

BEFORE THE NEW MEXICO PUBLIC REGULATION COMMISSION

**IN THE MATTER OF SOUTHWESTERN)
PUBLIC SERVICE COMPANY'S)
APPLICATION REQUESTING)
APPROVAL TO RETIRE AND)
ABANDON PLANT X GENERATING)
STATION UNIT 1, PLANT X) **CASE NO. 18-00329-UT**
GENERATING STATION UNIT 2, AND)
CUNNINGHAM GENERATING)
STATION UNIT 1, AND)
DETERMINATION OF RELATED)
RATEMAKING PRINCIPLES AND)
TREATMENT.)
)
SOUTHWESTERN PUBLIC SERVICE)
COMPANY,)
)
 APPLICANT.)
_____)**

SUPPLEMENTAL DIRECT TESTIMONY

of

RANDY J. LARSON

on behalf of

SOUTHWESTERN PUBLIC SERVICE COMPANY

DECEMBER 10, 2018

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GLOSSARY OF ACRONYMS AND DEFINED TERMS

<u>Acronym/Defined Term</u>	<u>Meaning</u>
CCN	Certificate of Public Convenience and Necessity
Commission	New Mexico Public Regulation Commission
Cunningham 1	Cunningham Generating Station Unit 1
O&M	Operation and Maintenance
Plant X 1	Plant X Generating Station Unit 1
Plant X 2	Plant X Generating Station Unit 2
SPS	Southwestern Public Service Company, a New Mexico corporation

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Supplemental Direct Testimony
of
Randy J. Larson

1 **I. WITNESS IDENTIFICATION AND PURPOSE OF**
2 **SUPPLEMENTAL TESTIMONY**

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

4 A. My name is Randy J. Larson. My business address is 1800 Larimer Street,
5 Denver, Colorado 80202.

6 **Q. On whose behalf are you testifying in this proceeding?**

7 A. I am filing supplemental testimony on behalf of Southwestern Public Service
8 Company, a New Mexico corporation (“SPS”).

9 **Q. Are you the same Randy J. Larson who filed direct testimony on behalf of**
10 **SPS in this docket?**

11 A. Yes.

12 **Q. What is the purpose of your supplemental direct testimony?**

13 A. The purpose of my supplemental direct testimony is to respond to certain
14 questions posed by the Hearing Examiner during the Prehearing Conference held
15 in this case on November 20, 2018. In particular, I address questions related to
16 the operations of Plant X Generating Station Unit 1 (“Plant X 1”), Plant X
17 Generating Station Unit 2 (“Plant X 2”), and Cunningham Generating Station
18 Unit 1 (“Cunningham 1”). I also respond to questions about recent capital

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1 additions to those units, and I address the possible reuse of some parts of those
2 units after their decommissioning.

3 **Q. Are any other witnesses filing supplemental direct testimony on behalf of**
4 **SPS?**

5 A. Yes. SPS witness William A. Grant testifies regarding the ratemaking treatment
6 that SPS is asking the New Mexico Public Regulation Commission
7 (“Commission”) to approve in this case. Mr. Grant also testifies regarding certain
8 aspects of the operations of the three units and regarding the availability of
9 substitute power if the units are retired. SPS witness Melissa L. Ostrom responds
10 to questions regarding accounting and depreciation issues, among other things.

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1 **Q. What is the current life expectancy of each of the three units that SPS is**
2 **seeking to retire?**

3 A. Table RJL-S1 shows the service life expectancy of each of the three units based
4 on the current Commission-approved service lives:

5 **Table RJL-S1**

	Plant X 1	Plant X 2	Cunningham 1
Installation Date	1952	1953	1957
End of Current Commission- Approved Service Life ³	2019	2019	2022
Life Expectancy Under Current Commission- Approved Service Life	67 years	66 years	65 years

6 Table RJL-S2 (next page) shows the actual service life of each unit if the
7 Commission approves the retirement dates requested by SPS in this case:

³ The service lives for these units were approved in Case No. 12-00350-UT. *See In the Matter of Southwestern Public Service Company's Application for Revision of its Retail Rates Under Advice Notice No. 245*, Case No. 12-00350-UT, Recommended Decision at 185 (Jan. 23, 2014) (approving service lives proposed by SPS), Final Order Partially Adopting Recommended Decision (Mar. 26, 2014).

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1

Table RJL-S2

	Plant X 1	Plant X 2	Cunningham 1
Installation Date	1952	1953	1957
Retirement Date Requested by SPS	2019	2020	2019
Life Expectancy Under SPS Retirement Date	67 years	67 years	62 years

2

SPS's request would increase the service life of Plant X 2 by one year compared to the Commission-approved service life, and it would reduce the service life of Cunningham 1 by three years compared to the current Commission-approved service life. But as Table RJL-S1 and Table RLS-S2 demonstrate, all three of the units have far exceeded the 40-year service lives that existed at the time the Commission issued the CCN for those units.

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Q. Ms. Ostrom testified in her direct testimony that the current depreciation rates for Plant X 1, Plant X 2, and Cunningham 1 were established in Case No. 12-00350-UT. Has SPS made any capital additions to those units since the depreciation rates were established?

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A. Yes. Ms. Ostrom's supplemental direct testimony contains a list of the capital additions to those units since January 1, 2015, along with the costs incurred for each capital addition.

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1 **III. DISMANTLEMENT OF UNITS**

2 **Q. When do you expect Plant X 1, Plant X 2, and Cunningham 1 to be actually**
3 **dismantled?**

4 A. The current plan is to dismantle the units when the last remaining unit at each
5 generating station is retired. For example, under the current Commission-
6 approved depreciation lives, Plant X Unit 3 is expected to be retired in 2024, and
7 Plant X Unit 4 is expected to be retired in 2027. Thus, assuming Plant X Unit 4 is
8 retired on December 31, 2027, I expect the decommissioning and dismantling of
9 all Plant X units to begin sometime in 2028, or shortly thereafter. Similarly the
10 decommissioning of Cunningham 1 would begin after the final remaining three
11 units reach their retirement dates. The final two units, Cunningham 3 and
12 Cunningham 4, are currently scheduled to retire on December 31, 2040.

13 **Q. Do you expect that some of the components of Plant X 1, Plant X 2, and**
14 **Cunningham 1 can be used at other SPS facilities after those units are**
15 **decommissioned?**

16 A. I consider it unlikely that any material portion of the components from those units
17 will be usable at other SPS facilities. As I have noted, all three units will have
18 been in service for over 60 years by the time they are decommissioned, and

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1 therefore many of the components at the three units are quite old. Not all of the
2 component parts of the units are 60 years old, of course, because SPS has made
3 capital improvements on the units from time to time. In my experience, however,
4 it is not economical to replace a component part of a functioning unit with a part
5 from a retired unit. The component part from the retired plant has likely already
6 experienced some degree of fatigue or wear, and therefore the used part will likely
7 be less reliable going forward than a new part would be. The savings that would
8 result from installing used parts on a generating unit are illusory if the retrofitted
9 unit must be taken out of service more often afterward to deal with issues related
10 to the used parts. Having said that, if SPS identifies some component parts from
11 Plant X 1, Plant X 2, or Cunningham 1 that appear to be good candidates for
12 retrofitting at other SPS units or generating stations, SPS will use those
13 components to the extent possible.

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1 **IV. CUSTOMER SAVINGS**

2 **Q. Your direct testimony also characterized the customer savings as**
3 **“substantial.” Aside from the savings attributable to avoided upgrades, what**
4 **savings were you referring to?**

5 A. In addition to the avoided capital upgrades, SPS would avoid the incremental
6 operation and maintenance (“O&M”) costs associated with normal operation of
7 the units, as I explained in my direct testimony. Leaving aside the incremental
8 O&M costs associated with upgrades, retiring Cunningham 1 in 2019 would avoid
9 the need to incur \$750,000 (\$166,000 New Mexico retail) in O&M costs during
10 the period from 2020-2022.⁴ For Plant X 1 and Plant X 2 to remain operational
11 until 2022, the incremental O&M costs would total approximately \$900,000
12 (\$210,000 New Mexico retail).⁵

13 It is also important to note that the capital and O&M savings that I have
14 identified account for only the foreseeable upgrades and O&M activities. In my
15 experience, it is common for a utility to encounter unforeseen expenses,

⁴ Direct Testimony of Randy J. Larson at 14.

⁵ Direct Testimony of Randy J. Larson at 18. I calculated this amount by taking the \$150,000 per unit per year and multiplying it by two units for a total of \$300,000, and then multiplying that by three for the additional three years of operation from 2020-2022.

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1 especially with units nearing the ends of their service lives, as these three units
2 are. Moreover, older plants can also create reliability concerns. For example,
3 both Plant X 1 and Plant X 2 have experienced several unplanned output derates
4 or outages during 2018. In addition to the direct capital costs and O&M expense
5 associated with bringing these units back online, there is also a decrease in unit
6 reliability. And for the duration of the unplanned derate or outage, the unit is not
7 available to be dispatched if called upon.

8 **Q. Does this conclude your prefiled supplemental direct testimony?**

9 A. Yes.

VERIFICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

RANDY J. LARSON, first being sworn on his oath, states:

I am the witness identified in the preceding supplemental direct testimony. I have read the supplemental direct testimony and am familiar with its contents. Based upon my personal knowledge, the facts stated in the supplemental direct testimony are true. In addition, in my judgment and based upon my professional experience, the opinions and conclusions stated in the testimony are true, valid, and accurate.

Randy J. Larson
RANDY J. LARSON

SUBSCRIBED AND SWORN TO before me this 4th day of December, 2018
by RANDY J. LARSON.

SCHUNA D WRIGHT
Notary Public
State of Colorado
Notary ID # 19974007693
My Commission Expires 05-06-2021

Schuna D. Wright
Notary Public, State of Colorado
My Commission Expires: May 6, 2021