

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of the Application of</b>	)	<b>Docket No. 09-035-23</b>
<b>Rocky Mountain Power for Authority to</b>	)	
<b>Increase Its Retail Electric Service Rate in</b>	)	<b>Rebuttal Testimony of</b>
<b>Utah and for Approval of Its Proposed</b>	)	<b>Randall J. Falkenberg</b>
<b>Electric Service Schedules and Electric</b>	)	<b>On Behalf of the</b>
<b>Service Regulations</b>	)	<b>Utah Office of</b>
	)	<b>Consumer Services</b>

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November 12, 2009

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** Randall J. Falkenberg, PMB 362, 8351 Roswell Road, Atlanta, Georgia 30350. I am the  
3 same witness who filed direct testimony in this case on October 8, 2009.

4 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

5 **A.** I briefly comment on the Direct Testimony of Division of Public Utilities' (DPU) witness  
6 Mr. George Evans. In particular, I adopt two of Mr. Evans' proposed adjustments, and  
7 comment on a third adjustment.

8 **Q. DO YOU AGREE WITH MR. EVANS' PROPOSED WYODAK HEAT RATE  
9 ADJUSTMENT?**

10 **A.** Yes. I have reviewed Mr. Evans' testimony and workpapers. I believe he makes a  
11 compelling case for this adjustment. Subject to review of the Company's comments  
12 concerning this issue, I will reflect it in my final NPC estimates to be filed on November  
13 30, 2009. This adjustment reduces NPC by approximately \$1,006,149 Total Company,  
14 or \$412,934 on a Utah jurisdictional basis.

15 **Q. DO YOU AGREE WITH MR. EVANS' PROPOSED ADJUSTMENT FOR THE  
16 COAL PLANT PLANNED OUTAGE SCHEDULE?**

17 **A.** Yes. I have reviewed Mr. Evans' workpapers and believe he offers a more realistic  
18 schedule for coal-fired plants outages than does the Company. Mr. Evans did not address  
19 the planned outage schedule for combined cycle plants, so I continue to recommend a  
20 spring time outage for Currant Creek for the reasons stated in my direct testimony. In  
21 addition, I adopt Mr. Evan's adjustment for coal plants. As I indicated in my direct  
22 testimony, the utilization of a more realistic planned outage schedule for coal plants was  
23 only expected to result in a small change in NPC. Mr. Evans' results confirm this. Mr.  
24 Evans' adjustment reduces NPC by approximately \$338,957 Total Company, or  
25 \$132,112 on a Utah jurisdictional basis.

**Q. PLEASE COMMENT ON MR. EVANS' START UP ENERGY ADJUSTMENT.**

26 A. Mr. Evans and the DPU recognize the reasonableness of including gas unit start up  
27 energy in the GRID model to match fuel costs already included. I have proposed a  
28 similar adjustment in this case, and also proposed one in the prior case.

29 **Q. CAN YOU EXPLAIN THE DIFFERENCE IN THE LEVEL OF THE DPU**  
30 **ADJUSTMENT AND YOUR ADJUSTMENT?**

31 A. Yes. Mr. Evans assumed that the start up energy results in a back down of coal fired  
32 units. I believe this provides a reasonable lower limit on the value of start up energy. In  
33 Docket 08-035-38, I testified as follows:

34 At a minimum, the Commission should recognize the value of start up energy for  
35 combined cycle plants at the cost of coal-fired generation (approximately \$13/MWh) in  
36 GRID. This is substantially less than the Company assumed in the prior case  
37 (\$50/MWh, as is shown on Exhibit CCS 4.3) and is a reasonable lower limit value. The  
38 energy generated by units during the startup sequence has to go somewhere, and coal is  
39 the lowest priced fuel on the system. As a result, I recommend the Commission adopt  
40 adjustment 7 shown on Table 1 to implement this correction. (Direct Testimony of  
41 Randall J. Falkenberg, Docket 08-035-38, page 18.)  
42

43 Subsequently, the Company filed testimony in the rebuttal phase of Docket 08-  
44 035-38 questioning the adjustment. Mr. Duvall has suggested that incremental reserve  
45 requirements negate any value of the start up energy. The only way to test that  
46 assumption, however, would be to run the start up energy through the GRID model.  
47 Therefore, I did so in this case and explicitly accounted for the value and reserve  
48 requirements of start up energy each time it occurs within GRID. As it turns out this  
49 produced a *larger* adjustment than occurred using the assumption that coal energy alone  
50 is offset by the start up energy. I believe that modeling the start up energy in GRID is  
51 also more realistic because it would allow for the increased reserve costs to produce  
52 either an increase or decrease in NPC. In some scenarios, adding start up energy for  
53 specific units for specific months did produce an increase in NPC, though in most cases it  
54 does produce a reduction to NPC. Such results would not be captured under the

55 assumption that start up energy always results in a reduction to coal generation.  
56 Consequently, I continue to recommend my original adjustment.

57 **Q. DO YOU HAVE ANY OTHER COMMENTS ON MR. EVANS' ADJUSTMENT?**

58 **A.** Yes. Mr. Evans also included start up energy values for the Hermiston plant. However,  
59 no start up fuel costs for Hermiston are reflected in the GRID NPC output report. While  
60 GRID does have such inputs, they are used in the commitment logic only, not in costing.

61 In prior cases, Hermiston has normally operated in a baseload manner, due to its  
62 very low cost gas contract. Because GRID inputs now show the Hermiston gas contract  
63 to be above market at times the plant will occasionally cycle on a daily basis. As a result,  
64 GRID does now show some starts for the plant.

65 **Q. DO YOU BELIEVE HERMISTON START UP ENERGY SHOULD BE**  
66 **MODELED?**

67 **A.** Not at this time. The cycling modeled for Hermiston is infrequent, and may only be a  
68 short-term aberration in GRID. Further, if Hermiston cycles in GRID, the commitment  
69 logic error may impact the results. Thus, optimal screens for Hermiston should be  
70 examined to determine whether the additional starts are really appropriate and to  
71 determine if any error induced costs are present. Finally, the Hermiston start up energy  
72 and costs assumed in GRID appear to be rather high compared to Lake Side and Currant  
73 Creek. The assumed start up heat input for Hermiston is more than three times the inputs  
74 measured for Currant Creek and more than twice the level actually measured for Lake  
75 Side. Also, the Company has not provided any supporting documentation for the  
76 Hermiston inputs. Consequently, I didn't include Hermiston start up energy, start up fuel  
77 costs, or the start up energy value in the test year. While I don't object to doing so as a  
78 matter of principle, there are a number of other adjustments that would be needed to  
79 produce a balanced adjustment.

80 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**  
81 **A. Yes.**