

**Exh. DCG-1CCT
Docket UE-190882
Witness: David C. Gomez
COMPANY-CONFIDENTIAL**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

DOCKET UE-190882

TESTIMONY OF

David C. Gomez

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

2018 Colstrip Outage & Derate

January 10, 2020

COMPANY-CONFIDENTIAL PER PROTECTIVE ORDER

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- Exh. DCG-21 Colstrip Plant – Units 3 & 4 Monthly Executive Summaries 2018, Attachment to Avista’s Supplemental Response to Staff DR No. 62, dated August 2, 2019
- Exh. DCG-22 Declaration of David C. Gomez, filed September 26, 2019
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- Exh. DCG-25CC MDEQ Draft penalty calculation worksheet. UE-190222, Avista’s responses to UTC Staff Informal Data Request No. 8, Confidential Attachment I
- Exh. DCG-26CC Talen and MDEQ settlement negotiations. UE-190222, Avista’s responses to UTC Staff Informal Data Request No. 8, Confidential Attachment I

I. INTRODUCTION

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Q. Please state your name and business address.

A. My name is David C. Gomez. My business address is 621 Woodland Square Loop S.E., Lacey, Washington 98503. My business mailing address is P.O. Box 47250, Olympia, Washington 98504-7250. My business email address is david.gomez@utc.wa.gov.

Q. By whom are you employed and in what capacity?

A. I am employed by the Washington Utilities and Transportation Commission (Commission) as the Assistant Power Supply Manager in the Energy Section of the Regulatory Services Division. I attained this position on July 1, 2012. Prior to my current position, I was the Deputy Assistant Director in the Solid Waste and Water Section of the Regulatory Services Division.

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since May 2007.

Q. Please state your educational and professional background.

A. I hold a Bachelor of Arts degree in Business from Hamline University and a Masters of Business Administration degree from the University of Saint Thomas; both universities are located in Saint Paul, Minnesota.

1 Before joining the Commission, my relevant professional experience
2 consisted of 31 years in a variety of fields, including management, contracting,
3 supply chain, procurement, operations and engineering. I hold professional
4 certifications from the Institute for Supply Management (ISM); APICS – The
5 Association for Operations Management; Universal Public Procurement Council
6 (UPPC); and QAI Global Institute (Software Testing).

7

8 **Q. What are your duties with the Commission?**

9 A. I perform accounting and financial analysis of regulated utility companies, as well as
10 legislative and policy analysis. I presented testimony on behalf of Commission Staff
11 in Docket UE-121373, regarding the Coal Transition Power Purchase Agreement
12 between Puget Sound Energy and TransAlta Centralia Generation LLC; Dockets
13 UE-130043 and UE-140762, Pacific Power’s 2013 and 2014 general rate cases
14 (GRC); Puget Sound Energy’s 2013, 2014 and 2016 Power Cost Only Rate Cases
15 (PCORCs) and 2017, 2018 and 2019 GRCs. I have also provided testimony in
16 Avista’s last five GRCs: Dockets UE-140188, UE-150204, UE-160228, UE-170485
17 and UE-190334. Additionally, I have provided Staff recommendations to the
18 Commission at numerous open meetings, and worked on various Commission
19 rulemakings.

20

1 made by Avista, PSE, and Pacific Power leading up to the 2018 Colstrip
2 Outage and the costs incurred by each to acquire replacement power.¹
3
4

5 **Q. Who has the burden to demonstrate that replacement power costs associated**
6 **with the 2018 Colstrip Outage were prudently incurred?**

7 A. Each of the Companies has the burden to make this demonstration to the
8 Commission. As the Commission stated in Order 01 in this docket:

9 Each of the co-owners has the burden to show that its decision making
10 leading up to the outage was prudent, and that the increased replacement
11 costs were prudently incurred. We then require Staff . . . [to file] testimony
12 and exhibits regarding their prudence evaluation and recommendation.²
13
14

15 **Q. Can you briefly discuss the difficulties Staff encountered in conducting its**
16 **investigation of the 2018 Colstrip outage?**

17 A. Yes. Anticipating the Commission’s expectation that it be provided a
18 comprehensive explanation of the 2018 Colstrip outage and its causes, Staff
19 proactively contacted the Companies and communicated the need that they provide
20 sufficient testimony on the outage in their initial power cost filings.³ Rather than
21 follow Staff’s guidance, the Companies filed only brief and incomplete narratives on
22 the actions taken and decisions made by Talen MT (“Talen”) and the Owners, and
23 only for actions and decisions *after* the start of the outage. As a result, Staff was
24 forced to expend significant time and resources attempting to develop an accurate
25 and useful record, particularly with respect to the actions taken and decisions made

¹ Docket UE-190882, Order 01 ¶¶ 16, 23, 38.

² Docket UE-190882, Order 01 ¶ 25; *See also* UE-152253, Order 12 ¶ 94 (“Regulated public service companies bear the burden of proof that their decisions are prudent. . .”).

³ Gomez, Exh. DCG-2; *See also* Gomez, DCG-22(C).

1 by Talen and the Owners before the start of the outage, which were absent entirely
2 from the Companies' narratives of the event.⁴
3

4 **Q. Please summarize your recommendations.**

5 A. As discussed in Section IX of this testimony, Staff concludes that the actions of the
6 Colstrip Owners leading up to the 2018 Colstrip outage reflect unreasonable and
7 imprudent decision making. Accordingly, Staff recommends that the Commission
8 disallow the recovery of \$21.9 million in replacement power costs incurred by the
9 Companies as a result of the 2018 outage and derate of Colstrip Units 3 and 4. This
10 amount represents the collective impact for all three Companies, allocated as
11 follows: PSE - \$17.9 million; Avista - \$3.5 million; and Pacific - \$0.5 million.⁵
12

13 **III. BACKGROUND OF THE COLSTRIP OUTAGE**

14
15 **A. Outage Background**
16

17 **Q. Is Staff challenging the prudence of the actions taken and decisions made by**
18 **Talen and the Owners to rectify emission violations and restart the plant after**
19 **the start of the outage?**

4 [REDACTED]

⁵ Wetherbee, UE-190324, Exh. PKW-1CT (revised Nov. 13, 2019) at 15:3-9, UE-190222, Johnson Exh. WGJ-1T, at 12:4-11, and UE-190458, Wilding Exh. MGW-1T at 15:10-13.

1 A. No. Staff recommends that the Commission allow each of the Companies to recover
2 its share of the \$3.4 million in O&M and capital expense associated with corrective,
3 post-outage actions.⁶

4
5 **Q. Please describe the Colstrip generation outage and derate that occurred in 2018.**

6 A. During the second quarter (“Q2”) of 2018, Units 1 and 2 were offline.⁷ Talen, the
7 operator of Units 3 and 4 (hereinafter referred to as the “Operator”), were forced to
8 take Units offline at this time because they were violating emission standards. Unit 3
9 was removed from service on June 28, and kept offline until July 8.⁸ Unit 4 was
10 removed from service on June 29, and kept offline until July 17.⁹ Because this
11 outage was compliance-related, these units ran intermittently during the Operator’s
12 post-outage investigation until the Units’ emissions were brought back under control
13 and returned to service in September.¹⁰ During this period of limited operation, the
14 Units were run only for the purposes of gathering information, performing
15 diagnostics, evaluating potential remedial actions, and testing.¹¹ These Units 3 and 4
16 were ultimately brought back online when they could demonstrate compliance with
17 the PM Emissions standards—after corrective actions were taken during the time
18 when these Units were in outage.

19

⁶ Gomez, Exh. DCG-21(Company Confidential).

⁷ Gomez, Exh. DCG-22 at 3.

⁸ Gomez, Exh. DCG-22 at 5.

⁹ Gomez, Exh. DCG-22 at 5.

¹⁰ Gomez, Exh. DCG-22 at 5.

¹¹ Gomez, Exh. DCG-22 at 5.