

**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
Regarding Prudency of Outage and
Replacement Power Costs**

DOCKET UE-190822

PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF

PAUL K. WETHERBEE

ON BEHALF OF PUGET SOUND ENERGY

JANUARY 23, 2020

PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
PAUL K. WETHERBEE

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	COLSTRIP UNITS 3 AND 4 REPLACEMENT POWER COSTS	2
III.	CONCLUSION	6

PUGET SOUND ENERGY
PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
PAUL K. WETHERBEE

LIST OF EXHIBITS

Exh. PKW-7	PSE's First Revised Response to WUTC Staff Informal Data Request No. 1
Exh. PKW-8CC	Replacement Power Costs for Colstrip 3&4 Outage

1 **PUGET SOUND ENERGY**

2 **PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF**
3 **PAUL K. WETHERBEE**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and position with Puget Sound**
6 **Energy.**

7 A. My name is Paul K. Wetherbee. My business address is 2380 116th Ave NE,
8 Bellevue, Washington, 98004. I am the Director, Energy Supply Merchant for
9 Puget Sound Energy (“PSE”).

10 **Q. Are you the same Paul Wetherbee who testified in Docket UE-190324?**

11 A. Yes, I am. On April 30, 2019, PSE submitted to the Washington Utilities and
12 Transportation Commission (“Commission” or “WUTC”) my prefiled direct
13 testimony and exhibits, Exh. PKW-1CT and Exh. PKW-2 through PKW-5C, in
14 Docket UE-190324. On November 13, 2019 PSE filed my revised direct testimony,
15 Exh. PKW-1CTr. Pursuant to Order 1 in this proceeding, my testimony and
16 exhibits in Docket UE-190324 have been placed into this docket for the
17 Commission’s review.¹

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 prudence 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.

1 **Q. Please summarize your rebuttal testimony.**

2 A. I provide an estimate of PSE's replacement power costs related to the outage of
3 Colstrip Units 3 and 4 in the summer of 2018. I also respond to the estimates
4 identified by WUTC Staff ("Staff") witness David Gomez and Public Counsel
5 witness Avi Allison as replacement power costs.

6 **II. COLSTRIP UNITS 3 AND 4 REPLACEMENT POWER**
7 **COSTS**

8 **Q. Why are you providing an estimate of replacement power costs at this time?**

9 A. The Commission stated in Order 1 in this proceeding that "It is imperative that the
10 Commission have all relevant information necessary to make a fully informed
11 decision regarding...the costs incurred by each to acquire replacement power."²
12 PSE did not provide an estimate of replacement power costs in Docket UE-190324.
13 Commission Staff and Public Counsel witnesses have proposed disallowances
14 based on an incorrect understanding of amounts presented in PSE's testimony and
15 work papers, which they assumed represented PSE's determination of replacement
16 power costs.

² See Order 01 at ¶ 8.

1 **Q. What amount of costs do Staff and Public Counsel witnesses identify as PSE's**
2 **replacement power costs for the summer 2018 outage at Colstrip Units 3 and**
3 **4?**

4 A. Staff identifies \$17.9 million³ and Public Counsel identifies \$17.4 million⁴, based
5 on their interpretation of information provided in my revised prefiled direct
6 testimony in Docket UE-190324.

7 **Q. Are \$17.4 and \$17.9 million reasonable estimates of PSE's replacement power**
8 **cost for the June 29 – September 5, 2018 period when Colstrip Units 3 and 4**
9 **production was limited?**

10 A. No they are not. These amounts are based on an incorrect interpretation of
11 information provided in my revised prefiled direct testimony Exh. PKW-1CTr.

12 **Q. What appears to be the basis for the Staff and Public Counsel understanding**
13 **of replacement power costs?**

14 A. In Table 2 of my revised testimony, Exh. PKW-1CTr, I provided a high-level
15 summary of the variances between power costs included in PSE's 2017 general rate
16 case, UE-170033 and UG-170034, and actual power costs. This is a general
17 attribution of the total power cost variance to load and resources, intended to
18 provide a general explanation of the \$3.5 million under recovery.⁵ The analysis
19 used to produce these estimates was explained in detail in PSE's Response to

³ Gomez, Exh. DCG-1CCT at 5:11.

⁴ Allision, Exh. AA-1CT at 22:10-11

⁵ The \$3.5 million under-recovery was reported on page 4 of Exh. SEF-3 in UE-190324.

1 WUTC Staff Informal Data Request No. 1 in Docket UE-190324. The \$17.9
2 million identified by Staff includes the portion of the general attribution related to
3 all four Colstrip units for all 12 months of 2018. The \$17.4 million identified by
4 Public Counsel includes the portion of the general attribution related to Colstrip
5 Units 3 and 4 in July and August of 2018. Both values include:

- 6 • Actual fuel cost differences between the amounts included in rates and actually
7 incurred,
- 8 • The value of the difference in the amount of Colstrip generation included in
9 rates and actually generated, priced at average actual Mid C flat prices for each
10 month, and
- 11 • An allocation of the difference in market purchases and sales between amounts
12 included in rates and actually incurred. The amount allocated represents many
13 differences in actual power and gas markets relative to the market activity that
14 was modeled using a production cost model, Aurora, when power costs were
15 established in rates.

16
17 In PCA-17 this allocation of differences in market purchases and sales was large. It
18 accounts for \$9.3 million of the \$17.9 million variance attributed to Colstrip Units
19 1, 2, 3 and 4 for the 12 months of 2018, and \$5.3 million of the \$17.4 million
20 variance attributed to Colstrip Units 3 and 4 in July and August of 2018. PSE has
21 used this approach to produce the information provided in Table 2 in PCA annual
22 filings for many years, to provide a general reconciliation of actual results to the
23 assumptions included in rates. It is not an estimate of what it cost to replace power
24 from Colstrip during the Units 3 and 4 outage in the summer of 2018.

25 **Q. Why is this not a reasonable estimate of replacement power costs?**

26 A. In Table 2 of my revised direct testimony, Exh. PKW-1CTr, I presented an
27 allocation of the difference between power costs in the 2017 general rate case and

1 those incurred in 2018, in an attempt to provide a high-level view of the \$3.5
2 million under recovery. The amounts allocated to Colstrip are not a reasonable
3 estimate of replacement power costs for the summer forced outage because they
4 include an allocation of variances in market purchases and sales between those
5 modeled in the 2017 general rate case and 2018 actual results. Further, the \$17.9
6 million identified by Staff is not a reasonable estimate because it represents all four
7 Colstrip units for all 12 months of 2018.

8 **Q. Did Staff or Public Counsel provide PSE with a data request for replacement**
9 **power costs in Docket UE-190324?**

10 A. No. In WUTC Informal Staff Data Request No.1 the question characterized the
11 \$17.9 million in my direct testimony as “the impact of the outage and derate of
12 Colstrip Units 3 and 4 in 2018.”⁶ In PSE’s Response to WUTC Staff Informal Data
13 Request No. 1, PSE explained in detail what Table 2 in my direct testimony
14 provided, indicating that it included an allocation of variances in market purchases
15 and sales to resource types and covered the full 12 months of 2018. PSE’s First
16 Revised Response to WUTC Staff Informal Data Request No.1 is provided as the
17 first exhibit to my Prefiled Rebuttal Testimony, Exh. PKW-7.

⁶ Docket UE-190324, WUTC Staff Informal Data Request No. 1, part A.

1 **Q. Have you prepared an estimate of the cost of replacement power for only**
2 **Colstrip Units 3 and 4 during the outage period?**

3 A. Yes. This estimate is \$11.7 million.

4 **Q. How was the estimate of replacement power costs calculated?**

5 A. The estimate of replacement power costs is calculated on a daily basis for the
6 outage period June 29 – September 5. It is the difference between Colstrip 3 and 4
7 generation used to set rates in the 2017 general rate case and actual generation,
8 multiplied by the daily settled Mid C price for each day of the outage period, and
9 reduced by the difference in fuel costs between the cost in rates and actual costs for
10 July and August. In other words, it is the market value of lost generation net of fuel
11 cost savings during the outage period. The calculation of replacement power costs
12 is provided as the second exhibit to my Prefiled Rebuttal Testimony, Exh. PKW-
13 8C.

14 **Q. Has PSE presented how an \$11.7 million power cost disallowance should be**
15 **applied in PSE's PCA mechanism?**

16 A. Yes. Please see the Prefiled Rebuttal Testimony of Susan E. Free, Exh. SEF-4T, for
17 a discussion of how a disallowance of power costs should be applied in PSE's PCA
18 mechanism.

19 **III. CONCLUSION**

20 **Q. Does that conclude your testimony?**

21 A. Yes, it does.