WUTC DOCKET: UE-190882 EXHIBIT: RJR-4CCT(R) ADMIT ☑ W/D ☐ REJECT □

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Investigation of

AVISTA CORPORATION d/b/a AVISTA UTILITIES, PUGET SOUND ENERGY, and PACIFIC POWER & LIGHT COMPANY

DOCKET UE-190882

Regarding Prudency of Outage and Replacement Power Costs

PREFILED REBUTTAL TESTIMONY (COMPANY CONFIDENTIAL) OF

RONALD J. ROBERTS

ON BEHALF OF PUGET SOUND ENERGY

REDACTED VERSION

JANUARY 23, 2020

PUGET SOUND ENERGY

PREFILED REBUTTAL TESTIMONY (COMPANY CONFIDENTIAL) OF RONALD J. ROBERTS

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PUGET SOUND ENERGY

PREFILED RESPONSE TESTIMONY (COMPANY CONFIDENTIAL) OF RONALD J. ROBERTS

LIST OF EXHIBITS

- Exh. RJR-5 Colstrip Units 3 & 4 2018 2nd Quarter MATS Test Report
- Exh. RJR-6 Excerpt from Colstrip Operating Permit CAM Plan
- Exh. RJR-7 MDEQ Decision Approving Area A Coal

| 1 | | PUGET SOUND ENERGY |
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| 2 3 | P | REFILED RESPONSE TESTIMONY (COMPANY CONFIDENTIAL) OF RONALD J. ROBERTS |
| 4 | | I. INTRODUCTION |
| 5 | Q. | Please state your name, business address, and position with Puget Sound |
| 6 | | Energy. |
| 7 | A. | My name is Ronald J. Roberts. My business address is 355 110th Ave NE |
| 8 | | Bellevue, WA 98004. I am the Director of Generation and Natural Gas Storage |
| 9 | | for Puget Sound Energy ("PSE" or "Company"). |
| 10 | Q. | What are your duties as Director of Generation and Natural Gas Storage for |
| 11 | | PSE? |
| 12 | А. | I plan, organize, and direct PSE's energy production, including operations and |
| 13 | | maintenance of PSE's owned and jointly-owned generating facilities and PSE's |
| 14 | | thermal purchased power agreements. Furthermore, I assist PSE's Resource |
| 15 | | Acquisition team in performing due diligence evaluations of potential resource |
| 16 | | acquisitions. I am responsible for overseeing the safe operation of PSE's thermal, |
| 17 | | hydro, gas storage, and wind generation plants and optimizing their operation in a |
| 18 | | manner that will provide our customers with reliable and efficient power and |
| 19 | | develop our employees to their maximum potential. |
| | | |
| | | |

| 1 | Q. | Are you the same Ronald J. Roberts who filed direct testimony in Docket |
|----|--------|--|
| 2 | | UE-190324? |
| 3 | A. | Yes, I am. On April 30, 2019, PSE submitted to the Washington Utilities and |
| 4 | | Transportation Commission ("Commission" or "WUTC") my prefiled direct |
| 5 | | testimony and exhibits, Exh. RJR-1T, RJR-2, and RJR-3, in Docket UE-190324. |
| 6 | | In that testimony, I discuss the Colstrip Steam Electric Generating Station's |
| 7 | | ("Colstrip") 2018 outage and derate of Units 3 & 4 and PSE's decision to |
| 8 | | purchase power to replace power from Units 3 & 4. Pursuant to Order 1 in this |
| 9 | | proceeding, my testimony and exhibits in Docket UE-190324 have been placed |
| 10 | | into this docket for the Commission's review. ¹ |
| 11 | Q. | Please briefly summarize your prefiled direct testimony in Docket UE- |
| 12 | | 190324. |
| 13 | A. | In my prefiled direct testimony in Docket UE-190324, Exh. RJR-1T, I provided |
| 14 | | testimony to explain the occurrence and actions taken by Colstrip facility staff to |
| 15 | | address the issue of elevated particulate matter ("PM"), which eventually led to |
| 16 | | the unplanned outage of Units 3 & 4. |
| | | |
| | | ¹ Paragraph 25 of Order 1 states: We exercise our discretion and authority to place all portions from the initial filings of Avista, PSE, and Pacific Power in Dockets UE-190222, UE-190324, and UE-190456, respectively, pertaining to the prudency of decision making leading up to the 2018 Colstrip outage and the costs incurred to acquire replacement power into Docket UE-190882, as the Companies' initial filing on those limited issues. |
| | Prefil | ed Rebuttal Testimony Exh. RJR-4CC |

| 1 | In that proceeding, PSE conferred with WUTC Staff ("Staff") on several |
|----|---|
| 2 | occasions to address questions regarding the outage and derate. Additionally, |
| 3 | PSE responded to informal data requests from Staff and Public Counsel. |
| 4 | However, after further discussion with Staff, it became clear that PSE had |
| 5 | misunderstood some of the focus of the information Staff was seeking, and there |
| 6 | was confusion due to the manner in which each of the Commission-regulated co- |
| 7 | owners of Colstrip interpreted data requests and provided information. The |
| 8 | Company agreed that the Commission should have all the information it needs to |
| 9 | make a fully informed and correct decision. Accordingly, PSE supported the idea |
| 10 | of a protective order that would provide two levels of confidentiality: one |
| 11 | protecting confidential information from public disclosure but not from the other |
| 12 | companies, and one protecting information not only from public disclosure but |
| 13 | also from the other companies. The Commission then opened this docket to |
| 14 | further investigate the pre-noncompliance actions. |
| 15 | This rebuttal testimony addresses the testimony of Staff witness David C. Gomez, |
| 16 | Exhibit DCG-1CCT, and Public Counsel witness Avi Allison, Exhibit AA-1CT. |
| 17 | My testimony provides additional information related to the 2018 outage and |
| 18 | derate at Colstrip Units 3 and 4 related to the Mercury and Air Toxics Standard |
| 19 | ("MATS") PM non-compliance. Staff and Public Counsel request that the |
| 20 | Commission disallow all Colstrip-related replacement power costs. Based on the |
| 21 | following, and the other co-owners' evidence in this proceeding, the Commission |
| 22 | should deny Staff's and Public Counsel's request. |
| I | |

Prefiled Rebuttal Testimony (Company Confidential) of Ronald J. Roberts

Q. How do you respond to Staff's testimony regarding perceived difficulties into investigation of the Colstrip outage?²

3 A. Frankly, I am a bit confused as to Staff's perceived difficulties into the Colstrip 4 investigation. PSE was willing and open to understanding and providing 5 information to Staff to help clarify the MATS PM issue. PSE worked for months 6 to understand Staff's concerns and provide all the information it had in response 7 to Staff's questions. PSE conferred with Staff personnel on the phone multiple times, for several hours. PSE even offered to conduct a workshop-type meeting, 8 9 in which Staff and the Company could meet in person to address specific 10 documents and questions, but Staff refused PSE's offer.

11 Part of the problem may have been in the way each co-owner party interpreted 12 questions and what they believed Staff was asking versus what the party thought 13 it was answering. For example, for several months PSE believed Staff was 14 looking for information on what the MATS PM violation entailed and how the 15 plant operator investigated and resolved the non-compliance. It was much later in 16 the proceeding when PSE understood that Staff was seeking information 17 regarding pre-second quarter 2018 ("Q2") actions. PSE also supported the two-18 tiered protective order in this proceeding to facilitate more sharing of information.

² Gomez, Exh. DCG-1CCT at 4.

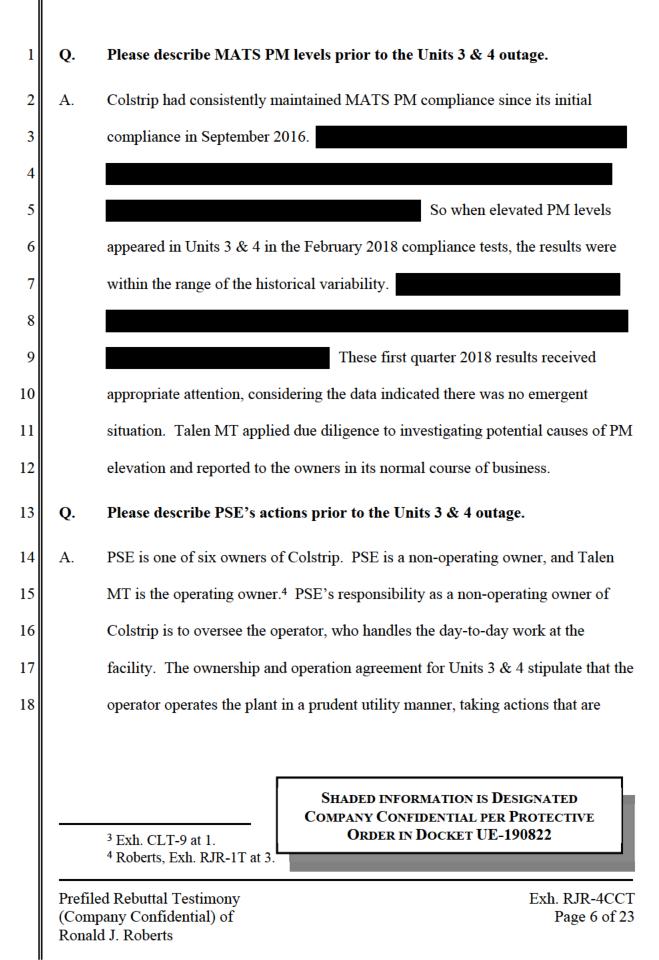
Prefiled Rebuttal Testimony (Company Confidential) of Ronald J. Roberts

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II. THE OPERATOR'S ACTIONS WERE REASONABLE AND PRUDENT

3 Q. Please briefly describe the outage of Colstrip Units 3 & 4. 4 A. Colstrip was a four-unit coal fired generating plant located in Colstrip, Montana 5 (Units 1 & 2 ceased operations in January 2020). The facility is regulated by the 6 Montana Department of Environmental Quality ("MDEQ") pursuant to the Clean 7 Air Act. For this proceeding, I am specifically referencing compliance with 40 8 C.F.R. Part 63 Subpart –UUUU – National Emission Standards for Hazard Air 9 Pollutants: Coal and Oil Fired Electric Utility Steam Generating Units; commonly referred to as MATS. 10 11 In the second quarter of 2018, Colstrip exceeded the MATS PM (filterable 12 particulate matter) emissions limit. Units 1 & 2 were offline during the majority 13 of the quarter due to economic conditions and were not subject to testing for the 14 time period. Units 3 & 4 were in operation and were required to be tested for compliance with the MATS PM emissions limit. This limit is measured as a site-15 wide, 30-boiler, operating day rolling average for a PM emissions limit of .030 16 17 lb/mmBtu. On June 28, 2018 Talen MT, the plant operator for Colstrip, notified 18 MDEQ that the Colstrip facility had exceeded the applicable MATS PM limit. 19 The Units were shut down and an extensive investigation and troubleshooting 20 period ensued. The Units were returned to MATS PM compliance by September 21 6.2018.

Prefiled Rebuttal Testimony (Company Confidential) of Ronald J. Roberts



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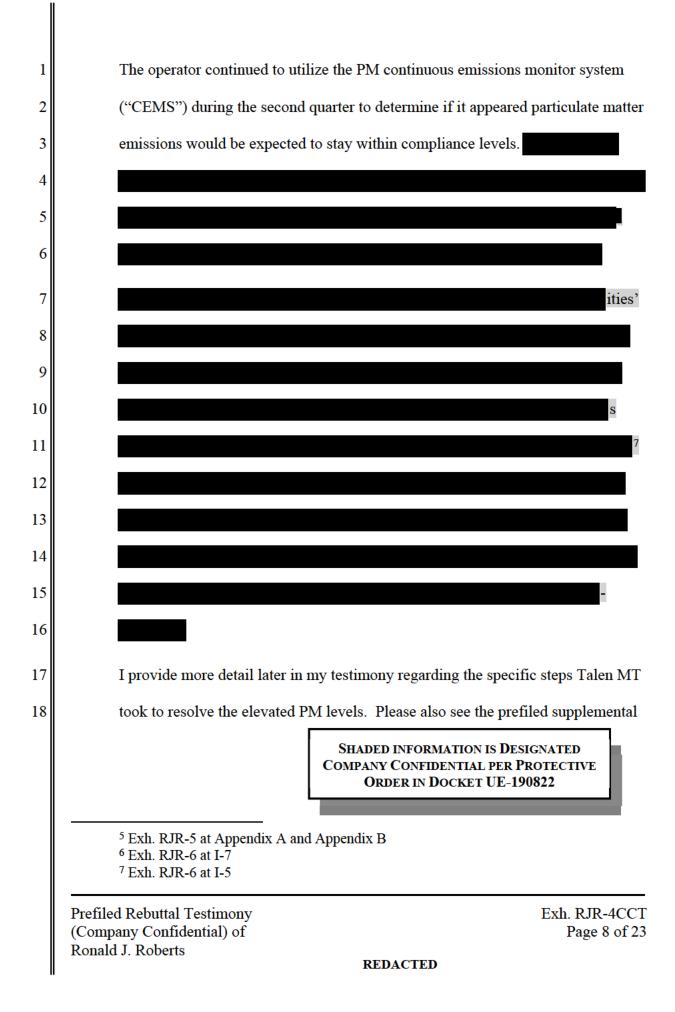
reasonable and regular in the utility industry and in accord with all laws and regulations.

3 PSE representatives meet monthly in person with the plant operators and the other 4 Colstrip owners. The Company receives operational emails from the plant 5 operator daily and three times a week. These emails include testing dates and 6 testing changes, when appropriate. On a monthly basis, the owners review plant 7 events such as derates and outages. The owners and operators also discuss coal 8 quality, generation, and other operational data. Additionally, the owners will 9 communicate directly with plant personnel as necessary. PSE was fully involved 10 in the above-referenced communications and, as I discuss later in my testimony, 11 PSE believes Talen MT, as operator, took reasonable and prudent action in 12 response to the 2018 elevated PM levels.

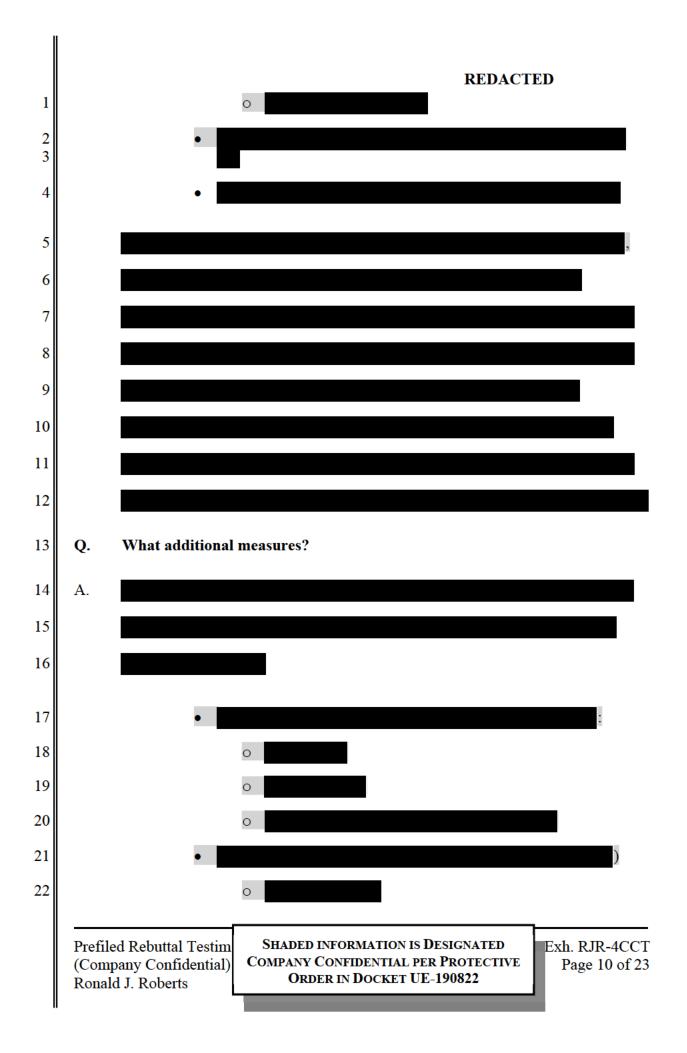
Q. Please describe the operator's actions when PM levels became elevated in 2018.

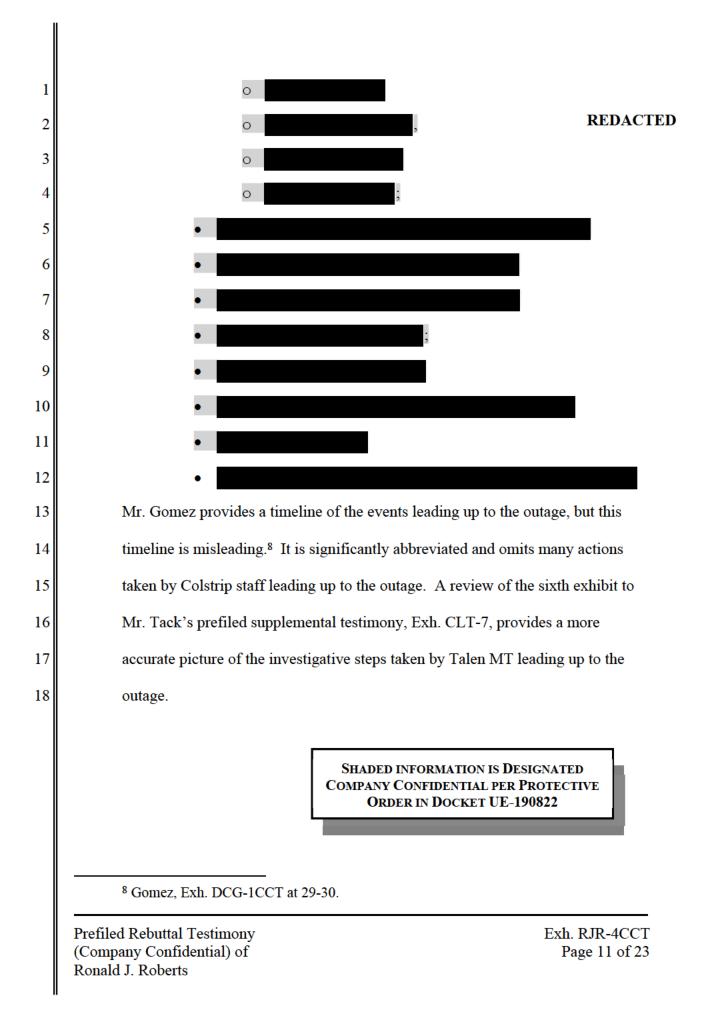
A. As stated above, Talen MT observed elevated PM levels during the February
2018 compliance tests. Talen MT first addressed the elevated levels by reviewing
other compliance indicators. The operator also investigated possible causes,
reevaluated parameters, reviewed testing methods and equipment, hired outside
experts, maintained diligent focus on the issue until resolution, and performed
follow-up to work to avoid reoccurrence of the issue in the future.

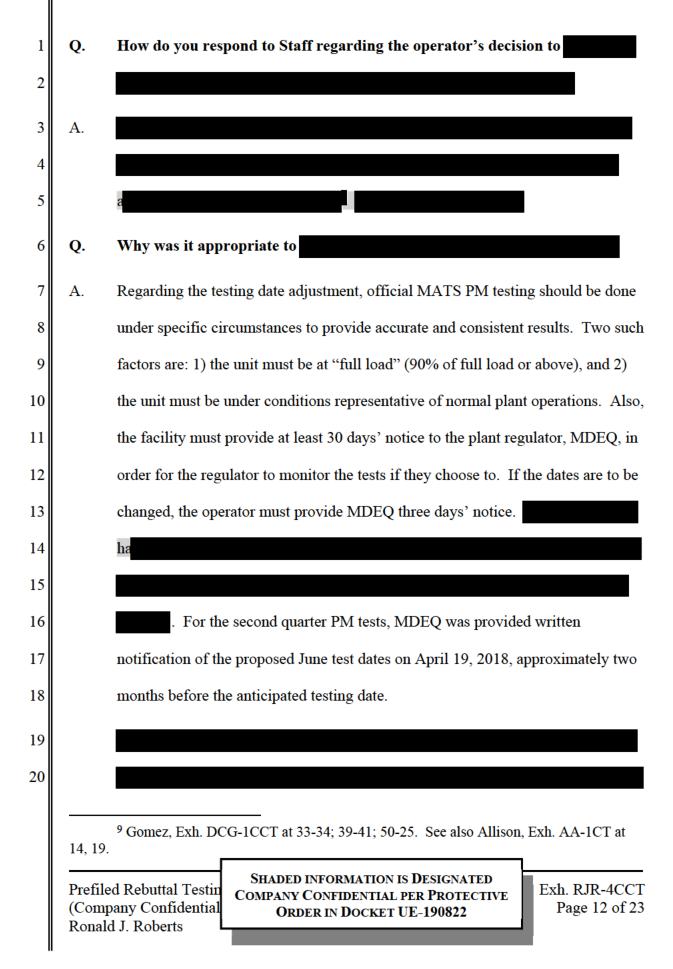
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| 1 | | testimony of Charles L. Tack, Exh. CLT-1CT, submitted in this proceeding on |
| 2 | | behalf of Pacific Power and Light Company ("Pacific Power"). |
| | | |
| 3 | Q. | Is there an established protocol that the operator must use when PM levels |
| 4 | | are elevated? |
| 5 | A. | No. Elevated PM levels are not unusual, and the plant was still in compliance |
| 6 | | with MATS. The operator is in the best position, and has the technical expertise, |
| 7 | | to initiate a course of action to address the elevated levels based on the factors |
| 8 | | present at the time. Others may disagree about decisions such as the order of |
| 9 | | actions or the choice of one theory over another, but Talen MT investigated the |
| 10 | | elevated PM levels and took appropriate steps to address them. Talen MT's |
| 11 | | investigations did not identify a cause of the elevated levels, however, and other |
| 12 | | parameters indicated normal operations. Therefore, no planned outage was |
| 13 | | necessary. |
| 14 15 | <u>A.</u> | <u>The Operator Took Appropriate Steps to Investigate and Resolve</u> <u>Elevated PM Levels</u> |
| 16 | Q. | Please describe how Talen MT investigated the situation. |
| 17 | A. | |
| 18 | | |
| 19 | | |
| 20 | | • |
| 21 | | Ο , |
| 22 | | 0 |
| | (Com | ed Rebuttal Testimon pany Confidential) of Id J. Roberts SHADED INFORMATION IS DESIGNATED COMPANY CONFIDENTIAL PER PROTECTIVE ORDER IN DOCKET UE-190822 Page 9 of 23 |







. MDEQ did not dispute the testing date change, and it met compliance testing regularity parameters.

7 Q.

Why was it appropriate to

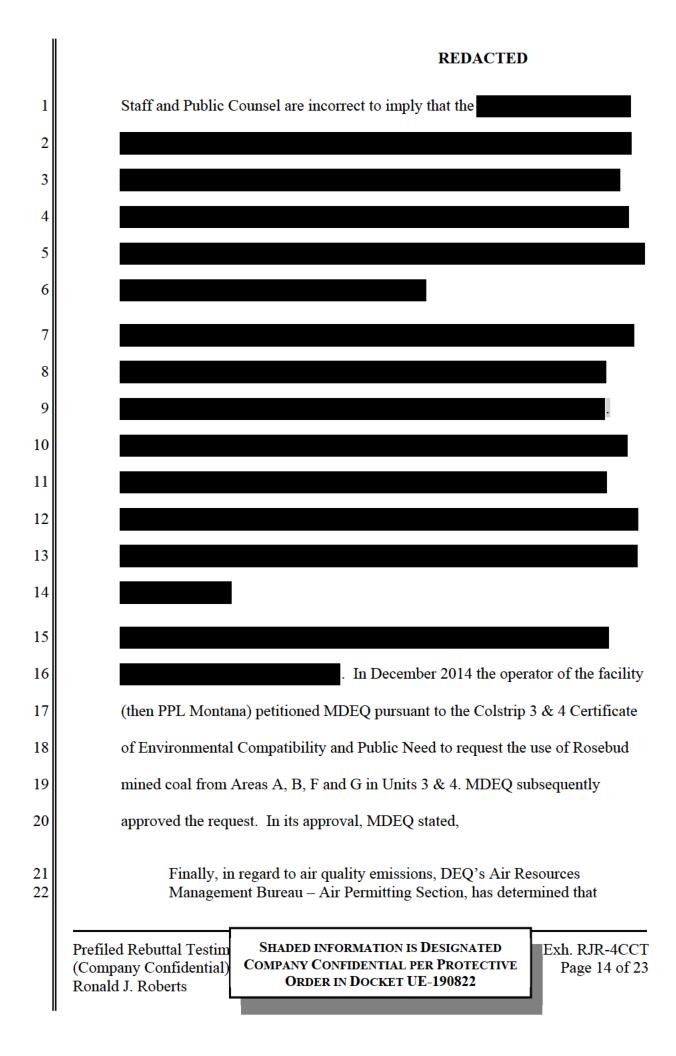
A. Investigation of anomalies or failures at an electric generating station require a
common-sense approach that begins by looking for the most reasonable solution,
first. Then, as troubleshooting proceeds, the investigation must be conducted in
an orderly manner to be able to pinpoint causation. In my more than thirty years'
experience in the industry, I have found this to be the most successful way to
tackle a problem. Colstrip staff had appropriately investigated the more obvious
potential causes of the MATS PM elevated levels and were not finding success in
reducing the levels, so they continued their brainstorming and expanded their
troubleshooting actions. Contemplating a change in fuel source was simply one
step in their process. It was in no way an "*extra-ordinary action*,"¹⁰ "gamble"¹¹,
or a "last ditch effort"¹² as branded by response witnesses.

SHADED INFORMATION IS DESIGNATED COMPANY CONFIDENTIAL PER PROTECTIVE ORDER IN DOCKET UE-190822

¹⁰ Gomez, Exh. DCG-1CCT at 33:14. Emphasis in original

¹² Gomez, Exh. DCG-1CCT at 52:9. See also Allison, Exh. AA-1CT at 15:2

¹¹ Gomez, Exh. DCG-1CCT at 50:11.

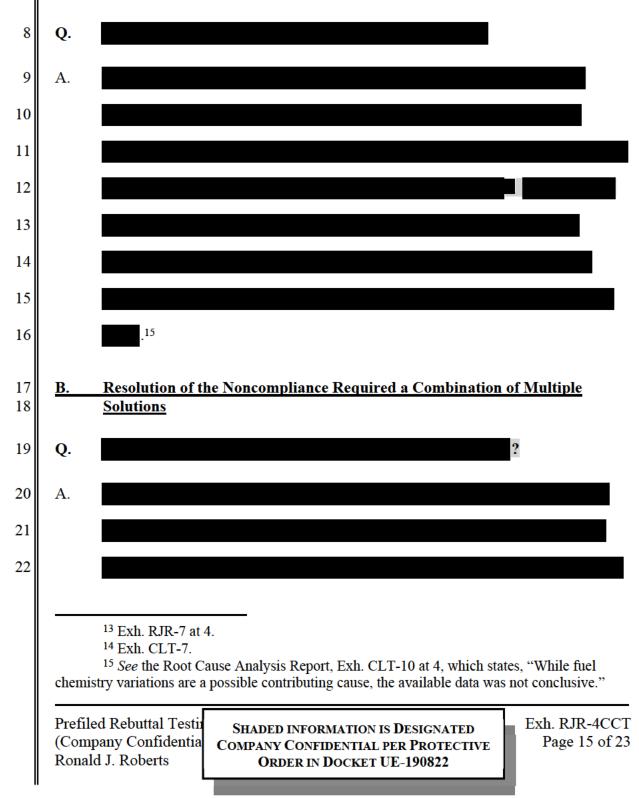


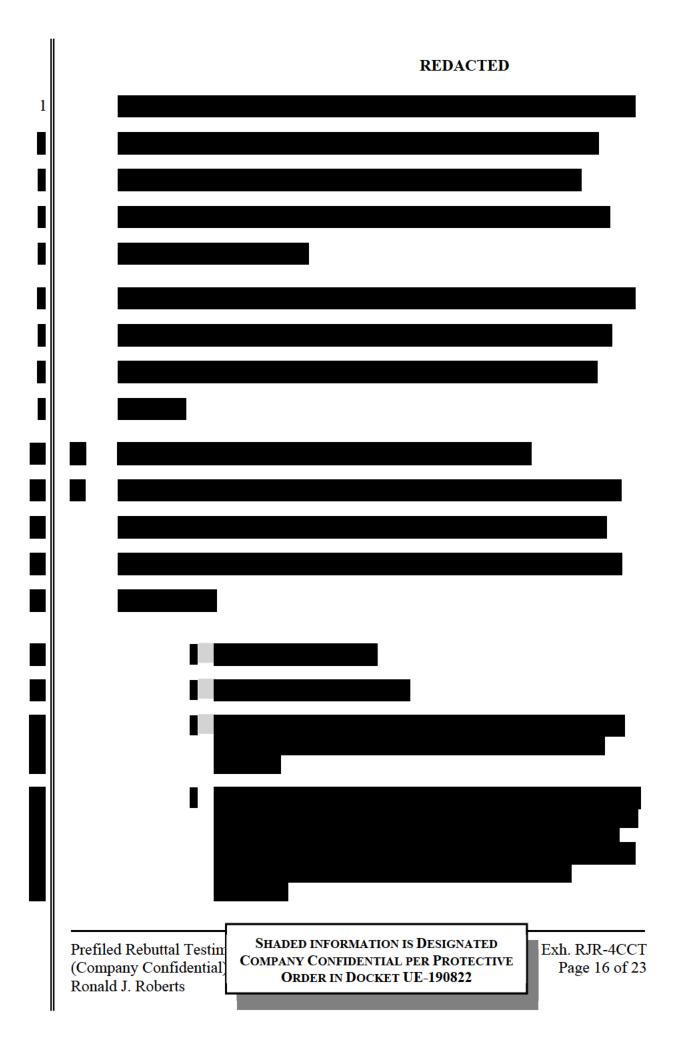
the proposed future supply of coal from areas A, B, F and G is permissibly under Colstrip's current Montana Air Quality Permit (MAQP #0513-08). Samples of the future coal supply confirmed that it will comply with the sulfur content limitations. No increase in potential emissions is expected to occur due to the consumption of this future supply of coal and it would be delivered using the same existing equipment and methods.¹³

1 2

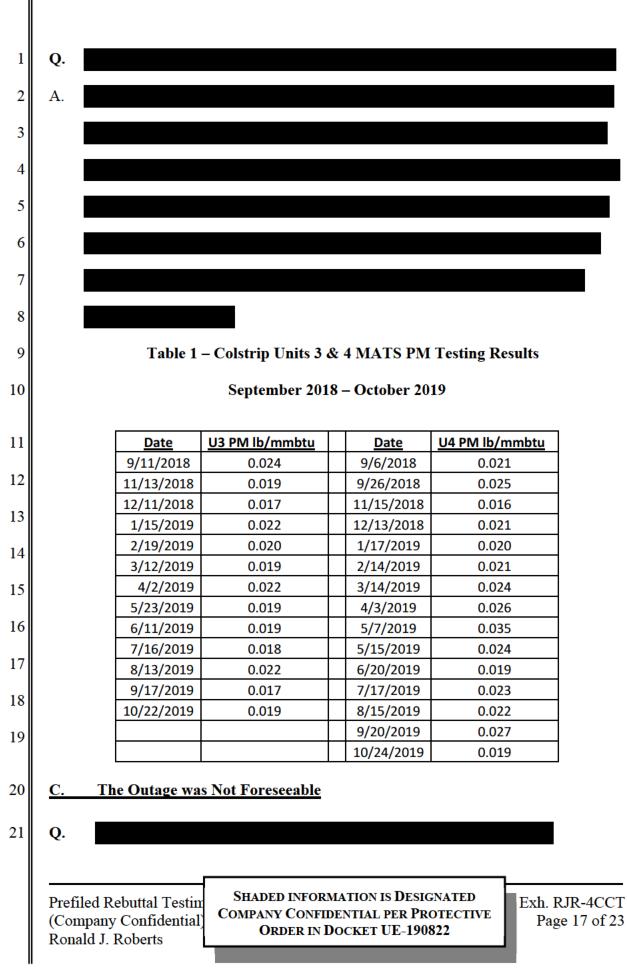
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1 Α. I strongly disagree. The Colstrip Plant Manager, the Director of Environmental 2 and Compliance, the Operations Manager, the Senior Technical Services Manager, as well as many skilled craft labor, engineering, and administrative 3 staff, have up to thirty-plus years of experience each operating and maintaining 4 5 the facility. These individuals and many others at Colstrip, who I worked with for 6 nearly eight years, have solid educational backgrounds, excellent skills and years 7 of experience running this plant. 8 When Colstrip staff saw the elevated 2018 second quarter MATS PM levels, they 9 made it a specific task to investigate and troubleshoot the plant's equipment. 10 11 12 In his prefiled testimony on behalf of Staff,16 Mr. Gomez analogizes that the 13 14 "check engine light" came on at Colstrip, and that warning should have been addressed. I agree with Mr. Gomez that the first quarter test was an indicator that 15 required action, but I disagree with Mr. Gomez's portrayal that appropriate 16 17 actions were not taken. Contrary to Mr. Gomez's depiction, many actions were 18 taken to assess the situation and troubleshoot. To further employ Mr. Gomez's 19 analogy, the plants' long-term "mechanic", Talen MT, went through a series of 20 investigative efforts. But like a car, sometimes the mechanical issues are not

¹⁶ Gomez, Exh. DCG-1CCT at 26:8 and at 31:8.

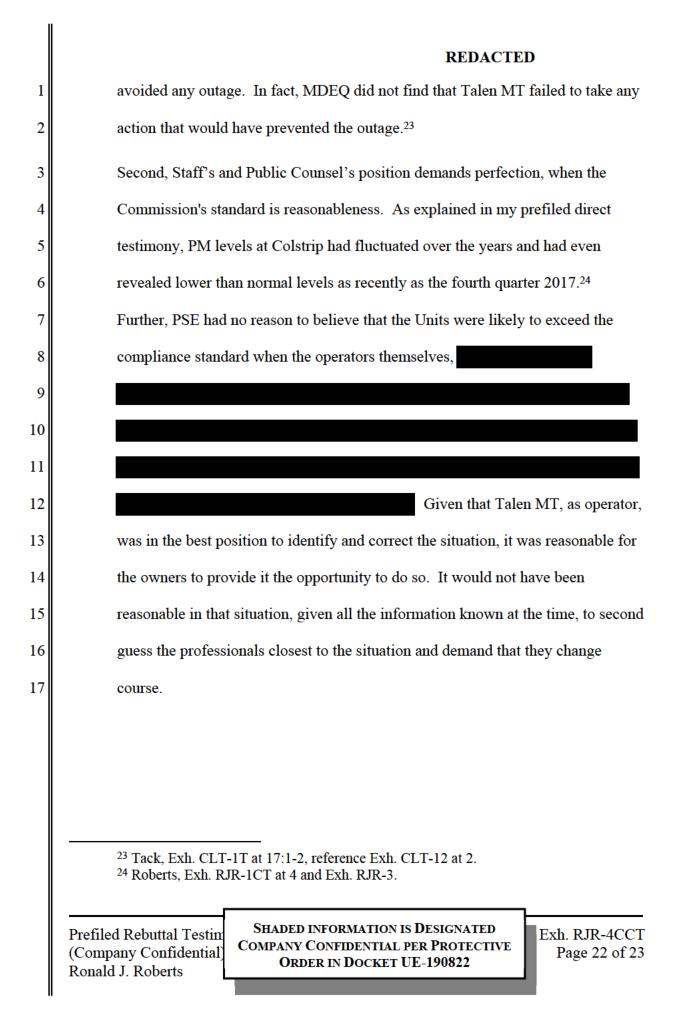
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| 1 | | always easily identified. A systematic check of systems, process and parts is |
| 2 | | undertaken in any investigative situation. |
| 3 | | Mr. Gomez suggests that the operator should have shut down the Units when the |
| 4 | | levels became elevated. However, at that time, the Units were in compliance and |
| 5 | | the plant operator believed the PM levels would decrease. |
| 6 | | |
| 7 | | . Shutting down the Units, given that |
| 8 | | information, would not have been appropriate. A shutdown and wholesale tear |
| 9 | | apart of the plant, like randomly rebuilding a car's engine to get the check engine |
| 10 | | light off, would not be considered prudent. Often a car needs to be running to |
| 11 | | diagnose the problem, and often the problem is minor - e.g., simply a short-term |
| 12 | | anomaly. |
| 13 | Q. | |
| 14 | A. | |
| 15 | | Staff ¹⁷ and Public Counsel ¹⁸ |
| 16 | | testimonies both use a first draft of MDEQ's penalty document in an attempt to |
| 17 | | support Mr. Gomez's and Mr. Allison's speculation that the violation was |
| 18 | | foreseeable. However, after a thorough investigation by MDEQ concluded, |
| 19 20 | | There are circumstances that warrant an increase in base penalty; however, prior to the second quarter 2018 Talen had no history of noncompliance |
| | | ¹⁷ Gomez, DCG-1CCT 812:8-13:27 ¹⁸ Allison, Exh. AA-1CT at 10:1-13. |
| | (Com | ed Rebuttal Testin pany Confidential d J. Roberts SHADED INFORMATION IS DESIGNATED COMPANY CONFIDENTIAL PER PROTECTIVE ORDER IN DOCKET UE-190822 Exh. RJR-4CCT Page 19 of 23 |

| 1 2 | | with MATS. Talen made efforts to understand the PM emissions performance once the compliance margin reduced. ¹⁹ |
|---|-----------|--|
| 3 | | In MDEQ's Consent Decree, filed on November 29, 2019, which provided |
| 4 | | remedies for the violation, MDEQ states, |
| 5 6 7 8 9 10 11 12 13 14 15 16 17 | | Prior to the June 2018 emissions testing for Units 3 and 4, Talen had reviewed the indicators in the Compliance Assurance Monitoring (CAM) plan required by the Title V Permit and discovered no cause for the higher PM emissions and no indication that the second quarter PM tests would suddenly deviate to an extent never seen since MATS PM testing began in 2016. Also prior to the June 2018 emissions testing for Units 3 and 4, Talen reviewed operation of Units 3 and 4 with engineers, operations, and maintenance, including boiler and scrubber crews and found no indications of abnormal operations. A review of scrubber operations, opacity, and PM Continuous Emission Monitoring System (PM CEMS) all indicated normal operation, suggesting complaint PM emissions rates similar to what had been previously seen for Units 3 and 4. ²⁰ |
| 17 | | As explained by the regulatory agency, the Operator's response to the MATS PM |
| 19 | | noncompliance issue, both prior to official testing and after noncompliance was |
| 20 | | determined, was prudent. When the Q1 MATS PM test levels came in higher |
| 21 | | than normal (but remained within compliance limits), Talen MT took action to |
| 22 | | investigate potential causes and monitor alternate indicators. Their investigation |
| 23 | | included both plant personnel and outside experts. That is supported by MDEQ's |
| 24 | | conclusion, as provided in the consent decree and penalty levied by MDEQ. |
| 25 | <u>D.</u> | PSE's Actions as Co-owner were Prudent |
| 26 | Q. | How do you respond to Staff's and Public Counsel's claims that PSE's |
| 27 | | actions prior to the outage were imprudent? |
| | | ¹⁹ Exh. CLT-11 at 22; Exh. CLT-12 at 2. ²⁰ Exh. CLT-11 at 7. |

| 1 | A. | For several reasons, the Commission should give little weight to Mr. Gomez's and |
|----|----|--|
| 2 | | Mr. Allison's testimony regarding prudence. First, neither Staff's nor Public |
| 3 | | Counsel's witness has any experience operating a coal generation plant, and they |
| 4 | | simply do not have the technical expertise to determine what operational steps are |
| 5 | | reasonable. Second, both Staff and Public Counsel recommend disallowance |
| 6 | | because the co-owners did not prevent the outage, but the Commission does not |
| 7 | | demand perfection. The standard is: as a co-owner, not a plant manager, were |
| 8 | | PSE's actions reasonable? |
| 9 | | Staff and Public Counsel acknowledge that prudence is an expression of |
| 10 | | reasonableness. In other words, "What would a reasonable board of directors and |
| 11 | | company management have decided given what they knew or reasonably should |
| 12 | | have known to be true at the time they made a decision?" ²¹ Therefore, the |
| 13 | | decision to purchase replacement power was prudent if PSE acted reasonably |
| 14 | | given the information they knew, or should have known, at the time they decided |
| 15 | | to purchase the replacement power. But Staff and Public Counsel hold the owners |
| 16 | | to a much higher standard than that. To put it simply, Mr. Gomez and Mr. Allison |
| 17 | | recommend disallowance because the owners did not prevent the MATS PM |
| 18 | | violation. As Mr. Allison states, if the owners had taken steps to address |
| 19 | | escalating PM levels, they could have resolved the issue before an exceedance |
| 20 | | required an outage. ²² First, there is no evidence that the owners could have |
| | | |

²¹ Gomez, Exh. DCG-1CCT at note 43.
²² Allison, Exh. AA-1CT at 7:3-6.



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| 1 | Q. | How do you respond to Staff's testimony stating that the owners cannot |
| 2 | | avoid regulatory responsibility to operate the plant in a prudent manner by |
| 3 | | simply delegating the operation to a third party via contract? ²⁵ |
| 4 | A. | PSE does not intend to do any such thing, and Mr. Gomez is incorrect in two |
| 5 | | important ways: 1) the owner and operator are different entities with different |
| 6 | | roles, and 2) the operator did operate Units in a prudent manner. MDEQ, in its |
| 7 | | Consent Decree, did not make any finding that Talen MT failed to take any |
| 8 | | operational measures that would have prevented the elevated PM levels. |
| 9 | | |
| 10 | | |
| 11 | | |
| 12 | | . In any process it is not uncommon for change to occur as the preceding |
| 13 | | activities occur. MDEQ is the closest, most technically knowledgeable, and most |
| 14 | | applicable agency to judge how compliance with MATS PM standards are |
| 15 | | conducted. Staff and Public Counsel's position contradicts MDEQ's conclusion, |
| 16 | | and the Commission should deny their request for disallowance. |
| 17 | | III. CONCLUSION |
| 18 | Q. | Does this conclude your prefiled rebuttal testimony? |
| 19 | А. | Yes, it does. Shaded information is Designated Company Confidential per Protective Order in Docket UE-190822 |
| | | ²⁵ Gomez, Exh. DCG-1CCT at 15:11-14. |
| | (Com | ed Rebuttal Testimony Exh. RJR-4CCT apany Confidential) of Page 23 of 23 Id J. Roberts |