

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. 10-035-124
Rocky Mountain Power for Authority to)	
Increase Its Retail Electric Service Rate in)	Rebuttal Testimony of
Utah and for Approval of Its Proposed)	Randall J. Falkenberg
Electric Service Schedules and Electric)	On Behalf of the
Service Regulations)	Utah Office of
)	Consumer Services

REDACTED – PUBLIC VERSION

June 30, 2011

REBUTTAL TESTIMONY OF RANDALL J. FALKENBERG

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Randall J. Falkenberg, PMB 362, 8343 Roswell Road, Atlanta, Georgia 30350. I am the same witness who filed direct testimony in this proceeding.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. I will offer some brief comments on the NPC testimony of DPU witness Mr. George Evans and UIEC witness Mr. Mark Widmer. My intention is to explain which of our adjustments overlap and why they may differ. I also present a minor revision to one of my adjustments related to the Roseburg Forrest products contract.

Q. PLEASE EXPLAIN EXHIBIT OCS 4.1R.

A. In this exhibit I have listed each of the NPC adjustments presented by UIEC and DPU as well as the OCS adjustments. Adjustments that are on the same line are either the same adjustment or overlap significantly with each other and should not both be accepted by the Commission.

Q. AS A PRELIMINARY MATTER, IS THERE ANY REASON WHY DIFFERENT WITNESSES MAY HAVE DIFFERENT RESULTS FOR THE SAME ADJUSTMENT?

A. Yes. In some cases the results associated with an individual adjustment will differ depending on what other adjustments have already been included in the GRID model database prior to making the GRID run with the new adjustment. Therefore, adjustments are dependent on the sequence in which they are run through the GRID model. In cases where the order differs, the same adjustment could produce different results. This is why OCS is recommending a final compliance run be performed which includes all

25 Commission approved adjustments. In cases where adjustments are purely financial,
26 such differences should not normally occur.

27 **Q. WHICH OCS ADJUSTMENTS OVERLAP WITH UIEC ADJUSTMENTS?**

28 **A.** OCS Adjustment 2.1 (Reverse Gadsby must run) is the same adjustment as UIEC
29 Adjustment 3. This adjustment differs due to the sequencing of adjustments and because
30 I included additional start up fuel costs resulting from allowing CTs to cycle, while Mr.
31 Widmer did not.

32 OCS contract Adjustments 4.2 (Black Hills) and 6.2 (Roseburg) are essentially
33 the same as UIEC Adjustments 6 and 18. I believe the Black Hills adjustment differs in
34 value because I used the most recent 12 months of data to shape Black Hills energy to
35 better reflect price sensitivity, while Mr. Widmer averages four years of data. For
36 Roseburg, I have a minor error in my GRID studies. When corrected, Adjustment OCS
37 6.2 is increased by \$8,557 total Company.

38 OCS hydro modeling Adjustments 7.1 and 9.1 overlap with UIEC Adjustments 10
39 and 14. OCS Adjustment 7.1 (Bear River) and UIEC 14 differs because I include both
40 the reserve capacity and flood control corrections, while Mr. Widmer includes only the
41 flood control. Mr. Widmer also calculates an “alternative” adjustment as a possible
42 substitute for UIEC Adjustment 14 that imputes the reserve capability for Bear River but
43 used a different time period than I used in computing my adjustment. I continue to
44 support the combination of both adjustments.

45 OCS Adjustment 9.1 (Hydro outage rates) differs from UIEC Adjustment 10
46 because Mr. Widmer only reflects the updated four year period while I also eliminated
47 the unjustified loss of energy inherent in the Company’s modeling.

48 OCS transmission adjustments 10.1 (Cal ISO) , 10.2 (DC Intertie), 10.3 [REDACTED]
49 [REDACTED] and 12.2 (BPA Network Forecast) are essentially identical to Mr.
50 Widmer's Adjustments UIEC 1,UIEC 8,UEIC 9, and UIEC 16.

51 The OCS Market Cap Adjustment (18.1) overlaps with UIEC Adjustment 17.
52 The difference between these adjustments is that Mr. Widmer eliminates market caps
53 entirely, while I retain the graveyard shift market caps approved in Docket 09-035-23. I
54 do believe that Mr. Widmer has made some valid points regarding this issue and his
55 adjustment is well supported, though I continue to support the OCS adjustment on the
56 basis of conservatism and precedent. Either approach is superior to the Company
57 proposal.

58 The fuel price error correction adjustment (OCS 19.1) overlaps with UIEC
59 Adjustment 11. Mr. Widmer's adjustment also corrects an error related to Huntington
60 fuel costs which I overlooked. I have modified my adjustment to include the Huntington
61 fuel cost correction. I am not sure why our results differ, but it may simply be due to
62 sequencing.

63 The capacity upgrade adjustments (OCS 20.1 and UIEC 7) appear identical. I
64 suspect the small difference is due to sequencing. Likewise, two outage rate adjustments
65 (OCS 21.1 – reserve shut down and 21.4 - Naughton outage) overlap. The only
66 difference is due to the fact that I included the planned outage component of the disputed
67 Naughton outage while Mr. Widmer did not.

68 **Q. WHICH OCS ADJUSTMENTS OVERLAP WITH DPU ADJUSTMENTS?**

69 **A.** Three OCS Wind Integration Adjustments (1.1, 1.2 and 2.1) overlap with DPU
70 Adjustments 2, 3, 4, and 5. Mr. Evans attempted to address some of the same problems

71 as I did in my analysis, but used a somewhat different method. In any case, OCS
72 Adjustment 1.1 subsumes both of Mr. Evans' adjustments DPU 2 and DPU 5. The
73 remaining adjustments appear only to differ due to sequencing and because Mr. Evans
74 did not include the small changes to start up fuel costs for the Gadsby CTs.

75 The OCS Trading Margin adjustment (OCS 5.2) is identical to Mr. Evans'
76 adjustment (DPU 9.) Likewise, the Cal ISO adjustments (OCS 10.1 and DPU 7) are
77 identical.

78 The OCS Chehalis reserve capacity adjustment 15.1 overlaps with Mr. Evans'
79 adjustment DPU 11. The reason they differ is that Mr. Evans assumed the reserve
80 capability for Chehalis would be [REDACTED] MW (based on Currant Creek) while I used [REDACTED]
81 MW. Based on my review of some late discovery responses and other documents, I
82 believe that Mr. Evans' adjustment is more realistic and that the actual reserve capability
83 for Chehalis is likely greater than even he assumes.

84 The OCS Market Cap adjustment (OCS 18.1) is smaller than the DPU Adjustment
85 (DPU 6) because, like Mr. Widmer, Mr. Evans eliminated all market caps. The
86 difference between the DPU and UIEC results appear to be due to sequencing.

87 **Q. PLEASE DISCUSS THE DIFFERENCES BETWEEN THE OCS AND DPU HEAT**
88 **RATE ADJUSTMENTS.**

89 **A.** OCS Adjustment 22.1 and DPU Adjustment 10 are conceptually similar, but differ in
90 how they were implemented. Both are intended to address the same problem – the
91 overstatement of heat rates due to forced outage modeling in GRID. However, OCS
92 Adjustment 22.1 makes a purely financial adjustment to cure this problem at the top end
93 of the heat rate curve. DPU Adjustment 10 modifies the entire heat rate curve. While I

94 have advocated for the DPU Adjustment 10 in prior cases, I did not do so in this instance.
95 It was my intention to change the adjustment in a manner that would be a compromise
96 between the Company position and the full adjustment, while addressing the concepts
97 discussed in the Commission's order in Docket 09-035-23. This does not invalidate in
98 any way, the basis for DPU Adjustment 10.

99 **Q. DO YOU DISAGREE WITH DPU ADJUSTMENT 10?**

100 **A.** No. The DPU's adjustment is the same as the heat rate portion of the adjustment I
101 proposed in Docket 07-035-93 and Docket 09-035-23. This adjustment was also adopted
102 by the Oregon and Washington Commissions in recent cases, as I discussed in my direct
103 testimony.

104 I would point out however, that Mr. Evans did not implement the minimum
105 loading deration component of the adjustment, which I advocated in prior cases. Mr.
106 Evans indicates he believes the impact would be small, and he may be correct. However,
107 results for individual units may be affected unless both parts of the adjustment are
108 adopted.

109 **Q. DO YOU STILL RECOMMEND OCS ADJUSTMENT 22.1?**

110 **A.** Yes. While it is a compromise, it is a reasonable approach. However, applying the full
111 adjustment (both heat rate and minimum loading deration) to all units is the best method
112 for addressing this issue and has been adopted by regulators elsewhere.

113 **Q. HAVE YOU REVIEWED THE NON-OVERLAPPING ADJUSTMENTS**
114 **PROPOSED BY UIEC AND DPU?**

115 **A.** Yes. I have reviewed the testimony and workpapers of the UIEC and DPU witnesses and
116 believe that the non-overlapping adjustments they propose are logical, technically correct

117 and well supported. Depending on the Company's rebuttal, I recommend the
118 Commission adopt the adjustments shown in the far right column of Exhibit OCS 4.1R.
119 Should the Company provide persuasive reasons why any of these adjustments (including
120 my own adjustments) should not be adopted, OCS will reconsider and update this exhibit
121 before the hearing.

122 **Q. IS THERE ANYTHING YOU WOULD LIKE TO CORRECT AND CLARIFY IN**
123 **YOUR DIRECT TESTIMONY?**

124 A. Yes. At page 16, line 402 I stated there were no arbitrage or trading profits included in
125 the test year. That is incorrect. The Company included \$12,206 of STF arbitrage profits
126 in the test year. This amount was deducted from Adjustment 5.2 in OCS Exhibit 4.1R.
127 Also, the discussion of arbitrage and trading profits refers generally to STF transactions,
128 not balancing transactions.

129 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

130 A. Yes.