

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's)	Docket No. 12-035-92
Voluntary Request for Approval)	Direct Testimony of
Of Resource Decision to Construct)	Cheryl Murray
Selective Catalytic Reduction Systems)	For The Office of
On Jim Bridger Units 3 and 4)	Consumer Services

November 30, 2012

1 **INTRODUCTION**

2 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

3 A. My name is Cheryl Murray. I am a Utility Analyst for the Office of
4 Consumer Services (Office). My business address is 160 East 300 South
5 Salt Lake City, Utah 84111.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to provide the recommendation of the
8 Office of Consumer Services (Office) regarding Rocky Mountain Power's
9 (Company) voluntary request for approval to construct Selective Catalytic
10 Reduction ("SCR") systems for Bridger Units 3 and 4 as allowed under
11 Utah Code Ann. § 54-17-402. I also introduce the testimony of Mr.
12 Randall J. Falkenberg, a consultant retained by the Office to examine the
13 Company's Application and supporting documentation.

14 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF UTAH CODE ANN. 54-
15 17-402.**

16 A. The Statute allows an energy utility, in this case Rocky Mountain Power,
17 to voluntarily request that the Utah Public Service Commission
18 (Commission) approve the utilities' resource decision prior to
19 implementing that decision. The Commission is required to make its
20 decision on the application within 180 days of the request.¹ Approval of

¹ The Commission may make the determination that additional time to analyze a resource decision is warranted and in the public interest.

21 any portion of the request, with certain exceptions, also allows for cost
22 recovery of the approved portion.

23 **Q. ON WHAT BASIS SHOULD THE COMMISSION MAKE ITS DECISION**
24 **WHETHER OR NOT TO APPROVE THE COMPANY'S REQUEST?**

25 A. Utah Statute 54-17-402 (3) requires that the Commission determine that
26 approval is in the public interest taking into consideration:

- 27 1) whether it will most likely result in the acquisition, production, and
28 delivery of utility services at the lowest reasonable cost to the retail
29 customers of an energy utility located in this state;
30 2) Long-term and short-term impacts;
31 3) risk;
32 4) reliability;
33 5) financial impacts on the energy utility; and
34 6) other factors determined by the commission to be relevant.
35

36 **Q. HAS THE COMPANY PREVIOUSLY USED THIS STATUTE FOR**
37 **APPROVAL OF ANY OF ITS RESOURCE DECISIONS?**

38 A. No. This is the first time the Company has filed for approval of a resource
39 decision using the voluntary request for resource decision statute.
40 Therefore, this is also the Office's first review of a filing of this nature.

41 **Q. IS THERE ANY SPECIAL SIGNIFICANCE TO A FIRST FILING UNDER**
42 **A STATUTE OR RULE?**

43 A. There can be. The Office asserts that as issues and concerns are
44 identified in a first filing under any new statute, rule or requirement it is
45 necessary that care be taken to identify any deficiencies in information
46 and/or analysis that inhibit the ability to judge public interest. Based on
47 responses provided by parties, it is incumbent upon the Commission to

48 provide guidance to the Company in its order to avoid similar problems in
49 subsequent filings.

50 **Q. WHAT IS THE OFFICE'S POLICY REGARDING VOLUNTARY**
51 **APPROVAL OF A RESOURCE DECISION?**

52 A. The Office asserts that the benefits to be derived from the resource must
53 be clear or pre-approval must be denied. Commission denial of the
54 request would not necessarily mean that the resource is imprudent it
55 simply means that the evidence presented in the case did not adequately
56 support sufficient benefits to be derived for ratepayers. If pre-approval is
57 denied the Company can proceed with the project and has a further
58 opportunity to present adequate evidence in a rate proceeding to justify
59 cost recovery. However, pre-approval must be based on a clear
60 demonstration of benefits.

61 **Q. DID THE OFFICE FIND ANY ISSUES WITH THE FILING AND**
62 **ANALYSIS?**

63 A. Yes, there were some issues which will be identified and explained in Mr.
64 Falkenberg's testimony.

65 **Q. WHAT WERE THE RESULTS OF MR. FALKENBERG'S ANALYSIS?**

66 A. Mr. Falkenberg discovered a number of significant errors in the analysis
67 provided by the Company through the System Optimizer (SO) Model. He
68 also found the Company made a number of assumptions that are
69 unproven, outdated or inconsistent with those typically used in recent rate
70 cases.

71

72 Additionally, important planning uncertainties such as the consideration of
73 retirement or conversion of other coal facilities, transmission impacts of
74 the Bridger SCR decision and wind resources required to meet renewable
75 portfolio standards in other states have not been adequately examined
76 and tested. Scenario analysis should be conducted to explore these
77 alternate assumptions.

78 **Q. DOES MR. FALKENBERG HAVE CONCERNS WITH THE SO MODEL?**

79 A. Yes. Among those concerns are: 1) the lack of transparency of the model
80 because it is not readily available to regulators and other parties; 2)
81 reports generated from the model are limited in detail; and 3) the lengthy
82 run time required for the model runs, despite the low level of detail of the
83 model itself.

84 **Q. BASED ON MR. FALKENBERG'S ANALYSIS WHAT DID THE OFFICE**
85 **CONCLUDE REGARDING COMMISSION APPROVAL OF THE**
86 **COMPANY'S APPLICATION?**

87 A. The Company has not provided sufficient support for the Commission to
88 make a finding that the Jim Bridger SCRs are in the public interest. For
89 example, the first item that Utah Statute requires the Commission to
90 consider in determining public interest is "whether it will most likely result
91 in the acquisition, production, and delivery of utility services at the lowest
92 reasonable cost to the retail customers of an energy utility located in this
93 state." Mr. Falkenberg's identification of errors and unsupported

94 assumptions used in the modeling raises significant concerns about the
95 results, to the extent that they are insufficient to determine whether this
96 resource decision results in the lowest reasonable cost to consumers.

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98 Risk is another item that the statute requires be examined in making a
99 public interest determination. Mr. Falkenberg's testimony identifies
100 several major scenarios (such as the transmission impacts of the Bridger
101 SCR decision and the amount and placement of future wind resources)
102 that have not been adequately studied as part of the analysis supporting
103 the Company's Application. The Office asserts that without this scenario
104 analysis, risk has not been fully assessed.

105

106 Based on Mr. Falkenberg's analysis the Office concludes that the
107 Company has not provided sufficient support for the Commission to make
108 a finding that the Jim Bridger SCRs are in the public interest at this time.

109 **Q. WHAT IS THE OFFICE'S RECOMMENDATION REGARDING**
110 **APPROVAL OF THE JIM BRIDGER UNITS 3 AND 4 SCRS?**

111 A. The Office recommends that the Commission deny the Application.
112 Based on the evidence and analysis provided by the Company in this
113 case, the Commission at this time lacks sufficient support to approve the
114 Application.

115 **Q. DOES THE OFFICE OPPOSE THE COMPANY'S DECISION TO**
116 **INSTALL SCRS AT JIM BRIDGER UNITS 3 AND 4?**

117 A. At this time, the Office neither opposes nor supports the installation of
118 SCRs at Jim Bridger Units 3 and 4. The Office's recommendation for the
119 Commission to deny the Application is based on the fact that the evidence
120 is inconclusive and insufficient to meet the standards that should be used
121 for pre-approval. If the Company presents additional evidence either in
122 this proceeding or a future rate proceeding, the Office will objectively
123 review the evidence at that time before formulating its position.

124 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

125 A. Yes it does.