

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power For Authority to Increase its Retail Electric Utility Service rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge)	
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)	
)	DOCKET NO. 07-035-93
)	
)	DPU EXHIBIT 6.0
)	
)	

PRE-FILED DIRECT TESTIMONY

JAMES B. DALTON

ON BEHALF OF THE

UTAH DIVISION OF PUBLIC UTILITIES

April 7, 2008

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5 **Q. Please state your name, business address, employer, and current position or**
6 **title for the record.**

7 A. My name is James B. Dalton, and my business address is 160 E 300 S, Salt Lake
8 City, 84114. My employer is the Division of Public Utilities in the Utah
9 Department of Commerce. My current position is Utility Analyst.

10 **Q. Do you have any attachments that you are filing that accompany your**
11 **testimony?**

12 A. Yes. DPU Exhibit 6.1 documents planned outage information for some of the
13 Company's thermal generation units. This exhibit contains proprietary Company
14 information and is therefore marked confidential.

15 **Q. Please describe your education and work experience.**

16 A. I graduated with my Bachelor's degree and Master's degree from the University
17 of Utah, both in economics. I began working for the Division of Public Utilities
18 in the fall of 2006. In addition, I have thirteen years of experience in energy and
19 natural resource management, planning, and policy analysis with the Utah
20 Department of Natural Resources. As an Energy Analyst for the Utah Office of
21 Energy and Resource Planning, I performed research and provided analysis on
22 issues and methodologies dealing with Utah's energy supply, electric industry
23 restructuring, forecasting, and benefit-cost analysis.

24 **Q. What is the purpose of your testimony in this proceeding?**

25 A. The purpose of this testimony is to identify and quantify adjustments to the
26 Company's Net Power Costs (NPC) as proposed in the current Utah rate case. In
27 this rate case, PacifiCorp, which does business in Utah as Rocky Mountain Power
28 (the Company) now proposes a rate increase of \$99.8 million reflecting the Utah
29 Public Service Commission's (Commission) order in the Test Year hearing. The
30 Company originally filed a rate increase of \$161.2 million with the Company's
31 proposed forecasted test period ending in June 2009.

32 **Q. What is the value that PacifiCorp has filed as a Total Company NPC for its**
33 **calendar year 2008 test year?**

34 A. As identified in the supplemental direct testimony of Company witness Mr.
35 Gregory N. Duvall (page 2, line 26), the Company's normalized NPC for the filed
36 test year are approximately \$1.051 billion, with approximately \$435.3 million of
37 these costs allocated to Utah.

38 **Q. Please describe the adjustments that should be made to the Company's NPC**
39 **figure.**

40 A. At this time, the Division has identified three specific adjustments that reduce the
41 Company's Utah allocated NPC figure by \$3,085,216. Each adjustment is listed
42 below with the corresponding reduction.

43

	<u>Adjustment</u>	<u>Reduction</u>
44		
45	1. Revisions to the Sunnyside Power Purchase Agreement (PPA)	\$1,570,000
46	2. Adjustments to Planned Outage Dates in GRID	\$1,423,588
47	3. <u>Adjustments to the Tesoro and Kennecott PPAs</u>	<u>\$ 91,628</u>
48	Total Recommended Reductions in NPC:	\$3,085,216

49 In addition, the Division is currently reviewing additional NPC issues and may
50 adopt additional adjustments of other parties at a future point in this proceeding.

51 **Q. Please describe the Division's proposed net power cost adjustment related to**
52 **the Sunnyside Purchase Power Agreement (PPA).**

53 A. The Company's filing for NPC does not account for the proposed revisions to the
54 Sunnyside purchase power agreement (PPA) (Docket No. 07-035-99). The
55 revisions are contained in an amendment to the PPA generally referred to as the
56 Fourth Amendment. This amendment alters the agreement's energy payments and
57 results in a reduction to the Company's NPC. The Commission approved the
58 Fourth Amendment on April 3, 2008.

59 The Company's GRID model inputs used to calculate NPC in the current
60 rate case filing did not include the modifications made to the Sunnyside PPA by
61 the Fourth Amendment. The Company acknowledged this issue in its response to
62 DPU Data Request 2.1 in Docket No. 07-035-99. In its response, the Company
63 performed a subsequent GRID analysis including the amended PPA. The

64 Company's GRID output shows that the Fourth Amendment decreases system-
65 wide NPC by \$3.6 million dollars for the test period ending December 2008. The
66 Company indicated that this would reduce Utah's allocated revenue requirement
67 by \$1.57 million.

68 **Q. Please describe the Division's proposed NPC adjustment related to the**
69 **Planned Outage dates included in the GRID model.**

70 A. Planned outage dates for several of the Company's thermal generation units, as
71 input into the GRID model for the calculation of NPC, are not consistent with
72 historic outages. Furthermore, these assigned input dates occur outside of the
73 Company's preferred planned outage periods.¹ As a result, Company NPC are
74 higher than they should be.

75 **Q. Can you identify the thermal generation units for which the GRID Planned**
76 **Outage Dates should be moved to more optimal periods?**

77 A. Yes. However, this information is confidential. Exhibit DPU 6.1 identifies these
78 units.

79 **Q. Will the plants you have identified in Exhibit DPU 6.1 actually experience**
80 **planned outages for the test year?**

81 A. This information is confidential. Please see Exhibit DPU 6.1, Note "b" for a
82 detailed response to this question.

¹ See Exhibit DPU 6.1, Note "a."

83 **Q. In general, if generation units are not expected to experience actual planned**
84 **outages during the test period, why are planned outage dates included as**
85 **input data into the GRID model for the calculation of NPC?**

86 A. According to its response to Master Data Request (MDR) 2.58, the Company
87 assigns a planned outage date to each unit based on its average annual outages
88 over a 48-month period. Using this historical data, the Company prepares a
89 normalized planned outage schedule for each unit from which an annual NPC
90 estimate for planned outages can be determined and allocated. Therefore, the
91 respective date entered in GRID represents an average of allocated outages that
92 occur from year to year.

93 **Q. When planned outages actually take place at these units, do the dates of the**
94 **actual outages historically fall in the optimal planned outage period**
95 **referenced above?**

96 A. This information is confidential. Please see Exhibit DPU 6.1, Note “c” for a
97 detailed response to this question.

98 **Q. What are the effects of changing planned outage dates for the units identified**
99 **in DPU Exhibit 6.1?**

100 A. If GRID planned outage date inputs are altered to closely match historical
101 outages, net power costs will be reduced. By changing the GRID inputs to the
102 revised dates listed in exhibit 6.1 and running them through the model, system
103 wide NPC decline by about \$3.3 million, with about \$1.4 million of these
104 reductions allocated to Utah.

105 **Q. What are the Division's concerns with the Tesoro Power Purchase**
106 **Agreement (PPA)?**

107 A. The GRID model used for this filing contains an erroneous termination date for
108 the Tesoro PPA. In its December 20, 2007 order in Docket No. 07-035-78, the
109 Commission approved the Tesoro PPA that provides for the sale to PacifiCorp of
110 up to 25.0 MW of energy generated by a gas-fired cogeneration plant owned by
111 the Tesoro Refining and Marketing Company. The Commission-approved
112 contract shows that the agreement runs for a term of twelve months from January
113 1, 2008, to December 31, 2008.² However, the GRID model used for this filing
114 shows that the Tesoro PPA terminates on January 1, 2008, and therefore does not
115 include the necessary data and information to calculate relevant NPC. Inclusion
116 of the Tesoro PPA with the correct contract information will reduce NPC.

117 **Q. Please describe the Division's proposed net power cost adjustment related to**
118 **the Kennecott PPA.**

119 A. The GRID model used for this filing contains an erroneous line loss factor for the
120 Kennecott PPA. In its December 21, 2007 order in Docket No. 07-035-71, the
121 Commission ordered that the avoided line loss adjustment factor should be
122 reduced from 1.034 to 1.02. The GRID model does not contain this adjustment.

² See December 12, 2007 Commission Order in Docket No. 07-035-78, Power Purchase Agreement between PacifiCorp and Tesoro Refining and Marketing Company. Energy Charges entered into GRID include an on-peak price of \$59.50 and an off-peak price of \$27.88 for the contract period.

123 The GRID Long Term Contract (LTC) dispatch output for the Kennecott PPA
124 shows 193,248 MWh occurring for calendar year 2008. The GRID output also
125 shows total purchases of \$8,272,489, which equates to a unit price of
126 approximately \$42.81/MWh. This is equivalent to the stated contract price of
127 \$41.40 multiplied by a line loss factor of 1.034. Adjusting the contract price with
128 the Commission ordered line loss factor of 1.02 results in the correct price of
129 \$42.228/MWh, which will reduce NPC.

130 **Q. What is the impact on Company NPC when the GRID model inputs include**
131 **these Tesoro and Kennecott PPA adjustments?**

132 A. The system wide NPC figure declines by \$217,077 when the GRID model
133 includes the correct contract dates and prices specified by the current Tesoro and
134 Kennecott PPAs. This reduces Utah's NPC allocation by \$91,628.

135 **Q. Do you have any other specific NPC adjustments that you plan to make at**
136 **this time?**

137 A. No. The Division understands that the Committee of Consumer Services (CCS)
138 plans to file testimony on NPC. The Division has contacted the CCS consultants,
139 Mr. Phil Hayet and Mr. Randy Falkenberg, on a number of NPC issues regarding
140 the GRID model, spinning reserves, and thermal dispatch. The Division will
141 carefully review their findings. The Division reserves the right to adopt relevant
142 NPC issues brought forward by CCS or any other party in this proceeding.

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

144 A. Yes it does.