UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

MIDAMERICAN CENTRAL CALIFORNIA TRANSCO, LLC	**Docket No. ER19-____-000**

DIRECT TESTIMONY OF STEVEN C. ROWLEY

June 26, 2019

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

MidAmerican Central California	**)**	
Transco, LLC	**)**	**Docket No. ER19-___-000**

DIRECT TESTIMONY OF STEVEN C. ROWLEY

Q. **PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Steven C. Rowley, and my business address is 666 Grand Avenue, Suite 500, Des Moines, Iowa 50309.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by BHE U.S. Transmission, LLC as Director, Transmission Business Development.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I graduated from Northwestern University in 1996 with a Bachelor of Arts degree in Economics and Mathematical Methods in the Social Sciences and earned a Master's degree in Business Administration in 2001 from the University of California, Berkeley.

Upon graduating from Northwestern University, I commenced my professional career in management consulting as an analyst at AT&T Solutions and later as a manager at Deloitte Consulting. Since 2004, I have held various positions in finance, trading, risk management and business development at Berkshire Hathaway Energy Company affiliates in the regulated electric utility

industry. I joined BHE U.S. Transmission, LLC as Director, Transmission Business Development in May 2015.

In my current position, I am responsible for business development and regulatory activities related to BHE U.S. Transmission, LLC and its subsidiaries, including MidAmerican Central California Transco, LLC ("MCCT").

Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.

A. I will provide a narrative describing the need for the Central Valley Power Connect Project ("CVPC" or "Project"), the California Independent System Operator's ("CAISO") decision to undertake the Project, and CAISO's decision to cancel the Project.

Q. PLEASE DESCRIBE THE PROJECT AND ITS ANTICIPATED BENEFITS.

A. The Project is a 230 kV transmission line approximately 68 miles in length connecting the Gates and Gregg substations in central California. In its 2012-2013 Transmission Plan, the CAISO determined that the Project was required to meet reliability needs in the Greater Fresno area, including potential overload and voltage conditions. In addition to bolstering the reliability of the transmission grid in Central California, the CAISO determined that the Project would generate policy and economic benefits, and therefore it would employ a competitive solicitation to assign development responsibility.

Q. WHEN DID THE CAISO APPROVE THE PROJECT?

A. The CAISO approved the Project in March 2013, as part of the CAISO's 2012-13 Transmission Plan.

Q. HOW DID THE CAISO DETERMINE WHO WOULD BUILD THE PROJECT?

A. Pursuant to its Tariff, the CAISO conducted a competitive solicitation process to select the entity (or entities) that would design, build, construct, own and operate the Project. Pacific Gas & Electric Company ("PG&E") and MCCT submitted a joint proposal and were awarded the Project by the CAISO on November 6, 2013.

Q. WAS MCCT OBLIGATED TO CONSTRUCT THE PROJECT?

A. Yes. In April 2014, MCCT (and PG&E) executed an Approved Project Sponsor Agreement ("APSA") with CAISO,[1] which obligated MCCT to construct the Project subject to an energization date of March 31, 2020, and subject to several additional interim milestones.

Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN THE PROJECT PARTICIPANTS.

A. MCCT and PG&E proposed to each own 50% of the Project as tenants in common. Once the Project was placed in service, PG&E and MCCT were each expected to lease 12.5% of the Project transfer capability to Citizens Energy Corporation ("Citizens") under a 30-year lease arrangement.

Q. WHEN WAS THE PROJECT PLACED ON HOLD?

A. The CAISO placed the Project on hold in March 2017 as part of the 2016-2017 Transmission Plan.

[1] The APSA was filed with the Commission in Docket No. ER14-2347.

Q. WHAT WAS THE CAISO'S RATIONALE FOR PLACING THE PROJECT ON HOLD?

A. In the 2016-2017 Transmission Planning Process the CAISO reevaluated the need for the Project given updated planning assumptions. Specifically, the CAISO determined:

> In this planning cycle, the ISO reassessed the need for the Gates-Gregg 230kV line[2] using the assumptions in the 2016-2017 transmission planning process based on the CEC 2015 IERP energy and demand forecast that reflected a lower load forecast and increased behind the meter PV generation. The resulting lower forecast in the area potentially would allow for increased pumping capacity, thus reducing the reliability need for local area support from the Helms generation to maintain reliability. The ISO's analysis indicates that the changed factors defer the reliability need for approximately 10 years.
>
> In addition, increased behind the meter PV has changed the load profile in the area and would allow increased pumping during the day time periods, particularly in the off-peak seasons when there is a potential for oversupply on the system. The ISO reviewed the benefits of the increased pumping capacity on renewable integration and in particular avoided potential renewable curtailment during periods of oversupply. Although there are economic benefits for renewable integration, the economic savings are not presently sufficient to justify the cost of the project.
>
> Also, there are uncertainties regarding renewable integration needs, and these need to be assessed further and taken into account. The ISO will study these issues in the 2017-2018 planning cycle. Given these uncertainties, the ISO is not recommending cancelling the project at this time despite recommending that no further development action be taken until the review is completed.[3]

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[2] The Project is also referred to as the Gates-Gregg line.

[3] CAISO 2016-2017 Transmission Plan at 104 (Mar. 17, 2017), *available at* http://www.caiso.com/Documents/Board-Approved_2016-2017TransmissionPlan.pdf.

Q. DID PROJECT DEVELOPMENT ACTIVITIES STOP AFTER THE 2016-2017 TRANSMISSION PLAN WAS APPROVED?

A. Yes. Following CAISO approval of the 2016-2017 Transmission Plan in March 2017, MCCT suspended its development activities. MCCT incurred minimal costs in April 2017 related to managing the terms of its agreements with key contractors so as to preserve contract scope and pricing in the event Project development was later resumed.

Q. WHAT WAS THE OUTCOME OF THE CAISO'S ASSESSMENT IN THE 2017-2018 TRANSMISSION PLANNING CYCLE?

A. The CAISO completed a reassessment of the reliability need and other benefits related to the Project in the 2017-2018 transmission planning cycle. Following this reassessment, the CAISO elected to continue to keep the Project on hold pending further review in the 2018-2019 Transmission Plan. The CAISO explained:

> There still is uncertainty of the renewable integration benefits that may need further assessment for the determination of the need for the Gates-Gregg 230 kV Line project, in particular the CPUC Integrated Resource Plan (IRP) and the CEC 2017 IEPR Energy Demand Forecast. PG&E has confirmed that while the project is on hold it is [not] continuing to accrue carrying costs since March 2017 when the 2017-2018 Transmission Plan was approved by the [CA]ISO Board of Governors.[[4]] With this, If [sic] the project remains on hold and is canceled in future cycles no additional costs associated with leaving it on hold. The recommendation is for Gates-Gregg 230 kV Line project to remain on hold with detailed renewable integration assessment to be conducted in the 2018-2019 TPP to address the uncertainties and renewable integration benefits for the project.[5]

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[4] PG&E and MCCT did not continue to accrue carrying costs following March 2017; however, the CAISO inadvertently omitted the word "not" from this sentence in the 2017-2018 Transmission Plan.

[5] CAISO 2017-2018 Transmission Plan at 143 (Mar. 22, 2018), *available at* http://www.caiso.com/Documents/BoardApproved-2017-2018_Transmission_Plan.pdf.

Q. WHAT WAS THE OUTCOME OF THE CAISO'S CONTINUED ASSESSMENTS IN THE 2018-2019 TRANSMISSION PLANNING CYCLE?

A. The CAISO completed a reassessment of the reliability and renewable integration benefits of the Project in the 2018-2019 transmission planning cycle. The CAISO determined:

> The assumption that system oversupply conditions would occur during all hours that HELMS pumping would be limited due to the transmission system capability overstates the amount of curtailment that could be avoided with the Gates-Gregg line in-service. Using the expected oversupply from the production simulation analysis to determine the avoided curtailment when the HELMS pumping would be limited due to the transmission system capability is more appropriate. With a value of curtailment of $40/MWh the Benefit to Cost Ratio (BCR) would be 0.39 and a value of curtailment of $100/MWh the BCR would be 0.97. The average value of curtailment currently is estimated closer to $40/MWh. With this the economic benefit of the Gates-Gregg 230 kV Line project is below a BCR of 1.0. With this the economic benefit of the avoided curtailment is not enough to justify the Gates-Gregg 230 kV Line project and accordingly the recommendation is to cancel the project.[6]

This recommendation to cancel the Project was formally approved by the CAISO Board on March 27, 2019.

Q. WAS THE PROJECT CANCELLED FOR REASONS BEYOND MCCT'S CONTROL?

A. Yes. The Project was cancelled by the CAISO, for reasons outside of MCCT's control.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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[6] CAISO 2018-2019 Transmission Plan at 131 (Mar. 29, 2019), *available at* http://www.caiso.com/Documents/ISO_BoardApproved-2018-2019_Transmission_Plan.pdf.

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State of Iowa)
) ss
County of Polk)

AFFIDAVIT OF STEVEN C. ROWLEY

Steven C. Rowley, being first duly sworn, on oath says that he is the Steven C. Rowley identified in the foregoing prepared direct testimony; that the answers therein are true to the best of his knowledge and belief; and that if asked the questions appearing herein, his answers would be the same.

Steven C. Rowley

Subscribed and sworn to (or affirmed) before me this 26 day of June 2019, by Steven C. Rowley, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Notary Public

AMBER BURNINGHAM
NOTARY PUBLIC -STATE OF UTAH
My Comm. Exp 06/17/2023
Commission # 706658

My commission expires on: 6/17/2023