

BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

In the Matter of

PACIFIC POWER & LIGHT COMPANY,

Petition For a Rate Increase Based on a
Modified Commission Basis Report, Two-
Year Rate Plan, and Decoupling Mechanism

DOCKET UE-152253

DECLARATION OF JEREMY B.
TWITCHELL

1. My name is Jeremy B. Twitchell, and I am a regulatory analyst at the Washington Utilities and Transportation Commission (Commission). My business address is 1300 Evergreen Park Drive SW, Olympia, Washington 98504.
2. I am over the age of twenty-one, have personal knowledge of the facts set forth herein, and am competent to testify to those facts.
3. I am the same Jeremy B. Twitchell who filed testimony on behalf of Commission Staff (Staff) in this proceeding, addressing the decision by Pacific Power & Light Company ("Pacific Power" or "Company") to install selective catalytic reduction (SCR) technology on units 3 and 4 of the Jim Bridger plant (Bridger).
4. The purpose of this declaration is to present facts in support of Staff's motion for leave to file supplemental testimony in this case. I will describe in particular the discovery issue that has prompted Staff's motion, the new information contained in the Company's rebuttal testimony, and why Staff believes it is necessary to supplement the record.

Background

5. On May 1, 2014, Pacific Power filed a general rate case with the Commission. One of my assignments in that case was to present Staff's response to the Company's proposed Renewable Resource Tracking Mechanism. As part of the assignment, I read the direct testimony of Company witness Gregory N. Duvall, who presented the Renewable Resource Tracking Mechanism and, among other matters, the Company's pro forma net power cost (NPC) adjustments. I also reviewed the rebuttal testimony of Cindy A. Crane, who provided additional NPC information.

6. In the initial 2014 rate case filing, Mr. Duvall testified that fuel costs had increased as a result of the Company's most recent mine plan for the Bridger Coal Company (BCC), a Company-owned mine that provides the majority of the Bridger plant's fuel.¹ On rebuttal, Ms. Crane's testimony clarified that "[t]he initial filing reflected deliveries based on the most recent BCC mine plan, which was finalized in October 2013."² Ms. Crane's rebuttal testimony also clarified that the changes increased the fuel costs for Bridger to [REDACTED] per million British thermal units (mmBtu).³ In the 2013 general rate case, fuel costs for the Bridger plant were set at [REDACTED] per mmBtu,⁴ meaning that the Company's initial filing in the 2014 rate case, which was based on the October 2013 mine plan, supported an increase in Bridger's fuel costs of 6 percent.

¹ *Washington Utilities and Transportation Commission v. Pacific Power & Light Company*, Docket UE-140762, Duvall, Exh. No. GND-1CT at pages 18-21.

² Crane, Exh. No. CAC-1CT 7:5-7.

³ *Id.* at 3, Table 1.

⁴ Company response to Sierra Club data request 1.11.

Pacific Power's Initial Filing and Staff's Response

7. In Pacific Power's initial filing in the present rate case, Rick T. Link testified that the SCR analysis presented by the Company was conducted in 2012.⁵ Mr. Link further testified that the Company checked its findings against an updated official forward price curve for natural gas from September 2013.⁶

8. As I testified in my response testimony, the Company built significant flexibility into the engineer, procure, and construct (EPC) contract for the installation of SCR on Bridger units 3 and 4. Based on the language of the contract, Staff asserts that December 1, 2013 – the date that the Company issued the final notice to proceed with SCR installation – is the correct date for evaluating the prudence of the Company's decision to install SCR.⁷

9. Based on Mr. Link's testimony and my knowledge of the October 2013 mine plan from the Company's previous general rate case, I endeavored to ascertain whether the Company had also accounted for the increased coal costs reflected in the October 2013 mine plan before issuing the final notice to proceed with SCR installation on December 1, 2013.

10. On January 6, 2016, I issued a data request to Pacific Power that stated:

When the company updated the SCR analysis to reflect the 2013 official forward price curve for natural gas, were the increased costs for Bridger's coal supply identified in the Bridger Coal Company's 2013 Mine Plan also reflected? If so, please provide documentation of how the increased coal costs were included and their impact on the analysis.⁸

⁵ Link, Exh. No. RTL-1CT 1:21.

⁶ *Id.* at 20:1-21.

⁷ Twitchell, Exh. No. JBT-1CT 27:8-21.

⁸ Twitchell, Exh. No. JBT-13.

11. I received no communication from the Company regarding this request until it filed the response on January 20, 2016, which stated:

The coal costs listed in Confidential Exhibit No. RTL-3C incorporated the cost increases reported in Bridger Coal Company's (BCC) 2013 Mine Plan. There were no significant increases between then and the time of the September 2013 official forward price curve (OFPC).⁹

12. I was confused by this response for two reasons. First, Exhibit RTL-3C provides the coal cost inputs used in the Company's analysis, which Mr. Link had stated was conducted in 2012. Second, the response references a time period between the 2012 analysis and September 2013, which could not include the October 2013 mine plan.

13. I determined that it would be necessary for Staff to review that mine plan and compare it to the Company's analysis. On January 27, 2016, I issued UTC Staff Data Request No. 99, which stated: "Please provide the Jim Bridger Mine's 2013 Mine Plan, as well as forward-looking costs for the mine's output that were identified in that plan."

14. While that data request was outstanding, I visited Pacific Power's offices in Portland on February 1, 2016, to review the EPC contract, which the Company had designated as highly confidential and requested that Staff review in person.

15. During this visit, I spoke with Mr. Link and other Company representatives about the EPC contract and the SCR analysis in general. I attempted to clarify the mine plan question, and Mr. Link informed me that the Company generally only updates its mine plan every few years, but updates its coal price projections every two years as part of the IRP cycle. Based on that discussion, I inferred that the mine plan from October 2013 was the only mine plan from 2013, and that my outstanding data

⁹ *Id.*

request would yield the same mine plan from October 2013 that the Company had discussed in the 2014 rate case.

16. I received no other communication from the Company regarding this request until February 10, 2016, when the Company provided a response to UTC Staff Data Request No. 99 that stated:

Please refer to the Company's response to Sierra Club Data Request 1.8 subpart (a), and the associated Confidential Attachment Sierra Club 1.8 -1 (BCC Production-Operating Cost Schedules (2 unit) and (4 unit) files) for the 2013 Mine Plan. Amounts shown are the 100 percent share; multiply by two-thirds for the PacifiCorp Share.¹⁰

17. As directed, I reviewed the Company's response to Sierra Club Data Request No. 1.8 and identified a file labeled "Attach Sierra 8-1 -- BCC Production-Op Cost Schedules (4 Unit)." The only identifying information on this document was on the tab labeled "OPEX," in cells A1 and A2, which stated "Budget Period 2013."

18. I conducted extensive analysis and wrote testimony based on this document, which I believed to be the same mine plan from October 2013 that the Company had discussed in the 2014 rate case. My testimony, as filed on March 17, 2016, supported a sizeable adjustment to the Company's SCR analysis that was integral to Staff's position in this case.

Company Rebuttal

19. On April 7, 2016, Pacific Power filed rebuttal testimony in this proceeding that criticized Staff's use of the mine plan in several ways – most notably, that Staff had analyzed the January 2013 mine plan, which is the same mine plan that the Company used in its SCR analysis.¹¹ The Company also stated that Staff's analysis omitted mine

¹⁰ Pacific Power Response to WUTC Data Request 99, which is attached to this declaration.

¹¹ Ralston, Exh. No. DR-1CT 5:11-13.

capital costs, failed to account for third-party coal provision, and incorrectly used operating costs instead of the cash costs used in the Company's analysis.¹²

20. The Company's rebuttal case further asserts that "Staff's allegation appears to be based on a misunderstanding that *two* mine plans were [in fact] prepared in 2013 -- the January 2013 mine plan that was included in the comprehensive fueling forecast for the Jim Bridger plant and the October 2013 mine plan."¹³

21. Prior to filing its rebuttal case, the Company had never stated in this proceeding that it had prepared two mine plans in 2013. There was no significant mention of mine plans in the Company's initial filing; Staff introduced the issue through data requests and testimony prompted by its knowledge of the October 2013 increase presented in the Company's 2014 general rate case.

22. Similarly, the Company did not discuss the matter of cash costs in its initial filing. Although Mr. Link uses the term in Exhibit RTL-3C, there is no explanation of how they were calculated, and the mine plan to which the Company directed Staff provided no indication of which costs were included in the cash costs and which were not.

23. Despite its knowledge of two mine plans prepared in 2013, the Company never contacted me to clarify my request for the "2013 Mine Plan". The Company did not clarify the request at the time the response was issued, nor did it supplement its response when it reviewed Staff's response testimony and identified Staff's "misunderstanding that *two* mine plans [in fact] were prepared in 2013." The Company simply provided the January 2013 Mine Plan, and then criticized my use of it.

¹² *Id.* at 5:1-10.

¹³ *Id.* at 5:23 - 6:3.

24. On Monday, April 18, 2016, I received a copy of the October 2013 mine plan from the Company. Outside counsel for Pacific Power provided the document on Saturday, April 16, 2016, in response to a request for supplementation of discovery sent by Staff counsel on Friday, April 15, 2016. Staff counsel had requested that the Company supplement UTC Staff Data Request No. 99 and provide the October 2013 mine plan.

25. From the Company's response to Staff's request for supplementation, I learned that the Company had produced the October 2013 mine plan in its supplemental response to Sierra Club 1.6(a) on January 27, 2016, and that Sierra Club witness Dr. Jeremy I. Fisher had apparently included the October 2013 mine plan in his work papers. The Sierra Club Data Request No. 1-6 reads as follows:

Provide unredacted copies of Cindy Crane's testimony and work papers in Utah Docket 13-035-184 ("In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations").

Pacific Power's supplemental response, provided January 27, 2016, and which contained the mine plan, stated:

The Company continues to object to this request on the basis that it requests information related to time periods and a jurisdiction not relevant to this proceeding, and, therefore, is not reasonably calculated to lead to the discovery of admissible evidence. Without waiving this objection, the Company provides the following supplemental response:

Please refer to Confidential Attachment Sierra Club 1.6 1st Supplemental for a copy of files submitted as filing requirement R.746-700-23.c.8.f in Utah Docket 13-035-184 related to the Jim Bridger plant or mine.

26. The October 2013 mine plan consists of a multi-page Excel spreadsheet provided only in electronic form. It was one of 56 electronic documents, provided in the Company's response to Sierra Club Data Request No. 1.6, 45 of which referred to the Bridger Coal Company and most of which were Excel spreadsheets. The file that I now

know to be the October 2013 mine plan was labeled “C.8.f – BCC Budget 10-4-13 OPEX-CAPEX-01 OpsCostSchedules.”

Need for Additional Testimony

27. Staff conducted substantial analysis and filed testimony under the misconception that it had the October 2013 Mine Plan in its possession. The Company perpetuated this misconception when it chose not to clarify Staff’s data request. The October 2013 Mine Plan is a crucial component of Staff’s prudence review in this case. Determining whether the Company acted prudently when it issued the final notice to proceed with SCR installation on December 1, 2013, requires an understanding of the impact of the October 2013 Mine Plan on the coal fuel costs for Jim Bridger.

28. I did not have this critical document in my possession until April 18, 2016 – seven business days before the close of the record in this proceeding and ten business days before the scheduled hearing.

29. I have analyzed the October 2013 Mine Plan, incorporated the important nuances that the Company presented in its rebuttal case, and determined that the newly available information materially affects Staff’s case.

30. The record in this case is currently missing critical information regarding coal costs, which was not made accessible to Staff until after the Company filed its rebuttal case. Updating that record to reflect the October 2013 mine plan and the other new information presented in the Company’s rebuttal case will require additional substantive analysis that can only be fully communicated through additional prefiled testimony and exhibits.

DATED at Olympia, Washington, and effective this 25th day of April, 2016.



Jeremy B. Twitchell

UE-152253 / Pacific Power & Light Company
February 10, 2016
WUTC Data Request 99

WUTC Data Request 99

REQUESTED BY: Jeremy Twitchell
Re: Bridger Selective Catalytic Reduction

Please provide the Jim Bridger Mine's 2013 Mine Plan, as well as forward-looking costs for the mine's output that were identified in that plan.

Response to WUTC Data Request 99

Please refer to the Company's response to Sierra Club Data Request 1.8 subpart (a), and the associated Confidential Attachment Sierra Club 1.8 -1 (BCC Production-Operating Cost Schedules (2 unit) and (4 unit) files) for the 2013 Mine Plan. Amounts shown are the 100 percent share; multiply by two-thirds for the PacifiCorp Share.

Confidential information is provided subject to the terms and conditions of the confidentiality agreement in this proceeding.

PREPARER: Chuck Moulton

SPONSOR: To be determined