

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-190882

REBUTTAL TESTIMONY OF

WILLIAM G. JOHNSON

REPRESENTING AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, the name of your employer, and your business**  
3 **address.**

4 A. My name is William G. Johnson. I am employed by Avista Corporation at  
5 1411 East Mission Avenue, Spokane, Washington.

6 **Q. Have you previously provided direct testimony in this case?**

7 A. Not in this docket, but I did file testimony in Docket UE-190222 which led to  
8 the formation of this proceeding. My direct testimony in the Docket provided an overview of  
9 the history of the Energy Recovery Mechanism (ERM) and provided a summary of the factors  
10 contributing to the power cost deferrals during the 2018 calendar year review period. I  
11 provided an overview of the documentation the Company provided per the ERM Settlement  
12 Stipulation approved and adopted in Docket No. UE-030751. As it pertains to this proceeding,  
13 my testimony provided an estimate of the additional power supply expense related to the  
14 emissions-caused outage/de-rates that occurred at Colstrip in 2018.

15 **Q. What is the scope of your rebuttal testimony in this proceeding?**

16 A. My testimony will address the recommendations of Staff witness Mr. Gomez  
17 and Public Counsel witness Mr. Allison to rebate to customers the additional power supply  
18 expense caused by outages and de-rates resulting from the Colstrip emissions issue. Mr.  
19 Gomez recommends the Commission disallow \$3.5 million and Mr. Allison recommends the  
20 Commission disallow \$3.3 million<sup>1</sup> in power supply costs for Avista (both values representing

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<sup>1</sup> The estimate of \$3.5 million was provided in direct testimony of William G. Johnson, page 12. In response to Public Counsel Data Request No. 134 the Company provided a worksheet (Attachment A) that included a correction and results in a Washington allocation of \$3.3 million increased expense. The remainder of my testimony uses this corrected calculation.

1 Washington's share). I will show that IF the Commission determines that Avista should  
2 absorb the increased power supply expense (which we again, do not support), the  
3 recommended disallowances are overstated.

4 **Q. Please summarize your testimony.**

5 A. In my originally-filed testimony in Docket No. UE-190222, I provided an  
6 estimate of the net replacement power costs caused by the reduced generation at Colstrip during  
7 July and August of 2018. Mr. Gomez and Mr. Allison's testimony, however, both argue that  
8 (assuming perfect foresight) it would have been better to take the outage/de-rate in the Spring  
9 when power prices are typically lower, rather than the Summer when power prices are typically  
10 higher. Those witnesses, however, do not otherwise calculate what the replacement power would  
11 have been had the outage been taken during the Spring.

12 Based on their supposition, and again stating that the Company does not believe a  
13 disallowance is warranted, the Company has modified the original outage analysis to reflect this  
14 argument and calculated the increased expense had the outage occurred in the Spring. As shown  
15 in Exh. WGJ-2, the replacement power cost in the Spring would have been \$0.8 million (system)  
16 as compared to \$5.0 million (system) in the summer. This analysis, in the end, reflects the fact  
17 that outages are not otherwise free, and that had the outage caused a Spring 2018 de-rate, there  
18 would have been a cost that should be factored into this "economic" analysis, to be compared to  
19 the Summer 2018 de-rate economic analysis. Table No. 1 below shows the replacement power  
20 costs during the Summer of 2018 as well as the costs had the outage occurred in the Spring of  
21 2018:

**Table No. 1**

	<u>System</u>	<u>Washington-Share</u>
Summer De-Rate	\$ 4,981,351	\$ 3,274,242
Spring De-Rate	<u>\$ 828,998</u>	<u>\$ 536,445</u>
Cost of Summer vs. Spring Outage	\$ 4,152,353	\$ 2,737,798

**Q. Is there another calculation that must be addressed IF the Commission determines a disallowance is warranted?**

A. Yes. It is important to remember that the cost of replacement power has already flowed through the Company's Energy Recovery Mechanism (ERM). In 2018, Avista was in the 90% Customer / 10% Company sharing band. As such, Avista already absorbed (i.e., a cost to shareholders) 10% of the estimated replacement power costs totaling approximately \$327,000. As such, IF the Commission determines a disallowance, it should reduce any disallowance by 10% (or \$327,000), reflecting the fact that we have already absorbed that cost. Table No. 2 below provides the net effect of replacement power costs for Washington, including the offset for a Spring outage, offset further by the amount previously absorbed by the Company:

**Table No. 2**

	<u>System</u>	<u>Washington-Share</u>	<u>Customer 90% ERM Deferral</u>	<u>Company 10% Absorbed</u>
Summer De-Rate	\$ 4,981,351	\$ 3,274,242	\$ 2,946,818	\$ (327,424)
Spring De-Rate	<u>\$ 828,998</u>	<u>\$ 536,445</u>		
Cost of Summer vs. Spring Outage	\$ 4,152,353	\$ 2,737,798		
Less Cost Absorbed		<u>\$ (327,424)</u>		
Maximum Disallowance <u>IF</u> Ordered		<u><u>\$ 2,410,373</u></u>		

In the end, the maximum disallowance, in Avista's view, that the Company could face is \$2.4 million, factoring in the cost of an outage in the Spring (versus Summer), and the sharing that has already occurred in the ERM.

1           **Q. Does Mr. Gomez and Mr. Allison’s testimony generally support your**  
2 **modified outage analysis approach?**

3           A. Staff and Public Counsel did not dispute the method utilized to calculate the  
4 \$3.3 million in power supply costs discussed above. However, I can’t say if they would  
5 support the calculation modified to include the timing of the outage (Spring vs. Summer),  
6 since they haven’t seen it, but I believe their testimony generally supports the idea that if an  
7 outage was going to happen at some point during the year, it would have been better to take  
8 the outage in the Spring when prices are typically lower rather than waiting for the June MATS  
9 test, and possibly being forced into an outage in the typically higher prices Summer months.

10 In his testimony Mr. Gomez states:

11           Because the Units failed these test, they were forced to go offline in a period of  
12 high power market prices—costing ratepayers substantially more than if the units  
13 went into a planned outage in the typically *lower price period* in the spring. In  
14 fact, to resolve the PM level exceedances required that the Units go into a forced  
15 outage and then be derated (from between late June to mid-September),  
16 indicating that these Units needed to go offline anyway to resolve the elevated  
17 levels. This is further corroborated by the fact that Talen’s remedial efforts while  
18 the Units were online (between February–June 2018) did not resolve the elevated  
19 PM levels at Units 3 and 4. Exhibit DCG-19, shows the Mid-C power prices  
20 relative to the time period leading up to the Outage and after the outage. This  
21 Exhibit illustrates how a planned outage in the spring would have resulted in  
22 substantially less replacement power costs, than going into a forced outage in the  
23 high price summer period.<sup>2</sup>

24  
25 In his testimony Mr. Allison states:

26           In response to the February emissions test results, the Colstrip co-owners  
27 should have performed additional testing and implemented sufficient  
28 measures to avoid an emissions exceedance in June. Doing so not only would  
29 have avoided MATS non-compliance penalties, but also would have resulted  
30 in lower 2018 net power expenses by avoiding the need to purchase costly  
31 replacement power during the Colstrip summer outage.<sup>3</sup>

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<sup>2</sup> Exh. DCG-1CCT, p. 52 ln. 11 – p. 53 ln. 5

<sup>3</sup> Exh. AA-1CT, p. 11 ll. 3-7

1           **Q. Mr. Allison and Mr. Gomez both suggest it would have been better to have**  
2 **taken a planned outage in March and April, rather than the outage in July and August.**  
3 **What would the results of your calculation for replacement power costs show had the**  
4 **outage been taken in March and April, rather than July and August?**

5           A. This replacement power supply cost calculation has been modified in the  
6 worksheet titled Attachment A, provided in response to PC DR 134, which Public Counsel  
7 provided as Exh. AA-3. That original calculation estimated the increased cost related to the  
8 outages and de-rates in July and August to be \$4.981 million on a system basis. Multiplying  
9 that number by the Washington Production/Transmission allocation (P/T ratio) of 65.73%  
10 equals \$3.274, which was rounded to \$3.3 million by Mr. Allison. My modification to this  
11 worksheet includes an identical analysis assuming the reduced Colstrip generation had  
12 occurred in March and April instead of July and August. These calculations are shown in  
13 Exh. WGJ-2.

14           This updated analysis shows that had an identical outage been taken in March and  
15 April of 2018, the increase in power costs would have been approximately \$829,000 instead  
16 of \$4.981 million due to replacement power prices being much lower in March and April than  
17 in July and August. Subtracting \$829,000 from \$4.981 million and multiplying by the PT  
18 Ratio<sup>4</sup> yields an increase in expense due to the outage occurring in the summer rather than the  
19 spring of \$2.738 million. As discussed earlier, taking into consideration the amount (10%)  
20 already absorbed by the Company (\$327,000), results in an increase in expense absorbed by  
21 customers of \$2.410 million, thus reducing the 2018 ERM rebate by that amount.

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<sup>4</sup> The PT ratio for April was 64.71% and increased to 65.73% in May given May 1, 2018 was the rate effective date of the Company's last general rate case.

1           **Q.    Does this conclude your rebuttal testimony?**

2           A.    Yes.