OF THE CITIZENS UTILITY BOARD OF WISCONSIN**

1 **Q: Please state your name, occupation, and business address.**

2 A: My name is Jonathan F. Wallach. I am Vice President of Resource Insight, Inc.,
3 5 Water Street, Arlington, Massachusetts.

4 **Q: Are you the same Jonathan F. Wallach that filed direct testimony in this**
5 **proceeding?**

6 A: Yes.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of the Citizens Utility Board (CUB).

9 **Q: What is the purpose of your surrebuttal testimony?**

10 A: This testimony addresses the rebuttal testimony of Andrew J. Hesselbach,
11 Jeffrey R. Elver, and John J. Reed on behalf of Wisconsin Electric Power
12 Company (WEPCO or “the Company”). Specifically, I address Mr.
13 Hesselbach’s response to my direct testimony regarding the 2007 Request for
14 Proposals (RFP) and Mr. Elver’s response to my direct testimony regarding the
15 need date for new renewable capacity to meet the requirements of the

1 Renewable Portfolio Standard (RPS). I also address Mr. Reed's comments
2 regarding various attributes of the Invenergy proposal.

3 **Q: Please summarize Mr. Hesselbach's response to your direct testimony**
4 **regarding the 2007 RFP.**

5 A: In my direct testimony, I concluded that the RFP process apparently lacked a
6 systematic basis for evaluating and ranking project proposals against each other
7 or against the Glacier Hills project. Specifically, as I discussed in my direct
8 testimony, there was no evidence in the RFP documentation provided by the
9 Company that WEPCO undertook any form of economic evaluation or ranking
10 of the proposals, even though proposal offer prices appeared competitive with
11 the cost of Glacier Hills. Moreover, I noted that there was no evidence of a
12 systematic ranking of projects on the basis of non-price attributes or
13 consideration of the trade-offs between price and non-price attributes.

14 In response, Mr. Hesselbach asserts that no further economic evaluation or
15 ranking of RFP projects was necessary, since:

16 In the case of the opportunities identified through the 2007 RFP process,
17 each had a fatal flaw in comparison to Glacier Hills. If another project had
18 transmission certainty, land control, ability to timely permit, and was large
19 enough to realize economies of scale, then a more detailed comparative
20 analysis would have been warranted.¹

21 **Q: Has the Company provided any documentation to support the contention**
22 **that the RFP projects were determined to be fatally flawed?**

23 A: The Company has not provided any documentation of any systematic
24 comparison of the RFP projects against Glacier Hills, or of any determination by
25 Company employees or management that the RFP projects were fatally flawed

¹ *Rebuttal Testimony of Andrew J. Hesselbach on Behalf of Wisconsin Electric Power Company*, PSCW Docket No. 6630-CE-302, October 20, 2009, p. R1.9.

1 in any respect relative to Glacier Hills. For that matter, the Company is unable to
2 provide any documentation of a formal decision to reject all of the RFP projects
3 and to pursue development of Glacier Hills in their stead.²

4 **Q: Did any of the RFP projects appear superior to Glacier Hills with respect to**
5 **the attributes discussed by Mr. Hesselbach?**

6 A: At that time, some of these projects appeared to offer greater “transmission
7 certainty” than the Glacier Hills project. According to a July 23, 2008 report to
8 management, provided in response to 1-CUB/RFP-5, [REDACTED]

9 [REDACTED]
10 [REDACTED] In contrast,
11 according to the direct testimony of Company witness Terrence W. Carroll, the
12 Company had not executed an LGIA for Glacier Hills at the time that it was
13 evaluating (and purportedly rejecting) the RFP projects in the late Spring or
14 early Summer of 2008.³ In fact, according to the response to PSC-RAI-03.04
15 Supplement 1, the Company did not execute an LGIA for the first 99 MW of
16 Glacier Hills capacity until March of 2009. As of this date, the Company has not
17 yet executed an LGIA to allow interconnection at the full 162 MW of Glacier
18 Hills capacity.

19 Furthermore, it appeared at the time that the Company filed its Application
20 for a Certificate of Public Convenience and Necessity in this proceeding
21 (Application) that the Glacier Hills facility might not be allowed to operate
22 above 99 MW until 2015, even though the Company was relying on the full 162
23 MW output of the facility to meet RPS requirements prior to 2015. According to

² See the Company’s response to 9-CUB/RFP-2 attached as Exhibit 202.

³ *Direct Testimony of Terrence W. Carroll on Behalf of Wisconsin Electric Power Company*, PSCW Docket No. 6630-CE-302, March 11, 2009, p. 174.

1 Credit (RRC) bank is not completely exhausted until 2013.”⁶ Mr. Elver then
2 takes issue with my alleged proposal to push back Glacier Hills start-up, since it
3 “is a bit like suggesting that a person should only fill up his car’s gas tank after
4 it’s empty.”⁷

5 Mr. Elver also attempts to portray the ramifications of my alleged proposal
6 in Exhibit 11. In that exhibit, Mr. Elver compares the Company’s current plan
7 for adding new renewable capacity to meet RPS requirements, including the
8 addition of Glacier Hills in 2012, against a scenario that delays the addition of
9 new renewable capacity until 2014 (“Scenario Two”). According to Mr. Elver,
10 this latter scenario requires the addition of 400 MW of new renewable capacity
11 in 2014, 100 MW in 2015, and 100 MW in 2016 in order to comply with the
12 RPS. Mr. Elver concludes from this analysis that:

13 Given all of the well-known difficulties involved in acquiring renewable
14 resources, Wisconsin Electric believes it is imprudent to propose an RPS
15 compliance plan that contemplates bringing an additional 600 mw of
16 renewable capacity on line in a three-year period.⁸

17 **Q: In your direct testimony, did you recommend a delay in the in-service date**
18 **for Glacier Hills?**

19 A: I did not make any recommendation regarding when to bring Glacier Hills into
20 service, since my primary conclusion was that the Company had not shown that
21 building Glacier Hills at any time would be in the public interest.

22 Instead, I reported in my direct testimony how the Company’s
23 supplemental filing pushed back the need date for new renewable capacity from

⁶ *Rebuttal Testimony of Jeffrey R. Elver*, PSCW Docket No. 6630-CE-302, October 20, 2009, p. R1.19.

⁷ *Id.*, p. R1.20.

⁸ *Id.*, p. R1.21.

1 2012, as established in the Application, to 2013. I also noted that revisions to the
2 Company's load forecast since the supplemental filing might lead to further
3 delay in the need date.

4 **Q: How did the Company determine in its Application that 2012 was the first**
5 **year when new renewable capacity would be needed to meet RPS**
6 **requirements?**

7 A: As I discussed in my direct testimony, Table 1.3-1 of the Technical Support
8 Document for the Application indicated that the Company could meet its RPS
9 requirement through 2011 by relying on its existing renewable portfolio in
10 combination with its inventory of banked Renewable Resource Credits.
11 However, starting in 2012, the Company was forecasting a growing compliance
12 shortfall, as the RPS requirement increased over time and as the Company
13 exhausted its inventory of RRCs. In other words, the Company established 2012
14 as the need date, because it was the first year that the Company's RRC "gas
15 tank" ran dry.

16 **Q: What was the basis for your conclusion that the supplemental filing pushed**
17 **back the need date to 2013?**

18 A: As I discussed in my direct testimony, the Company updated Table 1.3-1 in
19 response to PSC-RAI-07.02(e) to reflect a load forecast completed at the end of
20 2008 and to account for changes in its renewable portfolio since it filed the
21 Application. That revised table showed that the first year of RPS compliance
22 shortfall had been pushed back from 2012 to 2013.

23 **Q: Is the Company still forecasting a compliance shortfall in 2013?**

24 A: No. As I suspected in my direct testimony, subsequent revisions to the
25 Company's load forecast have further delayed the need date for new renewable
26 capacity. In response to 8-CUB/Inter-2 (attached to my surrebuttal testimony as

1 Exhibit 203), the Company again revised Table 1.3-1 to reflect its current load
2 forecast. That revised table now shows 2015 as the first year of RPS compliance
3 shortfall, and thus the first year when new renewable capacity is needed to meet
4 RPS requirements.

5 **Q: Do the capacity-expansion scenarios presented in Exhibit 11 appear to be**
6 **consistent with the Company’s current forecast of RPS compliance**
7 **shortfall?**

8 A: No. In “Scenario Two” of Exhibit 11, Mr. Elver adds 400 MW of new renewable
9 capacity in 2014, even though, as indicated in the revised Table 1.3-1, the
10 Company is not forecasting a shortfall until 2015.⁹ Moreover, in Scenario Two,
11 Mr. Elver adds 100 MW more renewable capacity in 2015 and then again in
12 2016, even though the second 100 MW does not appear to be needed until 2017.

13 **Q: How should the Company be determining the timing of capacity additions**
14 **to comply with the RPS?**

15 A: Ultimately, the Company should select a capacity-expansion plan that minimizes
16 the cost of complying with the RPS, subject to anticipated resource constraints
17 and considerations of market uncertainties.

9 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

1 **Q: Please summarize Mr. Reed’s comments regarding Invenergy’s proposed**
2 **PPA.**

3 A: Mr. Reed asserts that the terms of the Invenergy PPA, as currently proposed by
4 Invenergy, unreasonably expose ratepayers to certain risks. In addition, Mr.
5 Reed claims that the Glacier Hills project provides greater “optionality” than the
6 Invenergy PPA.

7 **Q: Could Mr. Reed’s concerns about risk exposure be addressed through**
8 **contract negotiations?**

9 A: According to Mr. Reed, many of these concerns could be resolved through
10 changes to the terms of the proposed PPA:

11 Some of these issues could be addressed with a very tightly written
12 contract. For example, [REDACTED] and other
13 terms, as I describe later in my testimony, are insufficient in the Ledge
14 Wind LLC PPA and would need to be dramatically enhanced. Regardless of
15 contractual changes, even a tightly written contract is only as good as its
16 counterparty and many contract terms (e.g., [REDACTED]
17 [REDACTED]) are simply not meaningful without an Investment grade
18 counterparty, unless a parent guarantee from an investment grade entity or
19 letter of credit is provided ([REDACTED]
20 [REDACTED]). Other basic risks or costs such as the impacts on a utility’s
21 balance sheet from imputed debt, the loss of optionality, and the divergent
22 interests of WEPCO and Invenergy cannot be addressed.¹⁰

¹⁰ *Rebuttal Testimony of John J. Reed on Behalf of Wisconsin Electric Power Company, PSCW*
Docket No. 6630-CE-302, October 20, 2009, pp. R1.29c-R1.30c.

1 **Q: How do renewable resources provide planning “optionality”?**

2 A: Renewable resources are flexible, in the sense that their relatively small size,
3 scalability, and short construction lead times allow utilities to closely match
4 forecasted resource needs and to quickly adapt capacity plans as forecasted
5 needs change over time. Renewable resources also provide a hedge against
6 unanticipated changes in fossil-fuel prices or emissions regulations.

7 **Q: Is Mr. Reed correct in his argument that utility-owned renewable resources
8 provide more “optionality” than renewable PPAs?**

9 A: In general, there is no difference in “optionality” to speak of, except perhaps in
10 the very narrow, short-term sense that the construction schedule for a utility-
11 developed project could possibly be adjusted in response to unanticipated
12 changes in market conditions or regulatory requirements, whereas the start-up
13 date for a PPA would be fixed at contract execution.¹¹ However, over the long-
14 term, a long-lived utility asset would be no more flexible than a long-duration
15 contract. In either case, and barring relief from the Commission, ratepayers
16 would be on the hook for the cost of the resource “regardless of any changes in
17 ... resource needs, regulatory policy, technological advancements, economics,
18 etc.”¹²

19 **Q: Does this complete your surrebuttal testimony?**

20 A: Yes.

¹¹ On the other hand, a PPA could include contract terms that allow for adjustment to the date of commercial operation. For either a utility asset or a PPA with adjustment provisions, there would likely be cost consequences from any such adjustments to the completion date.

¹² *Id.*, p. R1.29c.