

McDowell Rackner & Gibson PC



WENDY MCINDOO
Direct (503) 595-3922
wendy@mcd-law.com

September 5, 2012

VIA ELECTRONIC AND U.S. MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: UE 233 – Idaho Power Company’s Application for Authority to Increase its Rates and Charges for Electric Service to its Customers in the State of Oregon

Attention Filing Center:

Enclosed for filing in Docket UE 233 is an original and five copies of Idaho Power Company’s Surrebuttal Testimony of John Carstensen.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached Certificate of Service.

Please contact me with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Enclosures

cc: Service List

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET UE 233

IN THE MATTER OF THE APPLICATION)
OF IDAHO POWER COMPANY FOR)
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC)
SERVICE TO ITS CUSTOMERS IN THE)
STATE OF OREGON.)
_____)

IDAHO POWER COMPANY
SURREBUTTAL TESTIMONY
OF
JOHN CARSTENSEN

September 5, 2012

1 **Q. Please state your name and business address.**

2 A. My name is John Carstensen and my business address is 1221 West Idaho Street,
3 Boise, Idaho. I am employed by Idaho Power Company (“Idaho Power” or
4 “Company”) as a Project Engineering Leader in the Power Supply department.

5 **Q. Are you the same John Carstensen who previously testified in this docket?**

6 A. Yes. My witness qualifications are set forth in my Supplemental Testimony, Idaho
7 Power/1300.

8 **Q. What is the purpose of your testimony in this matter?**

9 A. The purpose of my testimony is to reply to issues raised in the Citizens’ Utility Board
10 of Oregon (“CUB”) rebuttal testimony that was filed on August 13, 2012. Specifically,
11 I will respond to CUB’s view of the decision making process between Idaho Power
12 and PacifiCorp. I will also respond to CUB’s used and useful standard as it pertains
13 to the Jim Bridger 3 Scrubber Upgrade at issue in this case (“Scrubber Upgrade”). I
14 will then conclude my testimony responding to the decision making infirmities
15 identified by witness Erik Colville in Staff’s August 13, 2012, rebuttal testimony.

16 **Q. CUB believes Idaho Power “delegated away its responsibility for the making of
17 the clean air investments at Jim Bridger 3 to PacifiCorp.”¹ Is CUB’s
18 understanding of Idaho Power’s involvement in the decision making process
19 correct?**

20 A. No. In the several rounds of testimony on the Scrubber Upgrade at issue, CUB
21 speculates as to the relationship between Idaho Power and PacifiCorp in regards to
22 the decision making process for clean air investments at Jim Bridger. CUB’s
23 portrayal of the Company as either passive or uninvolved is simply wrong. Contrary
24 to what CUB describes in its narrative, Idaho Power did **not** delegate its

25 ¹ CUB/400, Feighner-Jenks/2, ll. 17-18.
26

1 responsibility to engage with PacifiCorp in the decision to invest in the Scrubber
2 Upgrade at Jim Bridger 3. On the contrary, the Company was, and continues to be,
3 actively engaged in the decision making process for all capital projects at Jim
4 Bridger, including all clean air investments. In this case, the Company did rely on
5 PacifiCorp to perform the cost-effectiveness studies. However, once completed, the
6 Company carefully reviewed the analyses and ultimately agreed that they correctly
7 concluded that moving forward with the Scrubber Upgrade was the least cost option
8 and therefore the best decision for customers. For these reasons, we did not believe
9 it was necessary to duplicate the studies already prepared by the majority owner
10 and operator, PacifiCorp.

11 **Q: CUB further states in its testimony that the decision for the planned selective**
12 **catalytic reduction (“SCR”) at Jim Bridger 3 is “being made by PacifiCorp**
13 **alone.”² Is this an accurate portrayal of how the SCR investment decision is**
14 **being made?**

15 A. No. First, I want to reiterate that the prudence of the SCR is not at issue in this case.
16 Notwithstanding, the decision to install an SCR at Jim Bridger 3 will be a joint
17 decision between Idaho Power and PacifiCorp. The Company was actively involved
18 in meetings with the Wyoming Department of Environmental Quality that determined
19 the best alternative for complying with RH BART was to install an SCR. The
20 Company is currently working on an update to its 2011 Integrated Resource Plan
21 (“IRP”) and will be evaluating the cost-effectiveness of investments in additional
22 emissions control equipment at the Jim Bridger and North Valmy power plants. This
23 evaluation will look at investments such as the SCR, and compare them to an early
24 retirement of the unit and replacement with alternate generation capacity. The

25 ² CUB/400, Feighner-Jenks/3, ll. 9-10.
26

1 purpose of this study is to ensure that these investments are prudent investments for
2 the Company and its customers.

3 **Q: Is it reasonable to compare the decision to install the Scrubber Upgrade at Jim**
4 **Bridger 3 to the early shutdown decision of the Boardman plant to determine**
5 **the prudence of the Scrubber Upgrade investment?**

6 A. No it is not. CUB incorrectly draws parallels between decisions related to the clean
7 air investments at Jim Bridger and the events that led to the early shutdown of the
8 Boardman plant.³ Simply comparing the end result of extensive analysis and
9 decision making between two different coal plants, located in different states with
10 different RH BART rules, does not make for a reasonable comparison to determine
11 prudence of a decision. As I described in my rebuttal testimony,⁴ it is inappropriate
12 to compare the two plants and come to the conclusion that what is least cost/least
13 risk for one must be true for the other.

14 **Q: Do you agree with CUB's claim that the Scrubber Upgrade is not considered**
15 **"useful" because by itself it does not make Jim Bridger 3 compliant with all**
16 **Regional Haze Rules?**⁵

17 A. No I do not. CUB focuses its "useful" standard on compliance with *all* Regional Haze
18 Rules, disregarding the fact that the Scrubber Upgrade was installed to comply with
19 *existing* regulations. In my supplemental testimony,⁶ I discuss in detail how the
20 Scrubber Upgrade was required to reduce emissions to comply with the Regional
21 SO₂ Milestone and Backstop Trading Program, in accordance with Chapter 14,
22 Sections 2 and 3, of the Wyoming Air Quality Standards and Regulations. In

23 ³ CUB/400, Feighner-Jenks/4-5, II

24 ⁴ IPCO/1400, Carstensen/11

25 ⁵ CUB/400, Feighner-Jenks/6, II. 16-19.

26 ⁶ IPCO/1300, Carstensen

1 addition, the Scrubber Upgrade also supports the Regional Haze Program
2 administered by the State of Wyoming by maintaining compliance with permitted SO₂
3 emissions limits consistent with presumptive BART performance.⁷

4 CUB argues in its testimony that any number of pollution control devices and
5 other add-ons that improve the operation of the plant can be used instead of a
6 scrubber.⁸ However, based on the analysis by CH2M HILL, which was provided as
7 Exhibit 1301 to my supplemental testimony, the Scrubber Upgrade was determined
8 to be the only **technically feasible retrofit technology** to meet the regulatory
9 presumptive limit of 95 percent reduction in SO₂ emissions or 0.15 lb/MMBtu required
10 by the Regional SO₂ Milestone and Backstop Trading Program.

11 Therefore, even though the Scrubber Upgrade on a standalone basis does
12 not render Jim Bridger 3 compliant with all Regional Haze Rules, it did reduce SO₂
13 emissions in compliance with existing regulations—all of which support the larger
14 scope of Regional Haze Rules. It is both used and useful because it is reducing
15 emissions and it was necessary to comply with Wyoming Air Quality Standards and
16 Regulations.

17 **Q: Do you agree with CUB's methodology of evaluating clean air investments by**
18 **breaking them into simple project implementation milestones that lend**
19 **themselves to be re-analyzed at any point in time prior to finished**
20 **construction?**

21 A. No I do not. CUB's proposal fails to acknowledge the processes required
22 accomplish the timely evaluation, development, permitting and completion of these
23 required major retrofit projects. Instead, CUB breaks down the process into a series

24 _____
25 ⁷ IPCO/1300, Carstensen/5-6

26 ⁸ CUB/400, Feighner-Jenks/7, ll. 17-20

1 of simple project implementation milestones and re-evaluation opportunities without
2 any reference to the underlying regulatory framework, agency requirements and
3 expectations, resulting legal obligations, the realities of cost and schedule
4 management of these major projects, or the Company's obligation to reliably serve
5 its customers.

6 **Q. Staff witness Erik Colville characterized certain "infirmities" in the decision**
7 **making process for the Scrubber Upgrade. How does the Company plan to**
8 **address these perceived infirmities identified by Staff?**

9 A. Because of the subjective nature of the decision-making processes required for
10 investments like the Scrubber Upgrade, it is understandable that there are differing
11 views on what should be reasonably considered before a decision is ultimately
12 reached. With this understanding in mind, the Company has and will carefully
13 consider the criticisms expressed by the Staff with regard to the Company's decision-
14 making process. Consequently, the Company has been proactive in its efforts
15 improve the process going forward and is currently involved preparing an update to
16 the 2011 IRP. This update will include an evaluation of the cost-effectiveness of
17 investments in additional emissions control equipment at the Jim Bridger and North
18 Valmy power plants. This evaluation will look at investments such as the SCR, and
19 compare them to an early retirement of the unit and replacement with alternate
20 generation capacity. The purpose of this study is to ensure that these investments
21 are prudent investments for the Company and its customers.

22 Ultimately, it is important not to lose sight of the point raised by the Staff in its
23 testimony, that the "benefit is so large that correcting all the decision-process
24 infirmities identified by CUB and [Staff] would not have led Idaho Power to choose to
25
26

1 not make the investments at issue.”⁹

2 **Q. Did the Idaho Public Utilities Commission (“Idaho Commission”) approve the**
3 **Scrubber Upgrade in the Company’s 2011 General Rate case in Idaho?**

4 A. Yes. The Idaho Commission approved a Settlement Stipulation between the
5 Company, the Idaho Commission Staff and various intervenors that contained a rate
6 base amount that included the full amount of the Scrubber Upgrade at Jim Bridger
7 Unit 3.

8 **Q: Does this conclude your testimony?**

9 A. Yes.

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

⁹ Staff/1200, Colville/3, 10-13

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UE 233 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

Citizens' Utility Board of Oregon
OPUC Dockets
dockets@oregoncub.org

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Catriona McCracken
Citizens' Utility Board of Oregon
catriona@oregoncub.org

Stephanie Andrus
Assistant Attorney General
stephanie.andrus@state.or.us

Don Reading
dreading@mindspring.com

Judy Johnson
Public Utility Commission of Oregon
judy.johnson@state.or.us

Erik Colville
Public Utility Commission of Oregon
Erik.colville@state.or.us

Gregory M. Adams
Richardson & O'Leary
greg@richardsonandoleary.com

Peter J. Richardson
Richardson & O'Leary
peter@richardsonandoleary.com

Joshua D. Johnson
Attorney at Law
jdj@racinelaw.net

Eric L. Olsen
Attorney at Law
elo@racinelaw.com

Anthony J. Yankel
Utility Net.Inc.
tony@yankel.net

Randy Dahlgren
Portland General Electric
pge.opuc.filings@pgn.com

Douglas C. Tingey
Portland General Electric
doug.tingey@pgn.com

Irion Sanger
Davison Van Cleve
mail@dvclaw.com

Melinda J. Davison
Davison Van Cleve
mail@dvclaw.com

R. Bryce Dalley
Pacific Power
Bryce.dalley@pacificcorp.com

Sarah Wallace
Pacific Power
sarah.wallace@pacificcorp.com

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Oregon Dockets
PacifiCorp
oregondockets@pacificorp.com


John W. Stephens
Esler Stephens & Buckley
Stephens@eslerstephens.com
mec@eslerstephens.com

Wendy Gerlitz
NW Energy Coalition
wendy@nwenergy.org

DATED: September 5, 2012

Donald Schoenbeck
Regulatory & Cogeneration Services
dws@r-c-s-inc.com

Megan Walseth Decker
Renewable Northwest Project
megan@rnp.org



Wendy McIndoo
Office Manager