

REDACTED

Rocky Mountain Power

Docket No. 21-035-01

Witness: Jack Painter

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED
Response Testimony of Jack Painter

December 2021

1 **Q. Please state your name, business address and present position with PacifiCorp,**
2 **d/b/a Rocky Mountain Power (“the Company”).**

3 A. My name is Jack Painter and my business address is 825 NE Multnomah Street, Suite
4 600, Portland, Oregon 97232. My title is Net Power Cost Specialist.

5 **Q. Are you the same Jack Painter who submitted direct and supplemental**
6 **testimony on behalf of the Company in this proceeding?**

7 A. Yes.

8 **PURPOSE OF TESTIMONY**

9 **Q. What is the purpose of your response testimony?**

10 A. My testimony responds to certain issues raised by the Utah Division of Public Utilities
11 (“DPU”) in its energy balancing account (“EBA”) Audit Report and by Daymark
12 Energy Advisors, Inc. (“Daymark”), on behalf of the DPU. Specifically, I address the
13 replacement power costs calculated by Daymark for the proposed adjustments related
14 to generating plant outages and the Wyodak coal cost adjustment.

15 **Q. Are any other Company witnesses filing testimony in response to issues raised by**
16 **the DPU and Daymark?**

17 A. Yes. Company witness Mr. Brad Richards provides testimony responding to the
18 proposed adjustments related to the two generating plant outages. Mr. Richards
19 explains that the Company was prudent in its operations and management of its thermal
20 generation plants.

21 **REPLACEMENT POWER COSTS**

22 **Q. Please describe the proposed adjustment for generation plant outages.**

23 A. Daymark recommends reducing net power costs from the EBA by \$53,873 on a Utah-

24 allocated basis attributed to two plant outages, which it claims were imprudent. This
25 adjustment consists of \$50,871 for the replacement power costs and \$3,002 in interest.

26 **Q. Does the Company agree these adjustments to the EBA recovery are appropriate?**

27 A. No. Company witness Mr. Richards responds to Daymark's recommendation and
28 provides support and detailed testimony for the Company's position that plant
29 operations were prudent, and the proposed adjustments are without merit.

30 **Q. Did you review Daymark's calculation for the replacement power costs associated**
31 **with the two outages?**

32 A. Yes.

33 **Q. Notwithstanding the Company's objection to the proposed adjustments, does the**
34 **Company agree with Daymark's calculation of the replacement power costs?**

35 A. No. While the Company agrees with the methodology Daymark used to calculate the
36 replacement power costs related to the June 28, 2020, Hunter Unit 3 outage, I found
37 that there is an error in the calculation. Additionally, the Company disagrees with the
38 methodology used by Daymark to calculate the adjustment they recommend for
39 replacement power costs associated with the July 5, 2020, Gadsby Unit 2 outage.

40 **Q. What is the impact to the adjustments proposed by the DPU?**

41 A. Table 1 below shows the impact of my recommended corrections and methodology
42 changes to the DPU's proposed adjustments. Confidential workpapers supporting my
43 calculations are provided with my testimony.

Table 1 - Recalculated DPU Adjustments

	DPU Audit		RMP Re-calculated	
	Total	Utah Alloc	Total	Utah Alloc
Hunter 3	72,313	32,442	256,081	114,886
Gadsby 2	41,078	18,429	16,612	7,453
Total	113,391	50,871	272,693	122,339
Interest		3,002		7,062
Total Outage Adjustment		53,873		129,401
Wyodak Correction		34,267		34,267
Total DPU Adjustment		\$ 19,606		\$ 95,134

44 **Q. Please describe the error found in the Hunter Unit 3 replacement power**
 45 **calculation proposed by Daymark.**

46 A. The outage occurred from June 28, 2020, and extended to July 1, 2020. Daymark’s
 47 calculation for replacement power costs includes the dates June 28, 2020, through
 48 June 30, 2020, but excludes the hours on July 1, 2020. After adding the hours from July
 49 1, 2020, to the calculation, the adjustment to net power costs on a total company basis
 50 is \$256,081, and after allocating to Utah and accounting for interest the adjustment is
 51 \$121,525.

52 **Q. Please describe how Daymark calculated the replacement power costs associated**
 53 **with the Gadsby Unit 2 outage.**

54 A. Daymark compared hourly average Locational Marginal Prices (“LMP”) from the
 55 California Independent System Operator (“CAISO”) in the day-ahead market

56 (“DAM”) during the outage period to the generation costs. Generation costs are
57 estimated based on average heat rates, natural gas prices at the Opal index market, and
58 \$[REDACTED]/megawatt-hours (“MWh”) for variable operations and maintenance (“VOM”)
59 costs. Any lost MWhs were determined by dispatching the unit when generation costs
60 were less than the hourly CAISO LMP. To calculate the replacement power cost,
61 Daymark multiplied lost MWh by the difference between the LMP and the marginal
62 generation cost.

63 **Q. Please describe why the Company disagrees with the methodology for the**
64 **Gadsby 2 replacement power calculation proposed by Daymark.**

65 A. Daymark calculated the replacement power costs associated with the Gadsby Unit 2
66 outage under the premise that Gadsby Unit 2 is a peaking unit. Gadsby Units 1-3 are
67 steamer units that operate as baseload generators whereas Gadsby Units 4-6 are
68 combustion turbine units that operate as peakers or peaking load generators. Because
69 of this difference in unit classification, it is appropriate to use a replacement power
70 calculation methodology similar to the one used for the Hunter Unit 3 outage.
71 Additionally, while the Company agrees with the calculation methodology of
72 replacement power costs if the Gadsby unit was classified as a peaking load generator,
73 the Company does not agree with the inputs Daymark used.

74 **Q. Which inputs did Daymark use that the Company finds problematic?**

75 A. First, as Daymark noted, PacifiCorp does not participate in the CAISO DAM; therefore,
76 lost output should not be valued at a market in which the Company does not participate.
77 It would be more appropriate to replace the CAISO DAM LMP with actual average
78 historic market prices at the 4-Corners market hub because this market hub is located

79 closest to the Gadsby plant. Second, the actual VOM cost should be used rather than
80 the estimated VOM included by Daymark. The actual VOM costs for Gadsby Unit 2 is
81 \$■■■■/MWh, compared to Daymark's estimated VOM costs of \$■■■■/MWh. In rebuttal
82 testimony by Daymark in Docket No. 17-035-01, Daymark accepted these changes to
83 the inputs in a similar replacement power costs calculation.¹ Lastly, Daymark should
84 have used actual average heat rate rather than the estimated heat rate.

85 **Q. Please describe the methodology the Company used to calculate the replacement**
86 **power costs associated with the Gadsby Unit 2 outage.**

87 A. The Company used a replacement power calculation methodology identical to that of
88 the one used for Hunter Unit 3 by both the Company and Daymark, except for the cost
89 of generation, the Company adjusted the calculation to better represent actual cost of
90 generation because actual monthly average prices fail to capture the operating
91 conditions for Gadsby Unit 2. Instead, the heat rate for Gadsby in Base NPC from the
92 most recent general rate case (“GRC”) in Docket No. 20-035-04 was multiplied by the
93 Opal natural gas hub historical average price for July 2020 and then added to the actual
94 VOM.

95 **Q. What is the Company’s calculation for replacement power costs at Gadsby 2?**

96 A. On a total company basis, the replacement power cost is \$16,612. After allocating to
97 Utah and accounting for interest the adjustment is \$7,876.

¹ In the Matter of the Application of Rocky Mountain Power to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism, Docket No. 17-035-01, Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler at 14:293-306) (January 11, 2018).

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WYODAK COAL COST ADJUSTMENT

99 **Q. Please describe the proposed adjustment for Wyodak coal costs.**

100 A. The DPU recommends the Company's requested recovery be updated to include a
101 correction for Wyodak coal costs. The correction is \$68,017 on a total company basis
102 and \$34,267 after allocating to Utah and accounting for interest.

103 **Q. Does the Company agree with the calculation and adjustment by DPU?**

104 A. Yes.

105 **Q. Given this update, what is the Company's updated requested recovery in this
106 proceeding?**

107 A. The Company requests the Public Service Commission of Utah ("Commission")
108 approve the Company's requested recovery of \$6,640,339, which is \$6,606,072
109 requested in the Company's supplemental filing plus the \$34,267 correction for
110 Wyodak coal costs. As previously stated, the Company does not recommend the
111 Commission adopt DPU's recommended adjustments related to replacement power
112 costs associated with two generation outages.

113 **Q. Does this conclude your response testimony?**

114 A. Yes.