Witness OCS-1R

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Review of Electric Service Schedule No. 38, Qualifying Facilities Procedures, and Other Related Procedural Issues

- Docket No. 14-035-140
 Rebuttal Testimony of
 Philip Hayet
 On Behalf of the
-) Utah Office of
-) Consumer Services

REDACTED

May 28, 2015

1		I. <u>INTRODUCTION</u>
2 3	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
4	A.	My name is Philip Hayet. My business address is 570 Colonial Park Drive, Suite 305,
5		Roswell, Georgia, 30075.
6	Q.	PLEASE STATE YOUR OCCUPATION, EMPLOYMENT, AND ON WHOSE
7		BEHALF YOU ARE TESTIFYING.
8	A.	I am a utility regulatory consultant and Vice President of J. Kennedy and Associates, Inc.
9		(Kennedy and Associates). I am appearing on behalf of the Office of Consumer Services
10		("Office").
11	Q.	WHAT CONSULTING SERVICES ARE PROVIDED BY KENNEDY AND
12		ASSOCIATES?
13	A.	Kennedy and Associates provides consulting services related to electric utility system
14		planning, energy cost recovery, revenue requirements, regulatory policy, and other
15		regulatory matters.
16	Q.	PLEASE SUMMARIZE YOUR QUALIFICATIONS AND APPEARANCES.
17	A.	My qualifications and appearances are provided in Exhibit OCS_(PH-1). I have
18		participated in numerous PacifiCorp and Rocky Mountain Power (or the "Company") cases
19		involving power costs, acquisitions, and avoided costs over the past 15 years. I also had a
20		significant role in the initial development of the avoided cost methodology adopted by this
21		Commission and currently used by PacifiCorp.
22	Q.	WHAT IS THE PURPOSE OF THIS PROCEEDING?
23	A.	The Public Service Commission of Utah's ("Commission") August 16, 2013 Order on
24		Phase II Issues in Docket No. 12-035-100 ("Avoided Cost Order") required PacifiCorp to

file a capacity contribution study for wind and solar resources deriving results that would
be used in the calculation of avoided capacity and energy costs using the Proxy/PDDRR
method. The Commission's Avoided Cost Order permitted PacifiCorp to develop capacity
contribution values using an approximation method known as the Capacity Factor
Allocation Method ("CF Method") considering Loss of Load Probability ("LOLP").
PacifiCorp made a compliance filing on October 9, 2014 containing its 2014 Wind and
Solar Capacity Contribution Study that it developed using the CF Method.

32 Q. IN ADDITION TO THE COMPANY, WHAT OTHER PARTIES HAVE FILED

33 TESTIMONY IN THIS PROCEEDING AND WHAT WERE THEIR POSITIONS?

A. Mr. Charles Peterson and Mr. Ken Dragoon filed Direct Testimony on April 28, 2015, on
behalf of the Division of Public Utilities ("Division") and Utah Clean Energy ("UCE"),
respectively. Mr. Peterson presents the Division's analysis of the Company's capacity
contribution calculations, and concludes that the Company "has provided estimates using
the best information available to it and that it has used an appropriate and accepted method
to calculate those estimates."¹

40 Mr. Dragoon states he has "two major issues with PacifiCorp's inputs and 41 assumptions, which significantly affect their calculated capacity values for wind and solar 42 resources."² First, Mr. Dragoon objects to PacifiCorp's capacity contribution methodology 43 being performed as a System Analysis; instead, he believes that for purposes of calculating 44 Utah capacity contribution values, only the East side of the System should be considered. 45 Second, he objects to the planned maintenance schedule assumptions that PacifiCorp 46 developed for use in this study, which he stated "are overly aggressive for April and place

¹ Direct Testimony, Charles Peterson, Division, Docket No. 14-035-140, April 28, 2015, page 12, line 209.

² Direct Testimony, Ken Dragoon, UCE, Docket 14-035-140, April 28, 2015, page 4, line 45.

47 too much emphasis on renewable resource performance in that month, further diluting their
48 effective capacity contribution values."³

49 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

- 50 A. The purpose of my testimony is to respond to the direct testimonies of Mr. Peterson and51 Mr. Dragoon.
- 52 Q. WHAT IS YOUR RESPONSE TO MR. PETERSON?

53 I agree with Mr. Peterson's conclusion regarding the Company's calculation of its capacity A. 54 contribution values. Similar to the analysis Mr. Peterson performed, I also reviewed the Company's calculations received in discovery, and I determined that the Company 55 accurately developed its capacity contribution estimates using the CF Method consistent 56 with the method described in the National Renewable Energy Laboratory ("NREL") report, 57 58 "Comparison of Capacity Value Methods for Photovoltaics in the Western United States."⁴ 59 In Docket 12-035-100, the Commission found that the CF method, as discussed in the 60 NREL report, was a reasonable method to derive capacity values for wind and solar 61 resources.

62 Q. WHAT IS YOUR RESPONSE TO MR. DRAGOON?

A. As I will explain further below, I strongly disagree with Mr. Dragoon's recommendation
that the PacifiCorp System should not be treated as a single system, that is, should not be
treated as an integrated whole. Second, with regard to maintenance scheduling, while I
understand the importance of utilizing reasonable maintenance schedules for modeling

³ Ibid at page 5, line 69.

⁴ Sayed Madaeni, Ramteen Sioshansi, and Paul Denholm, National Renewable Energy Laboratory, July 2012. Exhibit RTL-2 to PacifiCorp witness Rick Link's testimony, Docket 12-035-100, October 9, 2014.

89		CONTRIBUTION?
88		RESOURCES PROVIDING GREATER LEVELS OF CAPACITY
87	Q.	WHAT CONDITIONS WOULD LEAD TO INTERMITTENT RENEWABLE
86		the capacity contribution values.
85		hourly solar or wind capacity factors, and the resulting values are then summed to derive
84		to the calculation. Hourly weighted LOLP values are multiplied by the corresponding
83		Loss of Load Probability ("LOLP"), and hourly wind and solar capacity factors to be input
82		Company's capacity contribution values, developed using the CF Method, requires hourly
81		would be provided by an equivalent amount of conventional resource capacity. The
80		those resources from a reliability perspective would not the same as the capacity value that
79	A.	Given the intermittent nature of variable energy renewable resources, the capacity value of
78		CAPACITY CONTRIBUTION VALUES?
77	Q.	PLEASE EXPLAIN HOW THE COMPANY'S CF METHOD DEVELOPS
76		II. <u>BACKGROUND</u>
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74		capacity contribution values that were set in Docket No. 12-035-100.
73		time, and I recommend that the Commission should use these in place of the interim
72		(14.5% for wind, 34.1% for fixed tilt solar, and 39.1% for single-axis tracking solar) at this
71	A.	I am satisfied that PacifiCorp has calculated reasonable capacity contribution values
70		CAPACITY CONTRIBUTION STUDY?
69	Q.	WHAT ARE YOUR OVERALL CONCLUSIONS ON THE COMPANY'S
68		adequate support proving that the Company's maintenance schedule is unreasonable.
67		analyses, I do not believe that Mr. Dragoon has presented any evidence nor provided

90 Relatively high capacity contribution values can occur if the System encounters high levels A. 91 of LOLP concentrated in just a few months, and those months are when the intermittent 92 renewable resources achieve high capacity factors. However, if LOLP is spread out and 93 occurs in months when intermittent renewable resources achieve lower capacity factors, 94 then relatively lower capacity contribution values would result.

95 HOW DO THE PACIFICORP SYSTEM LOLP VALUES COMPARE TO THE **Q**. 96 WIND AND SOLAR CAPACITY FACTOR PROFILES?

97 PacifiCorp evaluated this and provided the following graph, which was included as Figure A. 2 in Exhibit RTL-1 to Rick Link's testimony.⁵ It compared monthly solar and wind 98 99 resource capacity factors to PacifiCorp System LOLP.

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⁵ PacifiCorp Direct Testimony, Docket No. 12-035-100, October 9, 2014, Exhibit RMP _(RTL-1), 2014 Wind and Solar Capacity Contribution Study, page 4.

Wind profiles were developed based on actual projects located on the east side of the system, and single axis tracking and fixed tilt solar profiles were developed in a study performed by Black and Veatch, with potential projects located in Milford, Utah. PacifiCorp developed LOLP results by performing a 500-iteration hourly Monte Carlo simulation using its Planning and Risk ("PaR") model for the sample year of 2017. The 500 iterations were generated using random combinations of different load, hydro and unit outage assumptions.

111 Figure 1 shows that LOLP primarily occurs in the winter months of Dec, Jan and Feb, the spring month of April, and the summer months of June, July and August.⁶ It also shows 112 113 that Utah solar capacity factors range from about 17% to 47% and wind ranges from about 114 18% to 55% over the different months of the year. In the case of Utah solar, the capacity 115 factors are generally greatest during the summer months. Therefore, from Figure 1, it is 116 reasonable to expect that the capacity contribution value of the solar resources should be 117 relatively lower on a system like PacifiCorp's, in which much of the LOLP occurs outside 118 the summer months when the capacity factors of the solar resources are lower.

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III. MR. DRAGOON'S FIRST CONCERN – SYSTEM OPERATION

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122 Q. PLEASE EXPLAIN MR. DRAGOON'S FIRST CONCERN THAT PACIFICORP'S 123 CALCULATION SHOULD HAVE ONLY CONSIDERED THE EAST SIDE OF 124 THE SYSTEM?

⁶ As Mr. Peterson also noted at page 9, line 155 of his Direct Testimony, while the LOLP results appear reasonable, none of the interveners were able to conduct a thorough review of the LOLP analysis because the PaR model was only available to PacifiCorp.

Mr. Dragoon explains, "The first issue has to do with applying the Capacity Factor 125 A. 126 methodology to the PacifiCorp system as a whole instead of focusing on the capacity contribution of East side resources to meeting East side loads."⁷ Given that there are some 127 128 limits to the amount of power that can be transferred across its system during peak demand 129 periods, Mr. Dragoon believes that the benefit of incremental resources on the East side 130 should be evaluated without giving any consideration to the West-side.

131 Mr. Dragoon states, "... the practical effect of limited transfer capability going from 132 east to west in the winter means that not all of those East-side resources are able to contribute to meeting West-side load." Mr. Dragoon's conclusion is that wintertime LOLP 133 134 should be eliminated from the capacity contribution calculation, which makes the impact 135 of the summertime LOLP more prominent. Because solar resources have the greatest 136 capacity factors in the summertime, this results in greater solar capacity contribution 137 values. Mr. Dragoon, in fact, performed an analysis in which he simply eliminated all 138 wintertime LOLP events, and the result was that solar capacity contribution values were 139 increased.

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DO YOU AGREE WITH MR. DRAGOON'S ANALYSIS? **Q**.

141 No, for two reasons. First, in this study Mr. Dragoon does not believe that the two sides A. 142 of the system operate as an integrated whole, which I strongly disagree with. For nearly 143 the past 30 years since the East and West sides of the System have merged to form the 144 PacifiCorp System, the System has operated as an integrated whole. This means that 145 resources are acquired to serve system loads, and units are committed and dispatched to 146 serve system loads, subject to various constraints such as reliability constraints, all with

⁷ Ken Dragoon, Direct, page 4, line 52.

the objective of minimizing system costs. Second, even if one were to accept that separate
East and West-side analyses should be performed, Mr. Dragoon has provided no evidence
to support his assertion that transmission limits would be binding at precisely the same
time that LOLP events were encountered on the West side.

151 Q. ARE THERE ANY OTHER REASONS YOU DISAGREE WITH MR. DRAGOON

152 ON HIS RECOMMENDATION NOT TO TREAT THE PACIFICORP SYSTEM AS 153 AN INTEGRATED WHOLE?

A. Yes. Mr. Dragoon is convinced that all wintertime loss of load events would have to occur on the West Side of the System, and that is ultimately why he wanted to separate the System into its parts. By not treating the entire PacifiCorp System as an integrated whole, and focusing strictly on the East Side, Mr. Dragoon was convinced that this separation would eliminate any wintertime loss of load events from the analysis. The fact is that wintertime loss of load events occurred on both the West and East sides of the System, and in fact, more loss of load events occur on the East side than the West side.

161 Q. WHAT ANALYSIS DID YOU PERFORM TO CONFIRM THAT MORE LOSS OF

162 LOAD EVENTS OCCURRED ON THE EAST SIDE?

A. I examined the Company's response to discovery request OCS 3.10, which contained unserved energy results by area as determined by the PaR model. The data from OCS 3.10 show that a significant amount of loss of load events occurred in Colorado and Wyoming. Mr. Dragoon is familiar with this discovery response as he discussed it in his testimony; however, he was skeptical of the results because he did not believe that Colorado could be responsible for any loss of load, nor could Wyoming be responsible for a large number of wintertime loss of load events.

Q. WHAT ARE YOUR FINDINGS CONCERNING THE COLORADO LOSS OF LOAD EVENTS AND THE WINTER LOSS OF LOAD EVENTS THAT WERE OF CONCERN TO MR. DRAGOON?

173 A. In response to discovery request OCS 4.2, the Company explained why the Colorado 174 generation area encountered such a large number of loss of load events. First, the Company 175 noted that since Colorado is only a generation area (containing the Craig and Hayden units), 176 and does not include any PacifiCorp load, the LOLP results produced by the model for this 177 area were ignored in PacifiCorp's capacity contribution study. The large number of LOLP 178 events relates to the Company modeling an exchange contract in that area, and the inability 179 to serve the exchange contract when there were outages of the Craig and Hayden plants. I 180 agree with PaciCorp that this is not an issue for the Company's capacity contribution study 181 because no retail load is modeled in that area.

With regard to Mr. Dragoon's desire to eliminate all wintertime loss of load events, based on his belief that they all occurred in the West, I found that was simply not the case. The following chart contains monthly loss of load events for all iterations performed in the PaR model broken down by the East and West sides of the System. The results indicate the percent of monthly LOLP events that occurred on each side of the System, and included only the loss of load events from areas that were considered in PacifiCorp's capacity contribution calculations (i.e. Colorado was excluded).

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192 The results indicate that for each of the summer and winter months, and the April spring 193 month, the percentage of LOLP events that occurred on the East side are significantly 194 greater than what occurred on the West side. The chart also indicates that the wintertime 195 outages do not just occur in the West, but in fact, a larger proportion of the outage events 196 occur on the East side. Based on my examination of the outage data by area, I also found 197 that the wintertime East side outages all occurred in the two Wyoming areas modeled in 198 PaR, Wyoming NE and Wyoming SW. The data also show that these two Wyoming areas 199 had summertime LOLP events.

200 Q. WHY WOULD IT BE POSSIBLE THAT WYOMING COULD HAVE LOLP 201 EVENTS OCCURRING IN BOTH THE WINTER AND SUMMER PERIODS?



⁹ Note also, from OCS 2.3, energy requirements for Wyoming are nearly

⁸ OCS 2.3.

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Q. WHAT WAS THE IMPACT OF MR. DRAGOON'S ANALYSIS IN WHICH HE ELIMINATED ALL LOLP EVENTS THAT OCCURRED IN JANUARY, FEBRUARY, AND DECEMBER?

A. Though Mr. Dragoon eliminated all wintertime LOLP events that he believed occurred on the West side of the System, he in fact eliminated wintertime LOLP events that mostly occurred on the East side of the System. As shown in Figure 2 above, the East side wintertime LOLP events were much more significant than the West side events. As discussed previously, the result of eliminating LOLP events from winter months was that the capacity contribution values of solar resources were increased.

224 Q. PLEASE SUMMARIZE YOUR RESPONSE TO MR. DRAGOON'S 225 ADJUSTMENT FOR WINTERTIME LOSS OF LOAD EVENTS.

- A. I disagree that the PacifiCorp System should be evaluated as a non-unified System and that
 all wintertime LOLP events should be eliminated from the capacity contribution
 calculation. I recommend that this adjustment should be rejected.
- 229

230 IV. MR. DRAGOON'S SECOND CONCERN – MAINTENANCE SCHEDULES

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232 Q. WHAT WAS THE BASIS OF MR. DRAGOON'S SECOND CONCERN THAT

233 PACIFICORP SCHEDULED TOO MUCH MAINTENANCE IN APRIL?

A. From Figure 1 above, which contains a comparison of monthly renewable resource capacity factors to System LOLP, it is evident that average monthly LOLP is most prominent in April, which PacifiCorp notes is due to spring maintenance.¹⁰ Based on his review, Mr. Dragoon determined that PacifiCorp's maintenance assumptions are "overly

¹⁰ See page 4 of PacifiCorp's 2014 Wind and Solar Capacity Contribution Study, Exhibit RTL-1 to Rick Link's October 9, 2014 Direct Testimony, Docket No. 12-035-100.

238 aggressive for April", as he determined that nearly planned maintenance 239 outages occur in April than in any other month.¹¹ Mr. Dragoon found that having too much 240 maintenance in April led to an overly large number of loss of load events during that month. 241 Furthermore, having such a large number of loss of load events during a month such as 242 April, when the solar production is not as significant as it is during the summer, ultimately 243 lowers the overall capacity contribution value of solar resources based on the CF Method. 244 Mr. Dragoon recommended spreading out the April maintenance to other months, such as 245 scheduling 200 MW of the April maintenance in March.

246 Q. WHAT IS YOUR VIEW OF PACIFICORP'S MAINTENANCE SCHEDULE?

247 I believe that in performing modeling studies it is important to utilize reasonable A. 248 assumptions in developing maintenance schedules. Just because there is more maintenance 249 scheduled in April than any other month, it is not necessarily the case that it is unrealistic. 250 As Mr. Dragoon even noted, there may be limitations on the availability of maintenance 251 crews, or problems with obtaining equipment that may lead to the need to schedule 252 maintenance more in one month versus another. In response to discovery request OCS 4.1, 253 the Company identified other factors that must be considered in scheduling maintenance 254 including the availability of required equipment to meet emissions standards, location of 255 the units, amount of load and reserve obligations and capability of the units, availability of 256 other generation facilities of the fleet, cost of replacement power and availability of 257 purchased power. Simply stated, I believe that maintenance should be scheduled optimally 258 to lower overall System costs, while also taking into account all constraints such as those 259 just identified. In the case of developing capacity contribution values, it is incumbent on

¹¹ Ken Dragoon Direct, page 5, line 54.

260 PacifiCorp to demonstrate it has developed a reasonable maintenance schedule meeting261 these objectives.

262 Q. HAVE YOU IDENTIFIED REASONS WHY IT WOULD NOT HAVE BEEN

263 UNREASONABLE TO SCHEDULE SO MUCH MAINTENANCE IN APRIL?

- A. Yes, as the following two figures below show, PacifiCorp System has the
- 265 in April as compared to any other month.¹²
- 266

267 Begin Confidential



274



284 shows that both studies are consistent in that considerably more maintenance is scheduled 285 in April than in any other month.

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- 287
- 288
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292 Begin Confidential

293

Figure 6

294

295 End Confidential

296Q.THOUGH MR. DRAGOON BELIEVES TOO MUCH MAINTENANCE WAS297INCLUDED IN APRIL, DO YOU THINK IT WAS REASONABLE FOR HIM TO298SIMPLY REMOVE ALL LOLP EVENTS FROM APRIL IN THE ANALYSIS HE299PERFORMED?

A. No, I do not. One cannot simply remove LOLP events from April. Moving maintenance
 out of April would require moving it to some other month, and that would necessitate re running the entire LOLP analysis. Doing that could possibly lead to even higher amounts

- of LOLP, or greater production costs, if in fact, PacifiCorp had already developed an
 optimal maintenance schedule taking into account all constraints.
- 305
- 306

V. <u>CONCLUSIONS</u>

307 Q. WHAT ARE YOUR CONCLUSIONS FROM REVIEWING MR. DRAGOON'S 308 TWO CONCERNS?

309 A. First, I strongly disagree with Mr. Dragoon that the PacifiCorp System should not be 310 treated as an integrated whole for the purposes of this capacity contribution study. As I 311 discussed, PacifiCorp operates as a single system, in that resources are acquired to serve 312 system loads, and units are committed and dispatched to serve system loads, subject to 313 constraints, all with the objective of minimizing system costs. Mr. Dragoon's attempt to 314 eliminate wintertime LOLP events, based on his assumption that those occurred on the 315 West side, was misguided, and actually resulted in removing East side LOLP events. Mr. 316 Dragoon's recommendation not to treat the System as an integrated whole should be 317 rejected.

318 Second, with regard to maintenance scheduling, I believe that PacifiCorp should 319 always utilize reasonable maintenance schedules for purposes of the production cost 320 modeling studies it performs, and I believe it is always incumbent on PacifiCorp to be able 321 to demonstrate that it has developed optimal maintenance schedule taking into 322 consideration all constraints for the studies it performs. However, based on Figures 4 and 323 5 above, I believe it would not be unreasonable for PacifiCorp to have a larger amount of 324 maintenance scheduled in April compared to other months. Furthermore, I do not believe 325 that Mr. Dragoon has presented any evidence nor provided adequate support proving that

331	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
330		100.
329		use in place of the interim capacity contribution values that were set in Docket No. 12-035-
328		for fixed tilt solar, and 39.1% for single-axis tracking solar), which the Commission should
327		PacifiCorp has developed reasonable capacity contribution values (14.5% for wind, 34.1%
326		the Company's maintenance schedule is unreasonable. Therefore, I am satisfied that

A. Yes it does.