Rocky Mountain Power
Docket No. 23-035-01
Witness: Jack Painter

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Jack Painter

January 2024

Q. Please state your name, business address and present position with PacifiCorp, dba Rocky Mountain Power ("the Company or Rocky Mountain Power").

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

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

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your response testimony?

A. My testimony responds to the direct testimony of Ms. Alyson Anderson on behalf of the Office of Consumer Services ("OCS"), in support of the Division of Public Utilities' ("DPU") request to delay the prudence review of the Company's dispatch of coal resources during calendar year 2022. My testimony presents arguments against this proposal and explains that the Company has provided significant evidence of the prudence of our dispatch decisions while the OCS has offered no evidence that the Company did not appropriately and prudently dispatch its coal resources.

Q. Can you please summarize your testimony?

A. Yes. First, I address and explain why the OCS's request to delay review of EBA costs is unnecessary and inconsistent with the Public Service Commission of Utah ("Commission") guidance on this issue. Afterwards, my testimony responds to OCS's concerns on the economic dispatch of coal resources and explains the conclusions from the report that the Company recently filed in the Idaho Energy Cost Adjustment Mechanism ("ECAM"), which was requested by the OCS and the DPU.

Q. Do you present any exhibits with your rebuttal testimony?

A. Yes. My rebuttal testimony includes two confidential exhibits. Confidential Exhibit RMP___(JP-1R) provides a copy of a report prepared by the Company at the direction of the Idaho Public Utilities Commission ("IPUC") as part of the Idaho ECAM for calendar year 2022 ("Coal Report"). The IPUC directed the Company to prepare the Coal Report to investigate and report on the issues causing the extraordinarily high net power costs ("NPC") experienced in calendar year 2022, with a focus on the lack of coal generation and coal supplies, and the Company's management of those issues, as described by IPUC Staff in the Idaho ECAM. The Company submitted the Coal Report to the IPUC on December 22, 2023, in compliance with an IPUC Order issued May 31, 2023.[1] The Company also provided a copy of the Coal Report to the DPU, OCS, and Utah Association of Energy Users ("UAE") through discovery on the same day it was filed with the IPUC.[2] I provide this Coal Report for the Commission and the record in this matter as it is the basis of the DPU's recommendation in this case to retain the ability to propose adjustments to calendar year 2022 costs associated with the Company's dispatch of its coal generation fleet in the 2024 EBA. Also attached to my testimony is Confidential Exhibit RMP___(JP-2R) which are copies of certain discovery related to coal dispatch that was provided to the DPU during this case.

Q. In what capacity were you involved with the preparation of the Coal Report?

A. I was one of many subject matter experts within the Company who contributed to the preparation of the Coal Report along with other experts from energy supply management and the fuels groups.

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[1] DPU Exhibit 1.7D Dir, Idaho PUC Case No. PAC-E-23-09, Order No. 35801.
[2] Confidential Exhibit RMP___(JP-2R), 1st Supplemental Response to DPU Data Request 17.4.

REQUEST FOR EXTENDED REVIEW OF CY 2022 COSTS IN THE 2024 EBA

Q. Please describe OCS's request for extended review of CY 2022 EBA costs in the 2024 EBA.

A. The OCS states that it shares the DPU's concerns regarding the magnitude of the EBA recovery in this proceeding as well as the prudence of the Company's dispatch of its coal resources. The OCS supports the DPU's request to be able to preserve its ability to make recommended adjustments to the deferred EBA costs for calendar year 2022 in this case during the course of the Company's next EBA filing.[3]

Q. Why should the Commission reject the request for additional time to review CY 2022 EBA costs?

A. As stated in my direct testimony, Utah Code Ann. § 54-7-13.5(2)(l)(ii) requires the Commission to issue a final order establishing and fixing an electrical corporation's balancing account "before the expiration of 300 days after the day on which the electrical corporation files a complete filing." In 2022 the Commission denied an application by the Company to implement a procedural schedule that did not comply with the 300-day statutory requirement.[4] Additionally, in the 2022 EBA order, the Commission stated it believed serious legal questions existed when it addressed a request from UAE to condition recovery for certain costs in that case beyond the final order, which would essentially have allowed parties to "revisit the issue in the future."[5]

[3] Exhibit OCS-1D, Testimony of Alyson Anderson at 6-7.
[4] *Rocky Mountain Power's Application for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, Order at 4 (Feb. 24, 2022).
[5] *Rocky Mountain Power's Application for Approval of the 2022 Energy Balancing Account*, Docket No. 22-035-01, Order at 28 (Jan. 9, 2023).

Q. Even if Utah law does not require a final order within 300 days, why should the Commission reject the OCS's arguments in support of delaying the review of costs in this EBA filing to the next EBA?

A. The Commission should reject the OCS's arguments in support of the DPU's proposal to delay review of the costs because the Company has provided significant evidence on the prudence of the Company's economic dispatch of its coal units and addressed the concerns presented by the parties in this proceeding with explanations and evidence. The Company has provided the information requested by parties in this case to describe the conditions in 2022. It is inappropriate for the DPU and OCS to expect two complete EBA cycles to review the Company's EBA application and determine prudency.

Q. What arguments does the OCS present to support its recommendation?

A. The OCS cites a prior Commission order dealing with prior period accounting adjustments to the EBA to argue that a delay in the review of the calendar year 2022 deferred costs is appropriate. The OCS also argues that the size of the request in this case supports additional review time, suggesting that the dispatch of coal resources contributed to the size of the EBA deferral. My testimony addresses these arguments and explains why they are not valid.

Q. Please describe the Commission's decision that OCS references related to the treatment of out-of-period adjustments in the EBA.

A. On February 16, 2017, the Commission issued an order in Docket No. 09-035-15 where it ruled that the Company could include certain prior period adjustments in the EBA ("Prior Period Order"). The OCS argues that the Prior Period Order constitutes precedence for the requested delay in prudence review sought by the DPU in this case.

Specifically, the OCS quotes Prior Period Order language that states that not allowing prior period adjustments would "disallow prudent NPC amounts booked in accordance with generally accepted accounting principles and cites examples where estimated or accrued costs or benefits from prior periods could not be reconciled with actual costs or benefits until after an audit or until more accurate information became available."[6]

Q. Can you please provide the context for the facts in that matter and contrast how the circumstances compare to the proposal in this case?

A. In that order, the Commission was ruling on the issue of accounting entries pertaining to operating periods prior to the deferral period. Specifically, the Company was arguing to be able to continue its policy of ensuring NPC accurately reflected the impact of entries booked according to Generally Accepted Accounting Principles ("GAAP") pertaining to operating periods prior to the implementation of the EBA. For example, in some instances the Company may have a dispute with a counterparty during the settlement of an energy sales transaction. In these circumstances, the Company books an estimate to properly account for the purchase or sale that has taken place, so its books are as accurate as possible until the dispute is resolved. Then, once the dispute is resolved, accounting entries may be required to properly reflect the outcome. If the dispute is resolved after the end of a given EBA deferral period, the true-up entry becomes a prior period, or out-of-period, adjustment. In that proceeding, the DPU argued that these out-of-period adjustments should not be included in the EBA. The Commission made a finding in its Prior Period Order that these types of accounting adjustments are permitted under Utah Code Ann. § 54-7-13.5. The Commission also

[6] Docket No. 09-035-15, Order at 13 (Feb. 16, 2017).

stated, "consistent with our experience with other balancing accounts, we find that difficulties exist with closing various transactions within the deferral period."

On the other hand, the DPU and OCS argue in this proceeding that they should be allowed to propose adjustments to costs from this EBA proceedings in a future EBA proceeding. Allowing prior period accounting adjustments in order to accurately reflect net power costs is not the same as allowing parties to take longer than the 190 days provided in the procedural schedule in the EBA tariff[7], and longer than the 300 days required under Utah Code Ann. § 54-7-13.5(2)(l)(ii) to review the Company's case and propose adjustments regarding the prudence of the costs that are included. These are distinctly different issues, and the Prior Period Order does not establish precedent that the DPU's proposal is "appropriate and allowed within the EBA review process"[8] as asserted by Ms. Anderson.

Q. Even if the Prior Period Order could be construed as precedent to approve the DPU's request, are there other facts the Commission should consider?

A. I am aware that at the time the Prior Period Order was issued, the EBA did not have the 300-day statutory period. The Utah Legislature enacted the required 300-day statutory review period in the EBA proceedings in the 2021 Legislative Session, after this order was issued.

[7] Electric Service Schedule No. 94, Sheet 94.3.
[8] Exhibit OCS-1D, Anderson at 3.

Q. In its arguments leading up to the Prior Period Order, the Company stated that Utah Code Ann. § 54-7-13.5(2)(c)(ii) allows for reconciliation of EBA accounts and does not preclude updates when new information becomes available. Does the DPU's and OCS's request fall under the umbrella of "new information"?

A. No. The DPU and OCS argues that the prudency review of the calendar year 2022 costs associated with the Company's coal dispatch should be allowed in the 2024 EBA because the Coal Report is new information. Although the IPUC directed the Company to prepare the Coal Report on May 31, 2023, it did not require it to be filed until the end of 2023. The DPU and OCS argue that waiting for the Coal Report was necessary before the prudence review could be conducted in this case. While the Coal Report was not available until December 22, 2023, the information presented is not new information and was available to the DPU and OCS at any time during this proceeding. Nothing prevented any party in this case from conducting its own review, and the information necessary to conduct a review could have been requested and audited by the DPU, OCS, and any other intervenor in this proceeding during the pendency of the docket.

Q. The OCS claims that the DPU "attempted to investigate the reason the coal units did not economically dispatch as expected during the second half of 2022[,]"[9] specifically referencing data request DPU 17.4. How do you respond?

A. Although the IPUC issued its order directing the Company to prepare the Coal Report on May 31, 2023, the DPU did not submit data request set 17, including question 4 inquiring about the report, until October 13, 2023. At the DPU's request, the Company

[9] Exhibit OCS-1D, Anderson at 5.

expedited its turnaround time to respond, and provided responses to DPU's set 17 on October 26, 2023 (8 days early). The questions are provided in Confidential Exhibit RMP___(JP-2R). Although the OCS characterizes this as the DPU's attempt to investigate the dispatch of coal resources, the questions were asked less than a month before the DPU's audit report was due.

Q. What evidence does the DPU and OCS cite that led them to question whether the Company's dispatch of its coal resources was prudent, warranting additional investigation?

A. Ms. Anderson's testimony includes Figure 1, comparing actual and base NPC, noting that the actual costs increased significantly compared to the projection in the second half of 2022. Ms. Anderson concludes that this disparity warrants additional investigation as proposed by the DPU.

Q. What is the source of this information and when was it provided?

A. As referenced in footnote 6 of Ms. Anderson's testimony, this information was obtained from my Direct Testimony that was filed May 1, 2023.

Q. Did IPUC Staff specify what information it wanted from the Company to review CY 2022 coal dispatch?

A. Yes. IPUC Staff provided a list of requested information in its comments.[10]

Q. When did IPUC Staff file its comments containing this list of requested information?

A. The IPUC Staff comments were submitted in the Idaho ECAM proceeding on May 10, 2023.

[10] DPU Exhibit 1.7B Dir, Idaho PUC Case No. PAC-E-23-09, Comments of the Commission Staff at 7-8.

Q. Do you believe the DPU was aware of this list of information requested by IPUC Staff to conduct a comprehensive review of the Company's coal dispatch?

A. Yes. The DPU attached a copy of the IPUC Staff comments submitted by the DPU as DPU Exhibit 1.7B Dir.

Q. Could similar information have been requested by the DPU, OCS, or other intervenors earlier in this proceeding?

A. Yes. The Company had the information and even told the IPUC in reply comments that it was able to provide the information within a month.[11] The DPU and OCS point to information that was provided in the Company's May 1, 2023 filing as the evidence suggesting additional review was warranted. Nothing precluded the DPU, OCS, or any other party from acting on its concerns earlier in this proceeding and requesting whatever information deemed necessary to conduct a prudency review at any time between May 1, 2023 and November 7, 2023. The DPU and OCS claim the Coal Report is new information and was not available in time to inform potential adjustments in this case, but it is unclear to the Company why the DPU did not investigate on their own accord since they claim they found evidence in the May 1, 2023 filing that suggested an investigation was needed.

Q. What information was provided regarding the coal dispatch issue that the parties possessed? When was the timing of that information made available?

A. As I noted in my previous testimony, the Company has been transparent and forthright regarding the coal inventory challenges that were faced in 2022, and this was noted by

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[11] DPU Exhibit 1.7C Dir, Idaho PUC Case No. PAC-E-23-09, RMP Reply Comments 5-17-2023 (CONFIDENTIAL) at 15- 16.

the DPU in their coal inventory report in March of this year.[12] In addition to the annual fuel audit, the Company also provided information in this proceeding through the filing requirements as well as discovery. To illustrate, I have provided the discovery in this proceeding pertaining to calendar year 2022 coal dispatch in Confidential Exhibit RMP___(JP-2R).[13]

Q. Was any information included in the Coal Report unavailable at the beginning of this proceeding?

A. No, and as I noted above, the Company has been forthright and transparent about the recent issues in maintaining coal inventory in Utah.

Q. Has the Company provided full and thorough information regarding power costs since the beginning of this filing?

A. Yes. The Company made a complete filing on May 1, 2023, with evidence and explanations for its net power costs including the filing requirements and additional filing requirements. As parties reviewed the Company's filing and submitted discovery to review aspects of the filing, the Company provided complete and accurate responses to discovery, including the questions asked about coal dispatch. Until the discovery received from the DPU in October, the Company was not aware of the extent of DPU's concerns with its coal dispatch. The Company was certainly not aware of the DPU's stance that its review of calendar year 2022 costs was waiting on information from a proceeding in a different jurisdiction until its November 7, 2023, Audit Report.

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[12] *Division of Public Utilities' Audit of PacifiCorp's 2022 Fuel Inventory Policies and Practices*, Docket No. 23-035-14 Memorandum at 6-7 (Mar. 29, 2022).

[13] The Company notes that DPU data request set 14 also discussed coal dispatch, but the DPU specified that the questions pertained to the values for actual NPC for January – June 2023 as reported in the 2nd Quarter 2023 Energy Balancing Account report filed in this proceeding on August 31, 2023.

Q. If the information was available earlier, why was the IPUC Coal Report not prepared until December 22, 2023?

A. Although the Company offered to provide the information to resolve IPUC Staff's concerns with a one-month process from its May 17, 2023, reply comments,[14] the IPUC determined the timing of the Coal Report would be the end of 2023.

Q. Ms. Anderson states that the OCS agrees with the DPU that the size of the EBA deferral in this case warrants additional time to review and audit the EBA. Do you agree?

A. No. The size of the EBA deferral in any given year is simply calculated as the difference between Base NPC and Actual NPC. EBA filings are a review of the Company's entire NPC, not just the incremental portion of NPC that has been deferred. The Company does not disagree that calendar year 2022 NPC was relatively large in magnitude and that the DPU's responsibility to audit its NPC is a significant undertaking. However, consideration for the magnitude and importance of NPC review is already built into the EBA proceedings through a relatively lengthy 300-day statutory timeframe, of which 190 days is provided to the DPU to conduct its Audit. In comparison, the statutory period for a general rate case, where *all* the Company's costs and revenues are reviewed is only 240 days. All EBA filings, regardless of size, should be able to be reviewed within the 300-day statutory limit and the arbitrary size of a deferral in any given year is not justification to lengthen the time for review by an entire EBA cycle.

[14] DPU Exhibit 1.7C Dir, Idaho PUC Case No. PAC-E-23-09, RMP Reply Comments 5-17-2023 (CONFIDENTIAL) at 15- 16.

ECONOMIC DISPATCH OF COAL RESOURCES

Q. Setting aside the previous discussion regarding the DPU and OCS request for additional time to review the Company's coal dispatch, were the Company's actions with respect to dispatch of its coal resources in CY 2022 prudent and reasonable?

A. Yes. Actual coal generation in calendar year 2022 was reasonable and in the best interest of its customers. The Company operated prudently based on market conditions that were influenced by multiple factors including but not limited to, the war in the Ukraine, high market power prices and gas prices, and extreme weather events. The Company was also challenged by force majeure events outside of its control, but the Company was properly prepared for these events with sufficient stockpile supplies at both the Hunter and Huntington plants as well as the Rock Garden safety pile. Faced with force majeure events, the Company took proactive measures to deploy its coal fleet prudently by working to secure additional coal while prudently managing its coal supply to ensure its coal fleet reliability was maintained.[15]

Q. Were the conclusions in the Coal Report consistent with your testimony filed on December 7, 2023?

A. Yes. The information provided and explanations are consistent with my response testimony, which addressed the same issues impacting the company's NPC.[16] I would however note that Base NPC rates used in the Idaho ECAM are different than the Base NPC rates used in the EBA. This means that some of the quantitative analysis in the Idaho ECAM Report would be different for Utah. However, the discussion of the

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[15] Confidential Exhibit RMP___(JP-1R) at 23-24.
[16] Response Testimony of Jack Painter at 2-7 (Dec. 7, 2023).

conditions and the actions taken by the Company to prudently respond to multiple unforeseen and uncontrollable events is valid for Utah, and consistent with all the previous testimony provided in this docket.

Q. OCS witness Anderson additionally refers to DPU witness Gary Smith's testimony regarding the economic dispatch of the Company's coal resources.[17] Has the Company addressed those concerns?

A. Yes, as I described earlier, I addressed these concerns in my response testimony.[18]

Q. Has the Company provided sufficient evidence to explain the Company's coal dispatch in this proceeding?

A. Yes. Despite the OCS concerns regarding the economics of the Company's coal dispatch, my response testimony provided sufficient evidence to describe difficulties in maintaining coal stockpiles for the Company's Utah coal plants in 2022, and the associated impact on coal generation that occurred.

Q. The OCS notes that the size of the deferral balance has increased, and that this is the largest ever deferral balance and there are significant differences between actuals and the forecast.[19] Has the Company provided an explanation of the cost drivers causing this increased balance?

A. Yes. The Company's baseline NPC forecast was set in 2020 (for a 2021 test year) and natural gas and power market conditions have changed significantly since. My direct testimony provided an overview of the drivers causing these variances.[20] Comparing actual conditions from 2022 to a normalized forecast set in 2020 does not provide any

[17] Exhibit OCS-1D, Anderson at 4-5.
[18] Response Testimony of Jack Painter at 2-7.
[19] Exhibit OCS-1D, Anderson at 3-4.
[20] Direct Testimony of Jack Painter at 15-19 (May 1, 2023).

indication or evidence regarding the prudence of the actual costs that were incurred in 2022. There will be differences, and with the change in natural gas markets, power markets, and significant weather events that has occurred since 2020, the changes in actual operations when compared to a forecast are dramatic.

CONCLUSION

Q. What is your recommendation to the Commission?

A. The Company requests the Commission reject the OCS recommendation that the Commission allow parties to propose adjustments to calendar year 2022 costs in the 2024 EBA and approve the Company's request to recover $175,029,815 as presented in its initial application.

Q. Does this conclude your rebuttal testimony?

A. Yes.