

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application of Wisconsin Power and Light Company
for a Certificate of Public Convenience and
Necessity to Build an Approximately 650 Megawatt
Natural Gas-Fueled Power Plant at its Riverside
Energy Center Facility in the Town of Beloit, Rock
County, Wisconsin

Docket No. 6680-CE-176

SUPPLEMENTAL REBUTTAL TESTIMONY OF LANE KOLLEN

1 **Q. Please state your name.**

2 A. My name is Lane Kollen.

3 **Q. Did you previously file direct and surrebuttal testimony on behalf of the Wisconsin**
4 **Industrial Energy Group, Inc. (“WIEG”) in this proceeding?**

5 A. Yes.

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

7 A. The purpose of my testimony is to respond to the Settlement Agreement between
8 Wisconsin Power and Light Company (“WPL” or the “Company”), Wisconsin Electric
9 Power Company (“WEPCO”), and Wisconsin Public Service Corporation (“WPSC”),
10 signed December 16, 2015, resolving WEPCO’s opposition and alternative proposal to
11 WPL’s request for a Certificate of Public Convenience and Necessity (“CPCN”) to
12 construct the 650 MW Riverside Energy Center Expansion (“RECE”) project. I am also
13 responding to the testimony that WPL filed in connection with, and describing, the
14 provisions in the Settlement Agreement having a bearing on the timing and the cost of

1 WPL's proposal to construct the RECE project. I am providing this supplemental
2 rebuttal testimony pursuant to the Public Service Commission of Wisconsin's ("PSCW")
3 December 22, 2015, supplemental scheduling order that allows parties to respond to
4 WPL's testimony regarding the Settlement Agreement.

5 **Q. Please summarize your supplemental rebuttal testimony.**

6 A. The changes to WPL's request for a CPCN for RECE brought about by the Settlement
7 Agreement underscore the importance of the ratepayer protection conditions that I
8 recommended in my direct and surrebuttal testimonies. I reiterate the recommendation in
9 my direct and surrebuttal testimonies that the Commission deny the requested CPCN for
10 RECE unless it imposes those six conditions that I summarized at Surrebutal-WIEG-
11 Kollen-2-c. The six conditions remain necessary to: 1) ensure that the Company's
12 customers actually obtain the benefit of the project quantified by WPL in its economic
13 analysis, 2) ensure that WPL is held accountable for its cost estimates, 3) incentivize
14 WPL to construct RECE at an installed cost of no more than \$700 million, and 4) ensure
15 that the cost of the project to customers is minimized through appropriate ratemaking
16 determinations from the onset.

17 The settlement agreement effectively delays RECE by one and possibly more
18 years, which the Company now claims will not result in any cost escalation whatsoever
19 over its most recent \$700 million installed cost estimate. This claim is directly contrary
20 to testimony filed by the Company in this proceeding when it opposed the WEPCO
21 proposal. Although the Company's earlier testimony has since been withdrawn, it
22 nevertheless was contrary to the Company's latest claim that delaying RECE will not

1 result in escalated costs. Given the actual risk of cost escalation resulting from a delay of
2 unknown duration, I am even more convinced that a “hard cap” on the cost of the Project
3 should be imposed for ratemaking purposes.

4 In addition, I am concerned that the Settlement Agreement effectively and
5 significantly changes WPL’s request for a CPCN. The Settlement Agreement was
6 entered into only by the signatories and no other parties. In addition, WPL has neither
7 sought nor obtained approval from the PSCW of the Settlement Agreement, the related
8 purchased power agreements, the option agreements, or the multitude of actual and
9 potential effects on capacity resources affecting WPL, WEPCO, and WPSC. I
10 recommend that the PSCW expressly provide in an order approving the CPCN that the
11 settling parties did not seek the Commission’s approval of the Settlement Agreement and
12 that, in fact, the Commission does not approve the Settlement Agreement, any related
13 agreements, or the effects of the Settlement Agreement or any related agreements on
14 WPL, WEPCO, and/or WPSC capacity resources in conjunction with the RECE CPCN
15 application. In addition, to the extent that one or more of the signatories need regulatory
16 approval to implement or meet one or more of the terms in the Settlement Agreement,
17 such as to acquire an ownership share in the other utility’s generation, the PSCW should
18 note in its order that it will consider that utility’s request based on a separate application
19 and on its own merits, and not in combination with one or more provisions of the
20 Settlement Agreement.

21

22

1 HARD CAP

2 **Q. Does the Settlement Agreement highlight additional uncertainties that strengthen**
3 **the need for a “hard cap” on the RECE project?**

4 A. Yes. The Settlement Agreement effectively delays the RECE project. It prohibits WPL
5 from offering RECE into the MISO capacity market before 2020, which has led WPL
6 preliminarily to delay the planned in-service date to 2020, although there presently is no
7 definitive in-service date or certainty when the unit will be completed. As WPL Witness
8 Mr. Kouba notes, the 2020 date is only a “preliminary plan”¹, and as WPL Witness Mr.
9 Kitchen notes, “the specific date that RECE will be available for energy production will
10 remain flexible”². Mr. Kitchen explains the reasons why the in-service date has not been
11 determined. The reasons are to:

12 satisfy the terms of the Settlement Agreement, manage to an American
13 Transmission Company LLC (ATC) and MISO interconnection
14 schedule when it becomes known, manage the Engineering,
15 Procurement, and Construction contract costs, and satisfy other filing
16 requirements and deadlines.³
17

18 Any of these items could cause a further delay and could increase the cost of the
19 project. For example, Paragraph 5 of the Settlement Agreement includes a provision
20 requiring that the parties to the Stipulation (WPL, WEPCO, and WPSC) file a joint
21 request with MISO asking MISO to study interconnecting RECE to American
22 Transmission Company’s 345 kV system. If MISO recommends a 345 kV

¹ Direct-WPL-Kouba-2-s.

² Direct-WPL-Kitchen-2 to 3-ss; Ex.-WPL-Kitchen-2-r; Ex.-WPL-Kitchen-3-r.

³ *Id.*

1 interconnection, the Settlement Agreement states that WPL will implement MISO's
2 recommendation. Even though an in-service date of 2020 would provide more time to
3 complete any 345 kV transmission network upgrades that were deemed necessary, WPL
4 provides no assurance that would even provide enough time to complete the upgrades,
5 which could result in a further delay in the in-service date for RECE. If 2020 would
6 provide enough time, as Mr. Kouba suggests at page 4, line 13 of his testimony, then the
7 Company should have no objection to implementing a hard cap. After all, the Company
8 is the only party in this proceeding that has any actual control over the schedule, that
9 actually will negotiate the Engineering, Procurement and Construction ("EPC") contract,
10 and that actually will manage the project, including the management of the EPC
11 contractor. Furthermore, if another bidder had offered a lower bid than the RECE
12 project, and had been selected the winning bidder through WPL's Request For Proposal
13 process, it likely would be capped out at its bid even if its actual cost was more than it
14 had anticipated.⁴ There is simply no reason to provide WPL an undue preference where it
15 would not have the same obligation to meet a hard cap as the other bidder would have.

16 **Q. Do any other risks arising from the Settlement Agreement lead you to recommend**
17 **the hard cap?**

18 A. Yes. Even though the Company is now planning for a one-year delay in the RECE in-
19 service date, the Company claims that it still can complete the project for \$700 million.

20 This runs counter to Mr. Kitchen's rebuttal testimony in which he warned that if RECE

⁴ WPL Witness Kouba appears to agree with this based on his testimony during the December 21, 2015 hearing.
See transcript page 238 at 5-10.

1 were delayed, it would be highly likely that project costs would increase due to increases
2 in inflation and construction cost escalation.⁵ If the Company is correct that the market
3 for purchasing combined cycle generation equipment is a “buyer’s market,”⁶ then it
4 should be able to manage this risk, and it should have no objection to capping the RECE
5 project construction cost at \$700 million.

6 **Q. Are there any other reasons the Company should have no objection to capping the**
7 **project at \$700 million?**

8 A. Yes. During the hearing the Company noted that the delay in the project to 2020 will
9 provide its EPC contractor “schedule relief.”⁷ WPL Witness Mr. Newell testified at the
10 technical hearing that “...EPC contractors had overtime money and some other costs in
11 there to accelerate work to meet our original timeline.”⁸ Mr. Newell also testified that
12 “we know that at least most of those would disappear with the relaxed schedule that we
13 are now looking at.”⁹ These statements demonstrate that the Company is the most
14 knowledgeable party regarding the cost and construction of the project and the only party
15 in the position to effectively manage the costs of the project. Mr. Kouba emphasized that
16 in his rebuttal testimony when he stated “WPL has a very good track record of meeting or
17 even coming in lower than its approved project cost estimates for large capital

⁵ Rebuttal-WPL-Kitchen-16.

⁶ Direct-WPL-Kouba-3-s.

⁷ Newell, Tr. at 288

⁸ *Id.* at 296.

⁹ *Id.*

1 projects.”¹⁰ These statements demonstrate that the Company should have no objection to
2 capping the project at \$700 million.

3 SETTLEMENT AGREEMENT CONDITIONS

4 **Q. If the PSCW approves WPL’s request for a CPCN, do you view that as providing**
5 **tacit approval for all of the terms and conditions of the Settlement Agreement?**

6 A. No. As WPL witnesses Kouba and Kitchen each note in their testimonies filed on the
7 day of the technical hearing, there are only two provisions in the Settlement Agreement
8 that could have a bearing on the WPL’s CPCN application to construct the RECE project:

- 9 (1) Modification of the RECE capacity market participation date to the 2020-
10 2021 Module E-1 planning year; and,
11 (2) Request for MISO to conduct an optional study (or equivalent) for a 345
12 kV interconnection for RECE to MISO.

13 There is no question that the PSCW needs to consider the effect of these two
14 conditions in reaching its decision concerning the approval of the RECE project. The
15 first condition relates to the in-service date of the project, and the Company has
16 reasonably demonstrated that delaying the project by one year is still economic. The
17 second condition could result in WPL having to interconnect the project on the 345 kV
18 system instead of the 138 kV system, as it had originally proposed.

19 As I previously discussed, there still are uncertainties related to each of these
20 conditions that could cause the costs of the RECE project to change. The risk of these

¹⁰ Rebuttal-WPL-Kouba-10.

1 uncertainties should not be open-ended or borne by customers. The Settlement
2 Agreement increases these uncertainties.

3 Consequently, it is even more critical that the PSCW impose a hard cap of \$700
4 million as a condition of approving what now is a significantly modified request for the
5 RECE project CPCN. As the Company witnesses acknowledge, the other conditions do
6 not have a bearing on WPL's application to construct the RECE project, and should not
7 be considered approved by the Commission as part of this proceeding.

8 **Q. What is your recommendation concerning this matter?**

9 A. WIEG believes that the interests of WPL's, WEPCO's, and WPSC's ratepayers would be
10 best served/protected if the PSCW expressly provides in its order that the Settlement
11 Agreement is an agreement only between the signatories; it is not/was not subject to the
12 PSCW's review and approval; and in fact, it was not considered, in whole or in part, by
13 the PSCW in its decision, except as to the timing and cost of the RECE project. The
14 Settlement Agreement includes several provisions that appear to obligate one party or
15 another to enter into agreements under specific circumstances, yet parties should be
16 aware that those agreements do not bind the PSCW in any way. To the extent that any of
17 those agreements require the PSCW's review and approval, all parties should understand
18 that the effects of each such agreement will be reviewed based on separate applications
19 and on their own merit in accordance with PSCW procedural and review standards. In
20 addition, no party should presume that any actions taken in accordance with the
21 Settlement Agreement conditions are prudent simply as a consequence of being a part of
22 the Settlement Agreement in this proceeding. In summary, to the extent that one or more

1 of the signatories require regulatory approval to 1) acquire an ownership share in the
2 others' generation, 2) jointly build renewable generation; or 3) sell energy and/or
3 capacity to the other—the Commission should consider each on its own merits and not in
4 combination with any one or more provisions of this Settlement Agreement.

5 **Q. Does this complete your testimony?**

6 **A. Yes.**