ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

1407 W. North Temple
Salt Lake City, UT 84116

January 22, 2024

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

Re: Docket No. 23-035-01
Rocky Mountain Power's Application for Approval of the 2023 Energy Balancing Account
Rocky Mountain Power's Surrebuttal Testimony

In accordance with the Scheduling Order and Notice of Hearings issued by the Utah Public Service Commission ("Commission") on May 11, 2023, PacifiCorp, d.b.a. Rocky Mountain Power, hereby submits for electronic filing its surrebuttal testimony in the above referenced matter.

The Company's filing includes the surrebuttal testimony of Mr. Jack Painter and the confidential surrebuttal testimonies of Messrs. Brad Richards and John Fritz. Confidential information has been uploaded to the Commission's SFTP site and separately provided to intervening parties in this matter who have filed an Appendix A. Confidential information is provided subject to Public Service Commission of Utah Rule 746-1-602 and 746-1-603.

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,

Joelle Steward
Senior Vice President, Regulation and Customer & Community Solutions

cc: Service List Docket No. 23-035-01

CERTIFICATE OF SERVICE

Docket No. 23-035-01

I hereby certify that on January 22, 2024, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services	
Michele Beck	mbeck@utah.gov
ocs@utah.gov	
Division of Public Utilities	
dpudatarequest@utah.gov	
Assistant Attorney General	
Patricia Schmid	pschmid@agutah.gov
Robert Moore	rmoore@agutah.gov
Patrick Grecu	pgrecu@agutah.gov
Utah Association of Energy Users	
Phillip J. Russell	prussell@jdrslaw.com
Kevin Higgins	khiggins@energystrat.com
Neal Townsend	ntownsend@energystrat.com
Millicent Pichardo	mpichardo@energystrat.com
Rocky Mountain Power	
Data Request Response Center	datarequest@pacificorp.com
Jana Saba	jana.saba@pacificorp.com utahdockets@pacificorp.com
Ajay Kumar	Ajay.kumar@pacificorp.com

Carrie Meyer
Adviser, Regulatory Operations

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

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Surrebuttal 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, response testimony, and rebuttal testimony on behalf of the Company in this proceeding?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your surrebuttal testimony?

A. My testimony responds to several items raised in the rebuttal testimony of Mr. Gary Smith on behalf of the Division of Public Utilities ("DPU"). Additionally, I respond to the rebuttal testimony of Mr. Philip DiDomenico and Mr. Dan F. Koehler on behalf of Daymark regarding the Company's calculation of replacement power costs.

Q. Can you please summarize your testimony?

A. Yes. Mr. Smith withdrew his recommendation that prudence review of coal dispatch costs in calendar year 2022 be preserved to the Company's 2024 energy balancing account proceeding. Since that issue is no longer being promoted by the DPU, my surrebuttal testimony provides responses and clarifications to various statements and questions posed by Mr. Smith in his rebuttal testimony. First, I explain how the Company will address the DPU's question with respect to how high demand periods are determined for coal reserves. Second, I respond to Mr. Smith's claim that the Company did not provide information in its application or testimony about the challenges the Company faced in its coal supply and generation. Third, I clarify conflicting statements about discovery. Fourth, I explain a prior period adjustment that was mentioned by Mr. Smith. Lastly, I address the error Daymark identified in the Company's calculation of replacement power costs.

ECONOMIC DISPATCH OF COAL RESOURCES

Q. Please describe the DPU's most recent position with respect to the dispatch decisions related to the Company's coal resources.

A. Mr. Smith states that the DPU no longer requires additional time to review calendar year 2022 costs in consideration of the investigative coal report prepared for the Idaho Public Utilities Commission as part of the Idaho Energy Cost Adjustment Mechanism proceeding ("Coal Report"). However, Mr. Smith continues to express concerns with the Company's treatment of coal reserves and seeks to understand how the Company defines and maintains coal stockpile levels to ensure reliability during high-demand periods. Mr. Smith states the DPU will review these concerns in future proceedings.

Q. Is the Company committed to working with the DPU to provide information necessary for it to address the outstanding concerns?

A. Yes. As described in my response testimony, the Company will provide additional information as requested by the DPU. The Company also notes the annual fuel review meeting with the DPU to discuss fuel inventory will present additional opportunity for a discussion prior to the filing of the 2024 EBA on May 1, 2024.

Q. Mr. Smith's testimony states that "The Company did not provide any specific details in its application or direct testimony related to the challenges it faced on this matter."[1] Do you agree?

A. It is true that the Company's initial application and direct testimony did not specifically discuss the challenges with regards to coal inventory. However, the Company provided detailed information regarding the amount of coal delivered and consumed for each month at each plant with the Company's initial filing in Additional Filing Requirement 13. Also, these challenges were raised and discussed with the DPU during the annual fuel inventory policies and practices audit that took place March 10, 2023. Typically, the Company's energy balancing account applications and direct testimony provide discussion of the overall drivers behind changes in net power costs. For calendar year 2022, the major driving forces for net power costs were extreme weather events, high market power and gas prices, and the war in Ukraine. While coal supply limitations impacted system operations, the Company considers them secondary to the main drivers affecting net power costs. The Company is not always able to anticipate in advance the specific areas of its EBA costs the parties in the case will want to review. Additional information for specific areas of interest, such as the coal supply and dispatch, was provided through discovery.

[1] Smith rebuttal, Lines 62-63.

OUT-OF-PERIOD ADJUSTMENTS AND COLLECTIONS

Q. Mr. Smith claims that the Company regularly includes out-of-period adjustments and collections, citing an approximately $2 million adjustment that is included in the request in this case. Can you please explain the $2 million prior period adjustment referenced?

A. The $2 million adjustment included in this EBA filing is the amount of collection authorized in the 2021 EBA that has not been collected through rates. In the 2021 EBA, the potential for a shortfall in collections was contemplated and addressed in a settlement stipulation between the Company and the DPU.[2]

DISCOVERY CLARIFICATION

Q. Did Mr. Smith make any statements for which you wish to provide clarification?

A. In rebuttal testimony, Mr. Smith states that the Company was generally responsive and timely in responding to discovery, but notes that the Company requested an extension for DPU's data request set 17. On lines 149-151 of my rebuttal testimony, I reference the same set of discovery, but report that the Company provided the responses early. To clarify the record, the Company contacted the DPU and confirms that the DPU intended to reference DPU data request set 14 as the set for which the Company requested an extension.

Q. Why did the Company seek an extension for DPU data request set 14?

A. The Company tries to limit requests for extensions on discovery as much as possible. The questions in DPU data request set 14 specified that the questions asked pertained to the values for actual NPC for January through June 2023 as reported in the 2nd

[2] Docket No. 21-035-01, Settlement Stipulation, Jan. 19, 2022, paragraph 10.

Quarter 2023 Energy Balancing Account report filed in this proceeding on August 31, 2023. Since those questions were not pertaining to calendar year 2022 costs the DPU was auditing in this proceeding, the Company requested an extension so it could prioritize its resources to respond to other discovery, such as DPU data request set 17.

REPLACEMENT POWER COST CALCULATION

Q. How did Daymark respond to the updated calculations you presented in your response testimony related to the Dave Johnston derate events?

A. Daymark agreed with my reasoning that the Dave Johnston events were derates and the original Daymark replacement power cost calculations were overestimated.

Q. Did Daymark agree with the Company's replacement power cost calculations from my response testimony?

A. Yes, but with one correction. Daymark noted that a peak period market price was applied to an off-peak hour resulting in a minor adjustment to my calculation for the Dave Johnston derate events.

Q. Did Daymark make any other recommendations with regards to the Dave Johnston events?

A. After agreeing with the Company's classification of the Dave Johnston events as derates and not outages, Daymark has withdrawn its recommended adjustment related to the Dave Johnston Unit 3 derate event due to its de minimis nature.

Q. What did Daymark calculate as the replacement power costs after removing the Dave Johnston Unit 3 derate event and correcting for the misapplied off-peak hour?

A. Daymark reduced its replacement power costs calculation on a Utah-allocated basis by

$8,098 for the Dave Johnston Unit 3 removal and minor error plus a reduction in interest of $369.

Q. With the corrections, Does the Company agree that the Commission should adopt Daymark's recommended adjustments?

A. No. The Company continues to disagree that an adjustment for the events is warranted as addressed by Mr. Brad Richards. However, the Company agrees that Daymark's replacement power cost calculations as presented in its rebuttal testimony is reasonable.

CONCLUSION

Q. What is your recommendation to the Commission?

A. The Company requests the Commission approve the Company's request to recover $175,029,815 in the EBA as presented in its initial application.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

REDACTED
Rocky Mountain Power
Docket No. 23-035-01
Witness: John Fritz

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED
Surrebuttal Testimony of John Fritz

January 2024

INTRODUCTION AND QUALIFICATIONS

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 John Fritz, and my business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. I am currently employed as the Director of Credit, Contracts, and Risk Management.

Q. Please describe your education and professional experience.

A. I received a Bachelor of Science degree with a focus on finance from the University of Central Florida. I was first employed by PacifiCorp in 2002, as a senior analyst in Strategy and Planning. In 2004, I moved to Risk Management, as senior risk management analyst, joining management in 2006. In 2009, I assumed responsibility of the Middle Office, and became the Director of Risk Management. In 2013, I assumed responsibility for Credit, and in 2022, assumed responsibility for Contract Administration. I have been a lead member of the Risk Oversight Committee since 2006, advising the committee and executive leadership about market and credit risk, hedging and risk management activities, policies, procedures, and controls. I participated in the Company's hedging collaborative workshops that began in 2009 which resulted in the adoption of new hedging metrics and programs. I led many technical conferences and workshops on hedging, risk management, and improvements to programs, policies, and energy balancing account filings. In 2021, I led the most recent redesign of the Company's power and natural gas hedging and risk management program.

Q. Did you offer prior testimony in this Docket?

A. No, however I am adopting the response testimony of Mr. Douglas R. Staples.

Q. Have you testified in any previous regulatory proceedings?

A. No.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this case?

A. My testimony responds to the rebuttal testimony of Mr. Philip DiDomenico and Mr. Dan F. Koehler of Daymark Energy Advisors, Inc. ("Daymark") who submitted rebuttal testimony on behalf of the Division of Public Utilities ("DPU" or "Division").

Q. Please describe how your testimony is organized.

A. My testimony discusses the differences between Daymark's position in their initial report and their position in rebuttal testimony. I then explain several factors that were not considered by Daymark, all of which create powerful disincentives for the use of index-priced products. Among them are the inclusion of price adders in indexed transaction prices and the failure of index-priced products [redacted]. I then explain why Daymark's contention that the Company paid above-market rates for these transactions is a misrepresentation before concluding with my recommendation to the Commission.

Q. What specific issues in Daymark's rebuttal testimony are you responding to?

A. My testimony provides additional context regarding the trades at issue in this docket and additional detail regarding the correct interpretation of the data request response upon which Daymark's relies for its assessment of imprudence.

Q. Does Daymark maintain that the transactions in question are imprudent because they represent [redacted]?

A. No. Mr. DiDomenico and Mr. Koehler agree [redacted] is prudent and supportable if the intention is to [redacted].

Q. Does this mean that Daymark no longer urges the Commission to find that the Company has failed to demonstrate the prudence of the transactions in question?

A. No. Daymark's witnesses agree that it is possible [redacted] even when the Company's position report [redacted], provided those purchases are [redacted] inherent in the Company's actual operations, which can only be imperfectly reflected in its forecast. However, Daymark's rebuttal asserts that only index-priced transactions are suitable for the purpose of acting as [redacted] under such circumstances. They contend that not only were the transactions in question fixed-priced, but that the Company had a choice of [redacted]. In that way, they are reaching the same conclusion, but for a different reason.

Q. Has Daymark interpreted the data request response referenced in their testimony correctly?[1]

A. No. The response correctly notes that index-priced transactions were considered because those products are considered as a matter of course.[2] However, at the time the

[1] Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler at 5-6:59-72 (Jan. 8, 2024).
[2] DPU Exhibit 2.2R, RMP Confidential Response to DPU Data Request 19.2 (Jan 8, 2024).

Company was executing these hedges, volatility was quite high, which ordinarily commands a very high premium included with the index price. My testimony below includes more detail on the topic of these price adders. Particularly if the market is indicating scarcity, those adders increase a great deal because deliverability risks are exacerbated under those conditions, and the price adders are sometimes used to compensate sellers of firm products for shouldering the deliverability risk. The Company's response to the referenced data request emphatically was *not* intended to indicate that the Company [redacted] and chose to reject them.

Q. Please explain what is meant by the term "price adder."

A. In addition to the relative lack of availability of index-priced products for forward periods, most sellers are only willing to engage in floating priced transactions if there is a substantial price adder included in the transaction price, meaning sellers of index products during peak seasons require a large premium in addition to the daily settled price.

The use of index-priced products with minimal or no price adders is possible in some markets (e.g., natural gas) for a host of reasons, including but not limited to, a significantly larger number of available counterparties, differing sophistication levels among commodity producers, the presence of a liquid and established reference market (i.e., Henry Hub for natural gas), interest from financial market makers, and ease (or difficulty) of physical delivery. However, the index physical hedging alternative to fixed-price physical hedging suggested by Daymark's witnesses is not comparable or applicable in the physical power market of the Western United States.

In the power market, sellers will not simply agree to sell forward index at prices based on the prevailing market rate at the time of delivery, but routinely add a premium to that prevailing market rate. This is sometimes referred to as "index-plus" pricing. At locations like Four Corners, Mona, and Mid-C, it is not unusual for those adders to be as high [redacted] is somewhat more common, depending on the market and period in question.

Q. How do these price adders vary based on demand conditions?

A. As mentioned above, the index-plus pricing can compensate sellers of firm products for shouldering the deliverability risk (and costs) associated with marketing firm products. As demand increases, the physical system can become more and more congested, leading to difficulty ensuring physical delivery. For that reason, those price adders tend to be larger at times when prices and volatilities are high because those conditions are indicative of strong demand.

Q. How do price adders impact that suitability of index-forward physical purchases to hedge risk for customers?

A. Price adders can create a powerful disincentive to purchase forward power supply at index versus at a fixed price. Index-priced transactions do not protect customers from price risk, as the transaction price may settle higher than the market cap. They not only fail to offer protection against price swings, but they *guarantee* that the Company will pay more than the spot market demands to secure power, due to the price adders. This is sometimes acceptable if the price adders are minimal, but once they become material, they create compelling reasons to prefer a fixed price transaction.

As mentioned in the Mr. Staples response testimony in this docket,[3] scarcity can drive extremely high prices, and index-priced transactions would not only guarantee that customers would be exposed to those extreme prices but would in fact be required to pay over and above those rates as a consequence of the price adder.

Moreover, a consideration of possible alternatives weighs in favor of fixed price power purchases under these circumstances. [redacted]. Fixed price physical transactions [redacted]. That does not indicate that, *with the benefit of hindsight*, they will invariably be shown to have been optimal, but it does mean that if there is a reason to execute the transactions, fixed prices are a reasonable choice.

Consider Table 1 below, which compares the characteristics of the instruments available to procure firm power in power markets.

[3] Response Testimony of Douglas R. Staples at 15:287-295 (Dec. 7, 2023).

TABLE 1

Instrument	**Price**	**Price Volatility**	**Availability/ Liquidity**
Fixed-price physical forward purchases	A counterparty agrees to sell to the Company at a set price. This is the price paid regardless of where spot prices settle.	Price is fixed at transaction. Spot prices may settle higher or lower than fixed price of transaction. Reduces portfolio exposure to spot market volatility by fixing a portion of required purchases.	Generally available
Index-physical forward purchases	A counterparty agrees to sell to the Company at index plus a premium to compensate the seller for deliverability risk. The price paid will be the index settlement price plus the premium agreed to in the transaction.	Price will be higher than settlement index by amount of price adder. No reduction to spot market volatility.	Limited availability. May require a large price adder to get market makers to sell.
Spot purchases	The price paid will be the spot market price, potentially with an adder or discount.	No reduction to spot market volatility.	In extreme conditions, may not be available at any price.

The products have identical [redacted], meaning all are suitable for the purpose of avoiding a [redacted]. However, fixed-price products are generally more available, and have the effect of [redacted]. In addition, the prices may be above or below the clearing price, but there is clarity to the cost. Index-priced transactions offer no such clarity, and routinely require the Company to pay more than the market would demand to secure adequate supply.

Q. Does the prospect of scarcity actually bolster support for the use of fixed-price products, even when [redacted]?

A. Yes. High forward pricing is a strong indication that power may be scarce in the spot market, which is a signal of extreme price volatility. [redacted].

Q. Are there potential future situations where the Company may use index-priced transactions?

A. Yes. [redacted]

Q. Does Daymark's testimony offer any statements of technical details that require clarification?

A. Yes. Daymark asserts the transactions in question were [redacted]"[4]

Q. Please explain why the number identified by Daymark is a mischaracterization.

A. The calculation cited compares the transaction price to the prior day's mid-market forward price curve. This latter value cannot be used to infer an amount the Company *should have paid* in the execution of any given transaction to imply the Company paid above-market for the trades in question for several reasons discussed below.

First, the "above-market" value referenced above is based on a mid-market price. In other words, the mid-market price is based on an average of bid and offer

[4] Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler at 6:77-78 (Jan. 8, 2024).

prices from third-party brokers. In markets where [redacted] can be a concern, including the third quarter in the Southwest, entities may be forced to transact at the offer price due to the dearth of sellers. PacifiCorp, as a utility, is a price taker. [redacted], so negative mark-to-market ("MTM") is expected and not an indication of paying above-market rates. This is particularly pronounced when markets are indicating [redacted], as the bid-offer spread tends to widen when [redacted].

For example, if the market was showing a bid price of $180 per MWh and an offer price of $220 per MWh, the mid-market would be $200 per MWh, and any entity transacting would measure the value of their trade against the mid-market price of $200 per MWh (accounting principles require use of mid-market prices for purposes of financial reporting). If that entity were a price taker, as utilities generally are, they would sell at $180 per MWh or purchase at $220 per MWh; in either case, the comparison to mid-market would show a "loss" of $20 per MWh. This is expected and not an indication of receiving below-market or paying above-market rates.

Further, the price quotes provided by third-party brokers used to develop the mid-market forward prices used in the trade purpose reports referenced by Daymark are for the purchase and sale of financial products (i.e., swap transactions with no physical delivery component). Physical products routinely command a premium to financial products given the additional delivery risks of physical products. As the trade purpose reports compared the transactions in question (which were physical hedges) to a quote for financial products, it is normal and expected that a physical transaction price may be higher than a price for a financial product, and therefore the resulting negative MTM from this calculation is also not an indication of paying above-market rates. In recognition of the increasing disparity between financial and physical product pricing, the Company began soliciting quotes for physical premiums from brokers to adjust its forward power prices to make them better reflect pricing of physical products (which the Company exclusively uses for its power hedging activities) to more accurately compare transaction prices to prior day's power market prices. This change was made at the end of the third quarter of 2022, after the trade dates of the hedges at issue.

In addition, there is a timing difference that potentially contributes to Daymark's observation. The trade purpose reports compare forward power prices from the day prior to transaction prices of hedges on the day of execution. In periods of low volatility, those prices can be assumed to be relatively similar. However, in periods of higher volatility, that timing difference can produce material pricing differences, which are also not an indication of paying above-market rates.

SUMMARY AND RECOMMENDATION

Q. Please summarize your argument and recommendation.

A. Daymark's recommendation fails to recognize that index-priced transactions are generally less ideal than fixed price transactions, even when [redacted]. The potential to lock in losses due to price adders and the failure to shelter customers from the high costs of purchasing at index prices [redacted] mean that fixed price products are generally the better option.

For these reasons, I recommend that the Commission find that those trades were reasonable and prudent at the time of execution and reject the proposed disallowance.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

REDACTED
Rocky Mountain Power
Docket No. 23-035-01
Witness: Brad Richards

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED
Surrebuttal Testimony of Brad Richards

January 2024

Q. Are you the same Brad Richards who previously filed response testimony in this proceeding on behalf of PacifiCorp, dba Rocky Mountain Power ("the Company" or "Rocky Mountain Power")?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony in this case?

A. My testimony responds to the rebuttal testimony of Mr. Philip DiDomenico and Mr. Dan F. Koehler of Daymark Energy Advisors, Inc. ("Daymark") who submitted rebuttal testimony on behalf of the Division of Public Utilities ("DPU" or "Division").

Q. To what issues raised by Daymark in its rebuttal testimony do you respond?

A. My testimony addresses the rebuttal arguments put forth by Daymark in support of its recommendations to adjust the recovery requested in this proceeding for replacement power costs associated with the outage event at Craig Unit 1 and the derate event that occurred at Dave Johnston Units 1 and 2 and also respond to concerns that have been raised about the Company's Significant Event Reports ("SER").

Q. Do any of Daymark's rebuttal arguments change the Company's position that its actions were prudent with respect to these events?

A. No. As described in further detail in my testimony, the Company has acted prudently and diligently with respect to its plant operations.

CRAIG UNIT 1 ([redacted])

Q. Daymark alleges that the Company's actions were inconsistent because it canceled a major overhaul for Craig Unit 1, but still performed the Mercury and Air Toxics Standards ("MATS") inspection and did not seek an exemption or waiver from the Environmental Protection Agency ("EPA"), how do you respond?

A. Daymark continues to conflate two separate issues, based solely on the fact that both an overhaul and a MATS inspection and tune-up require an offline period to complete. A planned overhaul is generally characterized by substantial maintenance and capital investment in replacement components, which often have a service life exceeding [redacted], the remaining operating life of the unit. The decision to cancel the final overhaul was not made to avoid an offline period, rather that decision was made because the remaining operating life of the unit did not support incurring the significant capital costs of a major overhaul. There is no inconsistency because the determining factors are not related. The decision to cancel the major overhaul was based on the cancellation of capital projects. The MATS tune-up was based on complying with regulatory requirements.

Q. How does Daymark characterize the canceled overhaul?

A. Daymark criticizes the Company's actions with respect to the canceled overhaul, stating the decision was based on the timing of the planned retirement of the unit, and that the Company's decision could increase the risk of outage events and potential replacement power costs.

Q. Are you aware of any recent Public Service Commission of Utah ("Commission") orders with regards to economic decisions made by the Company for generation plants near retirement?

A. Yes. In the 2022 energy balancing account proceeding, Daymark recommended an adjustment for replacement power costs associated with an outage at the Company's Dave Johnston 3 plant. In that outage event, the Company had made an economic decision to not replace a costly component on a unit that was nearing retirement. Daymark used similar arguments to as it has here to criticize the Company's decision to avoid incurring substantial costs for a unit that was scheduled to be retired in the near term. The Commission noted that the component at issue was "generally a significant (i.e. seven-figure) capital investment" and determined the Company's decision to not incur a significant cost to replace a component on a plant that was near retirement was reasonable and appropriate.[1] In the case of the Craig Unit 1 outage, the Company made a similar economic decision to avoid incurring a significant expense of an overhaul, and used its judgment to determine that complying with EPA required MATS testing was reasonable.

Q. Daymark's rebuttal testimony states "He [Mr. Richards] claims that any decision regarding the appropriateness of a waiver in this instance is for the EPA, not the Company, to decide."[2] To which statement in your response testimony is Daymark referring?

A. It is unclear what statements in my testimony Daymark is referring to, and no citation

[1] *Rocky Mountain Power's Application for Approval of the 2022 Energy Balancing Account,* Docket No. 22-035-01, Order at 19-21 (Jan. 9, 2023).
[2] Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler Exhibit DPU 2.0 R at 10:136-138 (Jan. 9, 2024).

is provided in that portion of the Daymark rebuttal testimony. However, I did state beginning on line 88 of my response testimony that Daymark did not provide any evidence that such a waiver would likely have been granted.

Q. In alleging imprudence on the part of the Company for not seeking a waiver from the EPA to avoid conducting the mandatory MATS activities, has Daymark provided any citations for EPA rules regarding such waivers, or specific information about whether or not their allegations are supported by common industry practice?

A. No, to my knowledge they have not.

Q. What is the Company's understanding of the requirement that required this outage to occur?

A. After discussion with the Company's environmental attorneys, I would like to clarify that this requirement is not just a testing requirement, but a requirement to perform the periodic tune-up under the MATS. The tune-up was specifically required under a section of the Clean Air Act which requires the use of Maximum Achievable Control Technology ("MACT") to achieve emissions reductions.[3] The tune-up is much more than just a test, it is a way of maintaining and repairing the burners and other combustion system components to ensure they are functioning properly and not emitting higher levels of emissions than they should.

This outage was necessary to reduce emissions of dioxins and furans by implementing the work practice standard of periodic tune-ups that EPA determined after extensive evaluation to be the maximum achievable control technology for those

[3] 42 U.S.C. §7412(d)(2).

pollutants. Without periodic tune-ups, combustion can become inefficient and release greater amounts of hazardous air pollutants.

Q. Based on available information, does the EPA have the ability to waive this requirement?

A. No, after discussions with the Company's environmental attorneys, it is my understanding that the United States Circuit Court for the District of Columbia has ruled in the past that the EPA cannot grant exemptions from these MACT standards, these standards apply continuously.[4]

Q. Should the Commission adopt Daymark's recommendation to reduce the Company's request in this case for replacement power costs associated with this outage?

A. No. The Company's decision to cancel the major overhaul but still perform the mandatory MATS inspection and tune-up was reasonable given the arguments presented in my testimony. The Commission should reject Daymark's recommendation.

[4] *See Sierra Club v. EPA*, 551 F.3d 1019, 1028 (D.C. Cir. 2008) (Finding that a separate exemption granted by the EPA violates the Clean Air Act's requirement was not appropriate, noting that "[i]n requiring that sources regulated under section 112 meet the strictest standards, Congress gave no indication that it intended the application of MACT standards to vary based on different time periods.")

DAVE JOHNSTON UNITS 1 AND 2 ([redacted])

Q. In rebuttal testimony Daymark continues to argue that the Company's request in this case be reduced for replacement power costs associated with these derate events, claiming they were caused by the [redacted]. Do you agree?

A. No. The Company [redacted]

Q. Has Daymark presented anything in their rebuttal to address the incorrect assumptions raised in your response testimony?

A. No. Daymark's recommendation is based on the assumption that [redacted]

Q. Prior to this event, was there any reason to believe [redacted]?

A. No, the differences in [redacted] were unforeseen and the plant had no reason to expect that the [redacted].

Q. Was the [redacted]?

A. No. [redacted].

Q. Why was an SER created for this event?

A. Although the [redacted].

Q. What is your recommendation to the Commission regarding Daymark's claims that a disallowance of replacement power costs associated with this event is warranted?

A. I recommend that the Commission reject the proposed disallowance. As stated in my response testimony, the Company acted prudently in [redacted].

SIGNIFICANT EVENT REPORTS

Q. Daymark states that the Company's SERs should be treated as regulatory documents and should be thoroughly reviewed for conclusive accuracy, how do you respond?

A. The Company clarifies that its SERs are reviewed for accuracy. Additionally, the Company's Generating Availability Data System events are also internally audited and reviewed for accuracy before being reported to the North American Electric Reliability Corporation. The Company has a regulatory responsibility to track and report events which affect the available generation of each unit, including beginning and end times of events, event classifications, available generation losses and primary causes. Also, the Company seeks to further investigate equipment failures, personnel errors or other factors affecting the operations of the Company's thermal fleet.

The Company created its SER program to support process improvement and the Company's efforts on operational excellence, this program may be useful for regulatory review, but the SER process was not expressly created for regulatory purposes. The Company understands that the DPU is interested in primarily investigating past outages as they relate to EBA proceedings. However, the Company's SERs are intended to facilitate an understanding of past events in order to address current and future operational requirements and potential operational challenges.

Some observations or speculated potential sources of failure may later prove useful in providing additional insight to future interruptions at either the same unit or at other generating units within the Company's fleet. Additionally, a root cause is not always readily identifiable for every single event, and observations or speculations made in SERs, while potentially useful for disseminating lessons learned, are not root causes.

The Company's SER process as described in my response testimony is an important element in the Company's thermal operations. The Company does not intend to restrict its personnel from exploring and recording a variety of observations, and in suggesting potential causes, even in the absence of a conclusive root cause determination.

Q. What does Daymark request with respect to documentation provided by the Company for outages?

A. Daymark requests that the events for which the SERs are provided are included in the outage summary spreadsheets provided by the Company in the filing requirements. The Company agrees and all SERs provided will pertain to events in the referenced outage summary.

CONCLUSION AND RECOMMENDATION

Q. What is your recommendation to the Commission?

A. I recommend that the Commission reject the recommended disallowances for the thermal events addressed above. My testimony demonstrates the Company was prudent in its actions.

Q. Does this conclude your surrebuttal testimony?

A. Yes.