

REDACTED VERSION

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 |) | DOCKET NO. 08-035-38 |
| |) | |
| Utah and for Approval of its Proposed |) | DPU EXHIBIT 6.0_SD |
| |) | |
| Electric Service Schedules and Electric |) | |
| |) | |
| Service Regulations |) | |

PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY

JAMES B. DALTON

ON BEHALF OF THE

UTAH DIVISION OF PUBLIC UTILITIES

February 26, 2008

1 PRE-FILED SUPPLEMENTAL DIRECT TESTIMONY

2 JAMES B. DALTON

3 DIVISION OF PUBLIC UTILITIES

4
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 (Division) in the
9 Utah Department of Commerce. My current position is Utility Analyst.

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

12 A. I am. The additional information contained herein is provided as an addendum to
13 my previously filed Direct Testimony, dated February 11, 2009.

14 **Q. What information will you be updating in this filing?**

15 A. I have two adjustments that need to be included in the Division's Net Power Cost
16 (NPC) analysis. First, I will update the Division's NPC analysis regarding Rocky
17 Mountain Power's (the Company) projected coal costs. Secondly, I will correct
18 erroneous planned outage dates that were included in Exhibit DPU 6.1
19 (Confidential), as filed in my Direct Testimony.

20 **Q. Can you explain what updates should be made regarding the Company's**
21 **projected coal costs?**

22 A. Yes. As was noted in my Direct Testimony, the Division was in the process of
23 analyzing decreases in diesel fuel and petroleum product costs and their related

24 impacts on delivered coal expenses and captive mine operations, which affect
25 NPC and was waiting for additional information from the Company on this issue.¹
26 On February 23, 2009 the Division received the Company's response to a data
27 request that was submitted on February 3, 2009, nine days prior to the February
28 12, 2009 filing deadline for Direct Testimony. This data request response
29 provides updated confidential information about the impacts on delivered coal
30 expenses from declining diesel fuel and natural gas costs. It also provides
31 information about fuel expenditures at the Company's Deer Creek mining
32 operations.

33 **Q. Where can this information be found?**

34 A. The Company's confidential response to DPU Data Request (DR) set 78 contains
35 this information.

36 **Q. Can you describe the Company's response?**

37 A. Yes. The Company's confidential response to DPU DR 78.1 provides a cost
38 breakdown of diesel fuel costs, propane/natural gas costs, lubricant costs, and
39 other related material and supplies costs for the Company's Deer Creek mining
40 operations. In the confidential response to DPU DR 78.2, the Company updated
41 petroleum-related prices for transportation and coal contract costs to reflect

¹ See DPU Exhibit 6.0 p. 20.

current market projections as of February 2009. The Division requested the following information in this data request:

Since [November 2008], forecasted market crude oil prices have declined more than 30 percent. Please estimate the percent change in \$/ton coal prices [for each of the Company's captive mine operations and coal contracts] as a result of the expected calendar year 2009 decrease in prices [for] diesel fuel and petroleum products...

In addition to the estimated decreases in the \$/ton coal price for various coal supplies, the Company's response shows how these decreases have impacted the calendar year 2009 estimated average fuel prices for each of the Company's eleven coal-fired units. Table 1 compares the estimated \$/mmBtu fuel price, as filed in the Company's GRID model, to the revised price, as shown in the Company's confidential response to DPU DR 78.2.

Q. Do you agree with the updated prices?

A. Yes. The updated changes in \$/mmBtu prices appear to be in line with the adjustments I made to the Company's Bridger Coal Mine operations, as provided in my Direct Testimony.

Q. What is the impact of these updates?

A. [REDACTED]
[REDACTED] When the revised fuel prices, as shown in Table 1 are entered into GRID, Company-wide NPC declines by about \$6.67

million on a Company-wide basis, or about \$2.8 million on a Utah-allocated basis.

Table 1: Fuel Price Comparison, Coal-Fired Plants CONFIDENTIAL

| Plant | Fuel Price (\$/mmBtu), as input in GRID, 12/08/08 Company Filing | Revised Fuel Price (\$/mmBtu), per Company Response to DPU DR 78.2 | Percent Change |
|---------------|--|--|----------------|
| Carbon | | | |
| Cholla | | | |
| Colstrip | | | |
| Craig | | | |
| Dave Johnston | | | |
| Hayden | | | |
| Hunter | | | |
| Huntington | | | |
| Jim Bridger | | | |
| Naughton | | | |
| Wyodak | | | |

Q. How does this impact the Jim Bridger fuel price adjustment you made in your Direct Testimony?

A.

73 [REDACTED]

74 [REDACTED]²

75 **Q. Is it your understanding that all coal supplies for the Huntington plant come**
76 **from the Company's Deer Creek mine?**

77 A. Yes

78 **Q. Can you explain why the Division did not adjust the \$/mmBtu cost for the**
79 **Huntington plant, as shown in the Company's confidential response to DPU**
80 **DR 78.2?**

81 A. Yes. First, the Huntington \$/mmBtu price as shown [REDACTED]

82 [REDACTED] Division's adjusted \$/mmBtu estimate.³ Secondly, [REDACTED]

83 [REDACTED]

84 [REDACTED]

85 [REDACTED]

86 [REDACTED]

87 [REDACTED]

² See DPU Exhibit 6.0, p.19 at line 349.

3 [REDACTED]

4 [REDACTED]

88

89

90 **Q. Can you explain how this updated estimate affects your earlier NPC**
91 **adjustments?**

92 A. Yes. When the Division's proposed reductions to Jim Bridger mine fuel costs are
93 also included in the GRID run which now incorporates the Company's updated
94 reductions from the Company's confidential response to DPU DR 78.2,
95 Company-wide NPC are reduced by about \$7.86 million, or about \$3.4 million on
96 a Utah-allocated basis. In my Direct Testimony, I recommended a Company-wide
97 NPC decrease of about \$1.24 million (about \$542,000 on a Utah-allocated basis)
98 as a result of lower petroleum-related expenditures at the Bridger Mine which
99 translated into lower unit fuel costs at the Jim Bridger plant. Because of the
100 updated information, I now withdraw that adjustment and instead propose a \$7.86
101 million decrease to Company-wide NPC (\$3.4 million on a Utah-allocated basis).
102 This adjustment combines the effects of declines in delivered coal expenditures
103 based on the Company's confidential response to DPU DR 78.2, with the
104 Division's proposed unit fuel price reductions to the Bridger mine, as described
105 above.

106 **Q. Can you explain the corrections you made to the planned outage schedule?**

107 A. Yes. One of the dates that I proposed as an adjustment for planned outages at the
108 Carbon 2 plant is incorrect. Confidential Exhibit DPU 6.1 shows a recommended

109 planned outage date of [REDACTED] for the Carbon 2 Plant. This actually
110 should be [REDACTED]. I had intended to input the dates in March rather
111 than May. As confidential Exhibit DPU 6.1 shows, most planned outages have
112 historically occurred in [REDACTED] for this plant. This change is shown in Confidential
113 Exhibit DPU 6.1 SD.

114 **Q. Do you have any other corrections you would like to make with regard to**
115 **planned outage scheduling?**

116 A. Yes. The Division's recommended adjustments to the planned outage date at
117 Colstrip unit 3 would overlap the actual scheduled planned outage date at Colstrip
118 unit 4. In practice, there should be no overlapping planned outage dates among
119 units at a given plant. To remedy this, the Division moved the Colstrip unit 3
120 planned outage date to the period [REDACTED]. This
121 change is also shown in Confidential Exhibit DPU 6.1 SD.

122 **Q. What is the impact on NPC?**

123 A. When these corrections are entered into the planned outage module in GRID and
124 run through the model, the Division's adjustment for planned outages is reduced
125 from about \$2.40 million, Company-wide or about \$1.03 million on a Utah-
126 allocated basis to about \$1.94 million on a Company-wide basis or about
127 \$839,000 on a Utah-allocated basis.

128 **Q. Can you summarize the revised estimates to the Division's NPC adjustments**
129 **resulting from the revisions to fuel prices and planned outage input errors?**

130 A. Yes. The Division's proposed NPC adjustments on a Utah-allocated basis are
 131 revised as follows:⁵

| 132 | <u>Adjustment</u> | <u>Reduction</u> |
|-----|---|----------------------|
| 133 | 1. Adjust the imputed price of the SMUD contract | \$ 656,903 |
| 134 | 2. Adjust planned outage dates in GRID | 1,033,546 |
| 135 | 2. Revised planned outage dates in GRID | 839,124 |
| 136 | 3. Revised forward price curve adjustments | 2,545,018 |
| 137 | 4. Reduction of fuel costs at Bridger mine | 541,843 |
| 138 | 4. Reduced coal production and contract fuel costs | 3,407,290 |
| 139 | 5. Rolling Hills Wind capacity factor adjustment | 208,978 |
| 140 | <u>6. Company NPC input errors, MDR 1.8</u> | <u>417,205</u> |
| 141 | Total Recommended Reductions in NPC: | \$8,074,518 |

142 Q. Does this complete your Supplemental Testimony?

143 A. Yes it does.

⁵ Note that those adjustments that were not changed in this Supplemental Filing may be slightly different than the Utah-allocated NPC adjustments as shown in DPU Exhibit 3.2E. This is due to the sequencing of the NPC adjustments made in this filing as they are entered into the JAM model.