

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE APPLICATION OF
ROCKY MOUNTAIN POWER FOR AUTHORITY TO
CHANGE ITS DEPRECIATION RATES EFFECTIVE
JANUARY 1, 2014**

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DOCKET NO. 13-035-02

DPU Exhibit 2.0 R

DEPRECIATION

REBUTTAL TESTIMONY

OF WILLIAM DUNKEL

ON BEHALF OF

THE UTAH DIVISION OF PUBLIC UTILITIES

AUGUST 2, 2013

1 **Q. Are you the same William Dunkel that previously prefled Direct Testimony and**
2 **Exhibits (DPU Exhibit 2.0 DIR) in this proceeding on behalf of the Utah Division of**
3 **Public Utilities?**

4 A. Yes.

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

6 A. The purpose of this rebuttal testimony is to respond to certain issues contained in the
7 direct testimonies of other parties that were filed in this proceeding on or about June 21,
8 2013. Although I did review other testimonies, all of the issues in this rebuttal testimony
9 are responsive to the “Direct Testimony of Jacob Pous for the Office of Consumer
10 Services” Witness OCS-2D (Pous Direct testimony).

11 **Q. In his Direct testimony, Mr. Pous refers to “a \$20 per kW net demolition cost for the**
12 **Hale plant.”¹ However in your direct testimony you had stated the decommissioning**
13 **cost of the Hale plant “was \$27 per KW.”² Why are these two numbers for the Hale**
14 **plant decommissioning different?**

15 A. The \$20 per kilowatt net decommissioning cost includes both Hale Unit 1 and Hale Unit
16 2. The \$27 per kilowatt net decommissioning cost includes only Hale Unit 2.

17 The \$27 per kilowatt figure I referenced is the same figure for the decommissioning cost
18 of the Hale plant used in the prior case. In Docket No 07-035-13 the decommissioning
19 cost data RMP provided for the “Hale Plant” included only the decommissioning cost

¹ Page 29, lines 817-818, Pous Direct testimony (Witness OCS-2D). The \$20 per kW is prior to considering the sale of the land. It was not adjusted to the value of today’s dollars

² Page 37, lines 635-636, Dunkel Direct testimony. The \$27 per KW is prior to considering the sale of the land and prior to adjusting to the value of today’s dollars.

20 data for Hale Unit 2.³ The decommissioning cost of the “Hale Plant” that was used in the
21 prior Docket No 07-035-13 was “\$27/kW.”⁴

22 This decommissioning cost for the Hale Plant was considered in arriving at the
23 decommissioning costs of \$40 per kilowatt that is included in the currently approved
24 RMP depreciation rates, as stated by Company witness Mr. Andrews:

25 “The Company proposes to continue to use current decommissioning costs
26 of \$40 per kilowatt, with the exception of the Carbon plant. This rate is
27 based on the cost of decommissioning the Company’s Hale Plant in the
28 1993 to 1995 time period.”⁵

29 **Q. After reading Mr. Pous’ Direct testimony pertaining to the Hale plant, did you**
30 **cause DPU to file additional discovery pertaining to the Hale plant?**

31 A. Yes. The RMP response to this recent DPU request states “The cost of removal for Hale
32 unit 1 and Hale unit 2 was \$20.6 per kilowatt in then-current dollars.”⁶

33 The earlier RMP response which I had relied upon in my direct testimony listed
34 \$1,784,815 as the Removal cost for “Hale 2”.⁷ I relied upon this RMP figure in arriving
35 at the \$27 per kilowatt decommissioning cost for Hale 2 shown on page 37 of my direct
36 testimony. However the more recent RMP response acknowledges this \$1,784,815 cost
37 includes removal of both Hale Unit 1 and Hale Unit 2. In the recent response RMP states

³ RMP response in Docket No 07-035-13 to DPU 5.11. This RMP response from the prior proceeding is in the record in this current proceeding as pages 84 and 85 of OCS Exhibit 2.2 (Direct), which is Exhibit C to the Pous Direct Testimony.

⁴In the prior Docket No 07-035-13 Mr. Pous stated that for the Hale plant, “The Company incurred a negative net salvage or cost of removal of approximately \$27/kW.” (footnote omitted) (Page 25, lines 15-26, Pous Prefiled Direct Testimony on behalf of the OCS in Docket No. 07-035-13). This was based on the RMP response as provided in Docket No. 07-035-13.

⁵ Starting on page 12 of Direct testimony of Company Witness Andrews.

⁶ RMP response to DPU Data request 9 (h).

⁷ Attachment 1 to RMP response to DPU 7.6. This is Exhibit I to the Dunkel Direct (DPU Exhibit 2.8 DIR).

38 “The cost of removal for both Hale unit 1 and Hale unit 2 were included in the
39 \$1,784,815 removal amount.”⁸

40 This changes the “per kilowatt” cost because \$1,784,815 was not the cost to just remove
41 the 44,000 kilowatt Hale 2 unit; it also includes removing the 15,000 kilowatt Hale 1 unit.
42 Recognizing that the \$1,784,815 removal amount is for the removal of both Hale Units 1
43 and 2 results in a \$20.6 per kilowatt net cost of removal for the Hale plant.⁹

44 **Q. Is the \$20.6 per kilowatt net demolition cost for the Hale plant (Units 1 and 2) in**
45 **today’s dollars?**

46 A. No. According to RMP, Hale was “Removed primarily in 1993-1995.” Since these
47 removal costs are not in today’s dollars, using an unadjusted \$20.6 per kilowatt would
48 understate what the actual decommissioning costs are in today’s dollars. Adjusting the
49 \$20.6 per kilowatt by the CPI-U results in \$32 per kilowatt in today’s dollars.¹⁰ This is
50 the net actual decommissioning cost for the Hale plant in today’s dollars.

51 This does not include the amount PacifiCorp received as the result of the sale of the land.
52 If the sale of the land is included that would lower the net decommissioning cost.

⁸ RMP response to DPU Data request 9 (e).

⁹ $(\$1,784,815 + \$41,516 - \$1,375 - \$612,500) / 59,000\text{KW} = \20.6 per KW. Numbers are from Exhibit I to the Dunkel Direct (DPU Exhibit 2.8 DIR).

¹⁰ For the net removal recorded for Hale Unit 2 “Removed primarily in 1993-1995.” (RMP response to DPU 7.6, Attachment 2) The annual average 1994 CPI-U is 148.2 and the average annual 2012 CPI-U is 229.594 as published by the Bureau of Labor Statistics (www.bls.gov/cpi/). $(\$1,784,815 \text{ Removal} - \$612,500 \text{ Salvage})$ in 1994 dollars * $(1 + ((229.594 - 148.2) / 148.2)) = \$1,816,171$ in 2012 dollars. For the \$40,141 (\$41,516 Removal - \$1,375 Salvage) net removal booked to Unit 1 (midrange of 1986 dollars): $\$40,141 * (1 + ((229.594 - 109.6 (1986 \text{ CPI-U})) / 109.6)) = \$84,089$ in 2012 dollars. $(\$1,816,171 + \$84,089) / 59,000 \text{ kilowatts} = \32.2 per kilowatt.

53 **Q. On page 34 of his direct testimony, Mr. Pous states:**

54 **“The Breed generating station owned by Indiana Michigan Power**
55 **Company (“IMPC”) was retired in 1994. The Breed station was a**
56 **495.6 MW coal-fired unit built in 1960. The demolition of the Breed**
57 **generation station was completed in 2006, ... the actual net salvage**
58 **experienced for the generating plant was a negative \$10.8 million.**
59 **This retirement cost results in a \$21.79 per kW cost of removal**
60 **associated with the retirement of a major coal-fired generating**
61 **facility.”¹¹**

62 **Is the \$21.79 per kilowatt net cost of removal in today’s dollars?**

63 A. No. The actual demolition of Breed occurred between 1994 and 2007. Since these
64 removal costs are not in today’s dollars, using an unadjusted \$21.79 per kilowatt would
65 understate what the actual decommissioning costs are in today’s dollars. Adjusting the
66 \$21.79 per kilowatt by the CPI-U results in \$29 per kilowatt in today’s dollars.¹² This is
67 the cost, in today’s dollars, to decommission the Breed coal-fired steam production plant
68 back to a “greenfield status.”¹³

69 **Q. On page 31 of his direct testimony Mr. Pous states:**

70 **“In addition, newer equipment with greater capabilities now also**
71 **exist. For example, there are booms that can rise over 300 feet in**
72 **height and utilize power shears in order to cut steel structural**

¹¹ Footnotes omitted. Lines 955-962, page 34, Pous Direct testimony (Witness OCS-2D).

¹² The actual demolition occurred between 1994 and 2007. (Page 87 of Exhibit C to the Pous Direct testimony indicates 1994 to 2006, but the Breed stack was not dropped until May 2007). Using the mid-range of year 2000: The annual average 2000 CPI-U is 172.2 and the average annual 2012 CPI-U is 229.594 as published by the Bureau of Labor Statistics (www.bls.gov/cpi/). $\$21.79 \text{ in } 2000 \text{ dollars} * (1 + ((229.594 - 172.2) / 172.2)) = \$29.1 \text{ in } 2012 \text{ dollars.}$

¹³ The owner of the Breed Plant, Indiana and Michigan Power Company, stated “Plant was returned to greenfield status.” Page 3 of Attachment WWD-7 to the Direct Testimony of William Dunkel in Indiana Cause No. 44075. In response to discovery, the DPU has previously provided a copy of this document to RMP as “RMP 1.17 Attach 2.” The Breed decommissioning cost includes asbestos removal (see Exhibit G to Dunkel Direct).

73 **members rather than having workers manually scale to the top of a**
74 **plant and attempt manual cutting of steel members.”¹⁴**

75 **What is the height of the Carbon plant?**

76 A. The tallest structure at the Carbon plant is a stack that is 200 feet tall. During my
77 inspection trip to the Carbon plant on April 24, 2013 I observed that the stacks were the
78 tallest part of the Carbon plant.¹⁵ Information RMP provided states that at the Carbon
79 plant one stack is 200 feet tall and the other stack is 172 feet tall.¹⁶ All other structures
80 are shorter than these stacks.

81 **Q. In his direct testimony Mr. Pous states “At least with the Black & Veatch estimates,**
82 **certain information was provided so that some test of reasonableness of the overall**
83 **estimate could be performed.”¹⁷**

84 **In your direct testimony you had stated “[t]he documents PacifiCorp provided in**
85 **support of their proposed \$330 per Kilowatt cost included no data showing what it**
86 **had actually cost to actually decommission any prior steam production plants.”¹⁸**

87 **Is Mr. Pous in disagreement with your above statement?**

88 A. No. In discovery we asked Mr. Pous:

89 DPU Data Request OCS 2.26(b)

¹⁴ Page 31, lines 873-877, Pous Direct testimony (Witness OCS-2D).

¹⁵ On April 24 and 25, 2013, I inspected the Carbon (coal fueled) Steam Production Plant, the Lakeside Combined Cycle (gas fueled) Production Plant, the Gadsby (gas fueled) Steam Production Plant, the Stairs Hydro Production Plant, the Granite Hydro Production Plant, the 90th Street Substation and the North Temple Office. During this trip I had discussions with various Company personnel including Henry Lay and Kent Ipson, in addition to other knowledgeable Company personnel at each site.

¹⁶ RMP’s Response to DPU Data Request 2.23(1) “Carbon Plant Decom Calc-BV Study 2004” line 521 states “Steel Stack - Unit 1 -200’, Unit 2 - 172”.

¹⁷ Page 42, lines 1185-1187, Pous Direct testimony (Witness OCS-2D).

¹⁸ Page 34, lines 567-569, Dunkel Direct testimony.

90 (b) Did the Black & Veatch study contain a section or statements in which
91 it compared the overall Black & Veatch estimate to what it had actually
92 cost to actually demolish previously retired power plants? If yes, cite to
93 that comparison in the Black & Veatch study and provide a copy of that
94 comparison in the Black & Veatch study.

95 OCS Response to DPU Data Request OCS 2.26 (b)

96 (b) No.

97 **Q. Have you changed any of the recommendations presented in your Direct**
98 **Testimony?**

99 A. No.

100 **Q. Does this conclude your Rebuttal Testimony?**

101 A. Yes.