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Exh. BDR-2CT
Docket UE-230172
Witness: Brad D. Richards

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket UE-210852
(Consolidated)

PACIFICORP

REDACTED REBUTTAL TESTIMONY OF BRAD D. RICHARDS

October 2023

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. PURPOSE OF TESTIMONY 1

III. JIM BRIDGER COSTS..... 2

IV. CANCELLED COLSTRIP PROJECTS 5

V. CAPITAL PROJECT CLASSIFICATIONS..... 5

VI. CONCLUSION 10

ATTACHED EXHIBIT

Exhibit No. BDR-3C—Overview of Jim Bridger O&M Costs

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I. INTRODUCTION

Q. Are you the same Brad D. Richards who previously submitted direct testimony in this proceeding on behalf of PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or the Company)?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. In my rebuttal testimony, I provide an update to the costs of the natural gas conversion of Units 1 and 2 of the Jim Bridger generating plant (Jim Bridger Units 1 and 2) and clarification for the post-conversion operating costs of Jim Bridger Units 1 and 2. I also respond to the testimony of witness Robert L. Earle filed on behalf of the Public Counsel Section of the Washington State Office of the Attorney General (Public Counsel) and address their concerns about the derivation of the costs for Jim Bridger Units 1 and 2. I also provide an update concerning the cancellation and removal of the Condenser and Super Heater Section replacement projects at Unit 4 of the Colstrip generating plant (Colstrip Unit 4). Finally, I respond to the testimony of witness Chris R. McGuire filed on behalf of Staff of the Washington Utilities and Transportation Commission (Staff) regarding the classification of capital projects as necessary to continue operating the units rather than life-extending.¹

¹ Unless personal pronouns are specified by a witness in their testimony, in my rebuttal testimony I use “they/them” when using a pronoun to refer to a witness.

1 **III. JIM BRIDGER COSTS**

2 **Q. Can you provide the cost updates for the Jim Bridger Units 1 and 2 natural gas**
3 **conversions and explain the reasons for those changes?**

4 A. Yes, the initial cost estimate of the natural gas conversions for Jim Bridger Units 1
5 and 2 was \$20.9 million on a total-Company basis. However, further investigation
6 revealed that the project would require the gas to be supplied at a higher pressure and
7 heated onsite. The higher pressure of the gas requires a thicker pipe, which in addition
8 to using more material and being heavier to transport, also takes longer to install due
9 in part to the careful welding process demanded by high pressure gas piping. The
10 onsite heating station is needed to adequately heat the natural gas fuel before its
11 introduction into the boiler. The revised cost and current projection of the natural gas
12 conversion for both units is \$48.9 million on a total-Company basis.

13 **Q. Can you explain how the natural gas conversion of Jim Bridger Units 1 and 2**
14 **will affect the variable operating costs of those units?**

15 A. Yes, since fuel costs are handled separately, the variable operating and maintenance
16 (O&M) costs are driven by various chemicals used at the plant, and by ash handling
17 and fly ash sales revenue. By burning natural gas instead of coal, Jim Bridger Units 1
18 and 2 will avoid the costs associated with ash handling, as well as certain chemicals
19 used for treating flue gases, scrubber chemicals, mercury, and coal pile sealants. The
20 variable O&M costs are partially offset by fly ash sales, which will be lost upon
21 cessation of coal operations at the units. Other chemicals used for water treatment,
22 various surface cleaning acids, and other miscellaneous chemicals will still be
23 required.

1 **Q. Please explain how the natural gas conversion of Jim Bridger Units 1 and 2 will**
2 **affect the fixed operating costs of those units.**

3 A. The fixed O&M costs include labor and general maintenance, which will decrease.
4 This change in fixed O&M costs post conversion is primarily driven by the avoidance
5 of both the labor and maintenance related to coal handling functions, which includes
6 the unloading process, and coal pile management, as well as the maintenance on coal
7 crushers, transport equipment, silos, pulverizers, scrubbers, and precipitators. See
8 Confidential Exhibit No. BDR-3C, which provides an overview of the Jim Bridger
9 O&M Costs.

10 **Q. Has the Company adjusted the post-conversion O&M expense at Jim Bridger**
11 **Units 1 and 2 in this rebuttal filing?**

12 A. Yes, for the reasons described above, the Company reduced O&M expenses by
13 [REDACTED] million on a Washington-allocated basis. The calculation of this adjustment is
14 described in further detail in the rebuttal testimony of Company witness Sherona L.
15 Cheung.²

16 **Q. Can you explain what was provided in response to the two data requests**
17 **described by Public Counsel witness Earle?³**

18 A. Yes, the first data request that the Company received regarding post-conversion
19 O&M costs of Jim Bridger Units 1 and 2 was a six-part question, which the Company
20 responded to by providing the requested numbers, along with a spreadsheet showing
21 variable and fixed O&M costs.⁴ The second data request asked for further “supporting

² Cheung, Exh. SLC-8T at 15:11-16:3.

³ Earle, Exh. RLE-1CT at 10-11:3-22.

⁴ Earle, Exh. RLE-5C.

1 documents,” for which the Company provided some additional details, including a
2 spreadsheet that specifically showed that O&M costs were driven by chemicals, and
3 that mercury, fly ash handling and offsetting fly ash sales would be removed from
4 variable O&M costs post conversion, as well as a spreadsheet that showed the
5 planned overhaul schedule which is reflected in the fixed O&M costs.⁵

6 **Q. How do you respond to Public Counsel witness Earle’s allegation that the**
7 **Company was not responsive to their data requests for information about post-**
8 **conversion O&M costs?⁶**

9 A. Public Counsel witness Earle requested “supporting documents” in their data
10 requests. As discussed above, PacifiCorp provided exhibits with supporting
11 information as requested. Unfortunately, the intent of a data request might seem
12 adequately clear to the party submitting, but it may be interpreted as a vague request
13 to the party assigned to respond. If certain, specific information is not received after
14 an initial data request, a follow-up data request will be more likely to generate the
15 desired information if it is written with specific language as to the information being
16 requested, rather than simply repeating a request for “supporting documents”. In
17 addition, the Company has found that a requesting party can make informal calls to
18 clarify what is needed when an initial request has not produced the specific
19 information desired. This has been helpful in many cases to ensure that there is no
20 disconnection between the intent of the data request and the written language as
21 understood by the Company.

⁵ Earle, Exh. RLE-6C.

⁶ Earle, Exh. RLE-1CT at 10:11-14.

1 **IV. CANCELLED COLSTRIP PROJECTS**

2 **Q. Please list the capital projects at Colstrip Unit 4 you are recommending be**
3 **removed.**

4 A. I recommend that both the Condenser and Super Heater Section replacement projects
5 be removed.

6 **Q. What is the reason for the removal of these projects?**

7 A. Both of these projects have been cancelled and are not part of the current maintenance
8 plan.

9 **Q. Were the cancellations of these projects a result of questions or testimony from**
10 **intervening parties?**

11 A. No, the Company advocated for removal of these projects from the maintenance plan
12 independently of any of the data requests in this proceeding. It is important to
13 remember that the Company is a minority share partner of the Colstrip unit and must
14 influence other joint owners when establishing the maintenance plan.

15 **V. CAPITAL PROJECT CLASSIFICATIONS**

16 **Q. Do you agree with Staff witness McGuire’s claim that several of the capital**
17 **projects in the maintenance plans for Colstrip Unit 4 and Jim Bridger Units 3**
18 **and 4 should be classified as life-extending and removed from the revenue**
19 **requirement?⁷**

20 A. No.

⁷ McGuire, Exh. CRM-1T at 26:11-22.

1 **Q. How does Staff witness McGuire define life-extending?**

2 A. In their testimony, Staff witness McGuire provided this discussion on how Staff
3 determined whether or not a capital investment was life-extending.

4 Staff considered whether the investment would have been made if the
5 facility were going to be closed on December 31, 2025. Staff believes
6 that investments that were made but would not have been made were
7 the facility going to close in 2025 must be investments made for the
8 purpose of extending the life of the facility beyond 2025.⁸

9 **Q. What are the criteria that PacifiCorp used to determine whether a project was**
10 **life-extending?**

11 A. As described in the rebuttal testimony of Company witness McVee, PacifiCorp's
12 criteria was based on determining which capital investments are made *primarily for*
13 *the purpose* of extending the life of these plants.

14 **Q. How has the Company interpreted “primarily for the purpose of extending the**
15 **life of these plants”?**

16 A. Both Jim Bridger Units 3 and 4, and Colstrip Unit 4, have expected operational lives
17 for PacifiCorp's other jurisdictions that extend beyond December 31, 2025, and so
18 excluding capital investments that are not major investments, but are simply routine
19 and necessary investments for the continued operation of the plants, is not appropriate
20 simply because the plants have longer asset lives. In fact, since these plants do have
21 longer actual service lives, it would be expected that most capital investments would
22 also have longer asset lives. As detailed in the testimony of Company witness
23 Cheung, PacifiCorp is prorating these assets to ensure that Washington customers

⁸ McGuire, Exh. CRM-1T at 30:15-19.

1 only pay the portion of the assets that are being used and useful for their service until
2 December 31, 2025.⁹

3 **Q. Can you explain why the projects that PacifiCorp included are necessary for the**
4 **routine operations ongoing at these facilities?**

5 A. The projects are necessary, regardless of the equipment’s expected service life. While
6 a piece of replacement equipment may have an expected service life of 30 years, it
7 does not negate the fact that replacement is required, even if only for a portion of its
8 useful life. In their testimony, witness McGuire asserts that certain investments “serve
9 no purpose other than to enable long term operation of those facilities.”¹⁰ This
10 statement is incorrect as the projects will provide the immediate benefits related to
11 reliability, safety, and compliance.

12 **Q. Can you provide some project examples of what you are describing?**

13 A. Certainly, I would point to turbine maintenance, network and controls, and
14 environmental equipment as examples. Network and controls upgrades are often
15 performed in relation to the Company’s cyber security initiatives, and proper turbine
16 maintenance is crucial for not only reliability, but also physical safety.

17 **Q. Can you provide an example of a project that would not be a routine capital**
18 **investment?**

19 A. Yes, a good example would be the installation of life-extending environmental
20 upgrades like selective-catalytic reduction (SCR) technology as a result of a new
21 environmental requirement.

⁹ Cheung, Exh. SLC-8T at 13:7-14:18.

¹⁰ McGuire, Exh. CRM-1T at 30:3-4.

1 **Q. How do you respond to witness McGuire’s statement that such projects would**
2 **not be “used and useful” for Washington customers because the units will be**
3 **removed from Washington rates at the end of 2025?**¹¹

4 A. While witness McGuire is correct that Washington customers will not receive the
5 full-service life benefits of all equipment in the unit, their statement is only relevant if
6 Washington customers were required to fully fund this equipment in only two years
7 of rates. However, as described in the testimony of Company witness Cheung, this
8 equipment is being pro-rated into rates, so Washington customers will only pay the
9 costs of the additional two years of service and not fund their share of the equipment
10 after 2025.¹² Washington customers will receive benefits of the used and useful
11 equipment during the period that the equipment is reflected in their rates as described
12 in more detail in the testimony of Company witness Ramon J. Mitchell.¹³

13 **Q. What are the projects that Staff witness McGuire is seeking to exclude?**

14 A. Staff witness McGuire is seeking to exclude 178 projects that have been classified as
15 specific and not programmatic.¹⁴

16 **Q. Staff witness McGuire uses the Company’s delineation of programmatic versus**
17 **specific investments to exclude projects. Does the distinction between specific**
18 **and programmatic investments have any relation to routine versus life-extending**
19 **capital investments?**

20 A. No. It is my understanding that the distinction between programmatic and specific
21 investments was entirely a regulatory construct as described in the direct testimony of

¹¹ McGuire, Exh. CRM-1T at 30:1-12.

¹² Cheung, Exh. SLC-1T at 13:7-14:18.

¹³ Mitchell, Exh. RJM-1CTr at 33: 9-22.

¹⁴ McGuire, Exh. CRM-1T at 31-32:19-2.

1 Company witness Cheung.¹⁵ It bears no relation to any operational distinction or
2 whether any of these investments are routine or even necessary for the continued
3 operation of the plant.

4 **Q. Staff witness McGuire specifically identifies the Dry Ash Disposal System**
5 **facilities at Colstrip and cites to the fact that these are not a routine capital**
6 **maintenance item but rather a life-extending capital addition.¹⁶ How do you**
7 **respond?**

8 A. As was acknowledged by Staff in the Avista proceeding, these were necessary capital
9 investments for the continued operation of the plant beyond July 2022.¹⁷ In fact, the
10 suspension of the Dry Ash Disposal System was only a possibility if firm closure
11 dates were reached for Colstrip Units 3 and 4. Unlike Avista, PacifiCorp has always
12 been in a position that Colstrip would likely continue to operate and be included in
13 customer rates in the Company's non-Washington jurisdictions beyond December 31,
14 2025. As a result, for PacifiCorp this capital addition was not *primarily for the*
15 *purpose of extending the life of the plant but rather a necessity to continue operating*
16 *the plant beyond July 2022.*

17 **Q. Can you further explain why the Dry Ash Disposal System is necessary for**
18 **Colstrip to provide service to Washington customers until December 31, 2025?**

19 A. Although I am not an attorney, it is my understanding that the installation of the Dry
20 Ash Disposal System is legally mandated to be completed by July 1, 2022, to continue
21 operations. Therefore, this capital investment was and continues to be necessary for

¹⁵ Cheung, Exh. SLC-1T at 8:13-23.

¹⁶ McGuire, Exh. CRM-1T at 33-34: 9-21.

¹⁷ *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Docket Nos. UE-200900, UG-200901, UE-200894, Gomez, Exh. DCG-1CT at 15:17-20 (Apr. 21, 2021).

1 Colstrip to maintain its ability to provide service to Washington customers until
2 December 31, 2025.

3 **VI. CONCLUSION**

4 **Q. What is your recommendation?**

5 A. I recommend that the Commission allow the Company to recover the capital costs
6 associated with Colstrip Unit 4 and Jim Bridger Units 3 and 4, and the O&M costs of
7 Jim Bridger Units 1 and 2.

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

9 A. Yes.