–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	))))))))	**DOCKET NO. 20-035-04** **Exhibit No. DPU 7.0 R**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Rebuttal Testimony of

William "Artie" Powell

October 5, 2020

Q: PLEASE STATE YOUR NAME, WHOM YOU WORK FOR, YOUR TITLE, AND BUSINESS ADDRESS.

A: My name is Dr. William "Artie" Powell. I am the Director for the Division of Public Utilities (DPU or Division). My business address is 160 East 300 South, Salt Lake City, Utah, 84114.

Q: ARE YOU TESTIFYING ON BEHALF OF THE DIVISION?

A: Yes I am.

Q: DID YOU FILE DIRECT TESTIMONY ON BEHALF OF THE DIVISION ON SEPTEMBER 2, 2020?

A: Yes, I did.

Q: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A: I respond to the Office of Consumer Services witness Ms. Donna Ramas on issues concerning generation overhaul expense (GOE). Specifically, Ms. Ramas suggests that using a flawed method to estimate GOE is acceptable in order to account for potential efficiency gains PacifiCorp realizes in conducting overhauls. I disagree with this approach.

Q: PLEASE EXPLAIN WHY YOU DISAGREE WITH MS. RAMAS' APPROACH.

A: In past rate cases, parties have advocated one of two methods to forecast GOE. As I explain in my direct testimony, the first method, Method 1, inflates or restates the average of four historical values. The alternative method, Method 2, averages the restated historical values to estimate the test period value. Of these two methods, economic and statistical (or probability) theory suggests that the Method 2, the method proposed by RMP, is on average more accurate. I support this conclusion in my direct testimony using a simulation of the two methods, which demonstrates that Method 1 systematically underestimates the test period GOE. Accounting for potential efficiency improvements in conducting overhauls will not correct this feature of Method 1.

Q: DO YOU AGREE THAT EFFICIENCY GAINS SHOULD BE ACCOUNTED FOR IN ESTIMATING GOE?

A: Yes. However, there are two considerations to take into account. First, PacifiCorp has been doing overhauls on its thermal fleet for decades. I suspect that efficiency improvements in its procedures are not likely to be significant from one overhaul to the next. Second, to the extent that there are cost saving improvements in PacifiCorp's overhaul procedures, these improvements are properly reflected in the choice of an appropriate inflation rate.

In my direct testimony, for simplicity I used one inflation rate in simulating the two methods. The simulation indicates that Method 2, the method proposed by Rocky Mountain Power, is a better method of forecasting GOE. In reality, the inflation rate could be specified in various ways. For example, to account for efficiency improvements, the improvement could be netted with the specified inflation rate. This is common practice in performance based regulation.

If we let θ represent the efficiency improvement and π is the nominal inflation rate, then the netted inflation rate, $\pi_n = \pi - \theta$, could be substituted into my simulation without affecting the relative performance of the two methods. In other words, Method 2 would still estimate the test period GOE better than Method 1.

Q: DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A: Yes it does.