

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application of Rocky	)	
Mountain Power for Authority to Increase	)	
its Retail Electric Utility Service Rates in	)	DOCKET NO. 08-035-38
Utah and for Approval of its Proposed	)	DPU EXHIBIT 6.0 R
Electric Service Schedules and Electric	)	
Service Regulations	)	

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PRE-FILED REBUTTAL TESTIMONY

JAMES B. DALTON

ON BEHALF OF THE

UTAH DIVISION OF PUBLIC UTILITIES

March 9, 2008

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5 **Q. Please state your name and employer for the record.**

6 A. My name is James B. Dalton. My employer is the Division of Public Utilities  
7 (Division) in the Utah Department of Commerce.

8 **Q. Are you the same James B. Dalton that previously filed Direct Testimony in**  
9 **this docket?**

10 A. I am.

11 **Q. What is the purpose of your Rebuttal Testimony?**

12 A. The purpose of this testimony is to address Net Power Cost (NPC) issues raised in  
13 the Direct Testimony of Mr. Randy Falkenberg representing the Committee of  
14 Consumer Services (CCS), and Mr. Kevin Higgins representing the Utah  
15 Association of Energy Users and Wal-Mart Stores, Inc. (UAE-WM). In particular,  
16 I will discuss the Division's support of both Mr. Falkenberg's planned outage  
17 recommendations, and Mr. Higgins' proposed NPC adjustment resulting from  
18 start up delays in the Rolling Hills and Glenrock III wind facilities. I will also  
19 discuss the Division's formal adoption of the Company's proposed corrections to  
20 erroneous GRID inputs, as described in my Direct Testimony. In addition, I will  
21 briefly comment on the recommendations that both Mr. Falkenberg and Mr.  
22 Higgins make on GRID commitment logic screens to prevent uneconomic

23 dispatch at Rocky Mountain Power's (the Company) gas-fired generation  
24 facilities.

25 **Q. Can you provide a brief description of your observations regarding Mr.**  
26 **Falkenberg's planned outage recommendations?**

27 A. Yes. The Division agrees with Mr. Falkenberg's assertion that the Commission  
28 should adopt an objective and transparent method for modeling planned outages.  
29 The Division reviewed Mr. Falkenberg's planned outage scheduling process, as  
30 described in his Direct Testimony.<sup>1</sup> In addition, in a phone conference with the  
31 Division on March 4, 2009, Mr. Falkenberg provided the Division with an  
32 overview of how the process worked, explained his workpapers on this issue, and  
33 answered some of the Division's questions about his method.

34 **Q. Can you describe the outcome of the Division's discussion with Mr.**  
35 **Falkenberg about his planned outage approach?**

36 A. Yes. Mr. Falkenberg explained how his method draws upon historic planned  
37 outage data to calculate an estimated planned outage date. He demonstrated how  
38 his method takes care to ensure that outage duration in terms of both estimated  
39 days and energy lost is consistent with historical planned outages. He also showed

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<sup>1</sup> See Mr. Falkenberg's Direct Testimony, CCS 4D Falkenberg, p. 31.

40 how his approach aligns modeled planned outage dates with historical planned  
41 outage periods and demonstrated how this helps minimize the subjectivity in  
42 determining where forecasted planned outage dates should occur.

43 **Q. Can you elaborate further about how an historically-based approach such as**  
44 **Mr. Falkenberg's would help reduce some of the apparent subjectivity in**  
45 **planned outage modeling?**

46 A. Yes. As both the Division and CCS note in Direct Testimony, there are  
47 inconsistencies between GRID-modeled planned outage dates and the dates where  
48 planned outages have typically occurred. On the other hand, the Company's  
49 calendar year 2009 schedule, as provided to the Division in the Company's  
50 response to DPU Data Request 41.6 (2), shows that the majority of outages  
51 scheduled for calendar year 2009 will take place in a period where they have  
52 historically occurred.<sup>2</sup> Moreover, the Division finds no inconsistencies with the  
53 Company's normalized planned outage duration periods as they are input into  
54 GRID. As a result, the Division believes an historically based approach for  
55 modeling planned outages, as proposed by Mr. Falkenberg, will help lead to a  
56 more consistent, less subjective NPC estimate.

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<sup>2</sup> Compare historical planned outages as found in MDR-B 2.57(2) with Company response to DPU DR 41.6(2) Confidential.

57 **Q. Does the Division have some concerns with using an historically-based**  
58 **planned outage modeling approach such as Mr. Falkenberg's, and, if so,**  
59 **what are they?**

60 A. The Division understands that there will be contingencies that may require  
61 flexibility in modeling planned outages on an historical basis. In his Second  
62 Supplemental Testimony, Company witness Mr. Duvall notes some possible  
63 problems that could occur using normalized historical data as the basis for  
64 planned outage scheduling. He notes that some modification of an historical  
65 outage basis may be needed to account for planned outage events such as major  
66 overhauls.<sup>3</sup> In the discussion with Mr. Falkenberg, the Division also had questions  
67 about ensuring that the process has enough flexibility to minimize NPC in the  
68 event of changes in forecast prices.

69 Mr. Falkenberg acknowledged that there may be special events or other  
70 planned outage occurrences that could require modifying planned outage dates to  
71 fit in periods that would more realistically reflect future conditions. The Division  
72 therefore views his approach as a starting point from which objective  
73 determinations on planned outage scheduling can be made. The Division believes  
74 that it would be productive for the parties to work together to resolve this and  
75 related issues.

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<sup>3</sup> See Second Supplemental Direct Testimony of Gregory N. Duvall, pp. 24-25.

76                   The Division is therefore willing to adopt Mr. Falkenberg’s method and  
77                   accepts the CCS Planned Outage Adjustment. Adoption of this adjustment will  
78                   increase the Division’s recommended Utah-allocated reduction in NPC related to  
79                   planned outages from \$813,561 to approximately \$1.2 million.<sup>4</sup>

80   **Q.   Please describe the Division’s position on Mr. Higgins’ recommendation that**  
81   **NPC should be adjusted to account for the delays in start up of the Glenrock**  
82   **III and Rolling Hills wind sites.**

83   A.   The Division agrees with Mr. Higgins’ adjustment that increases NPC as a result  
84   of delays in the start date of the Rolling Hills and Glenrock III wind projects.  
85   Since wind production decreases NPC, and since these projects did not come on  
86   line until mid-January 2009, the Company’s forecasted NPC estimate as filed in  
87   Mr. Duvall’s Second Supplemental Testimony is understated. Mr. Higgins’  
88   proposed adjustment entitled “Delay in wind plants”(see UAE-WM Exhibit RR 1,  
89   p.4, Table KCH-1) increases the Company’s Utah-allocated NPC estimate by  
90   \$339,618 and corrects the estimated costs in NPC that would have occurred had  
91   these wind projects been on line beginning January 1, 2009. This adjustment is  
92   interdependent on some other adjustments that Mr. Higgins makes which the  
93   Division neither opposes nor supports at this time. The Division therefore adopts  
94   the UAE-WM Delay in Wind Plant Adjustment as a placeholder, with the

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<sup>4</sup> According to CCS’s First Supplemental Response to RMP Data Request 1.1, Mr. Falkenberg’s updated planned outage adjustment would reduce NPC by about \$2.94 million on a Total Company basis. This would result in an approximate \$1.2 million reduction to NPC on a Utah-allocated basis.

95 understanding that the final adjustment is dependent upon Commission approval  
96 of other proposed adjustments.

97 **Q. Do you have any other issues that need to be discussed?**

98 A. Yes. In my Direct Testimony, I accepted as a preliminary estimate the Company's  
99 proposed \$1 million system-wide adjustment (approximately \$419,253 on a Utah-  
100 allocated basis) for erroneous GRID inputs, as noted in its response to MDR-A  
101 December 2008 Data Request 1.8. I noted that I would firm up this adjustment in  
102 Rebuttal Testimony.

103 **Q. Have you verified all of the Company's errors listed in MDR-A 1.8?**

104 A. Yes. The Division submitted a follow-up data request to obtain additional  
105 clarifying information on the input errors. Company staff responded to the data  
106 request and clarified each of the errors with Division staff, as requested. The  
107 Division therefore formally accepts the estimated Utah-allocated adjustment of  
108 \$419,253, as shown in DPU Exhibit 6.0 SD, p.9.

109 **Q. Can you briefly summarize what you understand to be Mr. Falkenberg's and  
110 Mr. Higgins' recommendations regarding GRID commitment logic issues?**

111 A. Yes. Mr. Falkenberg argues that there is a need to add additional screens in the  
112 GRID model to prevent it from committing uneconomic start-ups or shut-downs  
113 of the Company's combined cycle plants. Specifically, he recommends  
114 adjustments that prevent the GRID model from dispatching a unit in situations

115 where the cost of shutting it down for a given period is less than the subsequent  
116 cost of starting it back up a few hours later. Mr. Falkenberg claims that since  
117 start-up costs are included in NPC, these additional screens are needed to ensure  
118 that a given unit is modeled in an optimal manner and to prevent NPC estimates  
119 from being overstated. Mr. Falkenberg recommends that the GRID model be  
120 adjusted by using a daily screening process to determine if a unit should be shut  
121 down at night or allowed to run.<sup>5</sup>

122 Likewise, Mr. Higgins claims that while the Company is not providing  
123 credit for the energy produced during unit startup, it is including start-up costs in  
124 its GRID modeling efforts that prevent its gas-fired units from dispatching  
125 uneconomically. Mr. Higgins argues that customers should not be required to pay  
126 for incremental uneconomic start up costs associated with the Company's  
127 commitment logic "workarounds" in GRID.<sup>6</sup>

128 The Division views these arguments as compelling, and agrees that efforts  
129 to prevent uneconomic dispatch of gas-fired units in GRID should not result in  
130 solutions that lead to other uneconomic consequences. However, the Division  
131 desires to see the Company's response to Mr. Falkenberg's and Mr. Higgins'  
132 arguments before taking a final position on these issues.

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<sup>5</sup> See Mr. Falkenberg's Direct Testimony, CCS 4D Falkenberg, pp. 12-18.

<sup>6</sup> See Direct Testimony of Kevin C. Higgins, UAE-WM Exhibit RR 1, pp. 15-16.

133 **Q. Does this complete your Rebuttal Testimony?**

134 **A.** Yes it does.