



Filing Receipt

Received - 2021-11-19 02:46:28 PM
Control Number - 52195
ItemNumber - 413

SOAH DOCKET NO. 473-21-2606
DOCKET NO. 52195

APPLICATION OF EL PASO ELECTRIC	§	BEFORE THE STATE OFFICE
COMPANY TO CHANGE RATES	§	OF
	§	ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

J KYLE OLSON

FOR

EL PASO ELECTRIC COMPANY

NOVEMBER 19, 2021

TABLE OF CONTENTS

SUBJECT	PAGE
I. Introduction.....	1
II. Purpose of Rebuttal Testimony.....	1
III. Rebuttal to Mr. Norwood.....	2
IV. Concluding Comments on Mr. Norwood's Arguments	7
V. Response to Ms. Cannady.....	8
VI. Conclusion	8

EXHIBITS

JKO-1R – Docket No. 50277 Norwood Transcript for Newman 6 CCN

I. Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is J Kyle Olson. My business address is 100 North Stanton Street, El Paso, Texas 79901.

Q. HOW ARE YOU EMPLOYED?

A. I am employed by El Paso Electric Company ("EPE" or "Company") as Manager of Power Generation Engineering.

Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I did.

II. Purpose of Rebuttal Testimony

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to two recommendations by City of El Paso witness Scott Norwood regarding EPE's test-year local fleet generation operation and maintenance ("O&M") expense and EPE's purchase of a spare LMS 100 power turbine and booster. I also address in this testimony the recommendations of OPUC witness Constance Cannady to remove the Newman Generating Station fuel oil inventory from rate base and to remove charges for cleaning up a fuel spill at the Newman Generation Station.

Regarding Mr. Norwood's recommendations, I first explain why the Commission should reject Mr. Norwood's recommendation that EPE's test year local fleet generation O&M expense of \$54.9 million (which is the amount EPE requests in rates and reflects a downward adjustment of approximately \$250,000) be reduced by approximately \$6 million. I also explain why the Commission should reject Mr. Norwood's recommendation to disallow from rate base EPE's \$7.6 million (Total Company) investment for a spare power turbine and booster that can be used at any of EPE's five LMS 100 generation units and that is a prudent step to help secure reliable service.

Regarding Ms. Cannady's recommendations, I do not oppose the removal of the fuel oil inventory at Newman Generating Station from rate base, nor do I oppose the removal of the expenses incurred to clean up the fuel spill at Newman Generating Station.

1 In her rebuttal testimony, EPE witness Jennifer Borden addresses the rate effect of the
2 removal of these items.

3
4 **III. Rebuttal to Mr. Norwood**

5 Local generation fleet O&M expense

6 Q. WHAT DOES MR. NORWOOD RECOMMEND REGARDING GENERATION O&M
7 EXPENSE?

8 A. Mr. Norwood summarizes his recommendation by claiming that "EPE's Test Year O&M
9 request [should] be reduced by \$6,039,273 (Total Company) to remove the extraordinary
10 and unjustified increases in maintenance expenses included in accounts 512 and 513 at the
11 Newman Station, and in account 553 at the Montana and Copper Stations."¹ His proposal
12 would reduce EPE's local generation fleet O&M expense included in rates from the
13 requested amount of \$54.9 million to approximately \$48.86 million.

14
15 Q. DOES MR. NORWOOD'S RECOMMENDATION HAVE MERIT?

16 A. No, it does not. As I discuss in more detail below, all of the test year O&M expense
17 incurred by EPE was necessary and reasonable for the Company to provide reliable service
18 to its customers. Production O&M expenses vary from year to year depending on many
19 different factors, some of which (i.e., forced outages) are unknown or difficult to predict.
20 Moreover, as explained in my direct testimony, as EPE's older units advance in age it is
21 reasonable to expect that O&M costs can and will increase as parts become more difficult
22 to replace and additional maintenance becomes necessary. The big drivers for O&M costs
23 are routine maintenance and operations expenses, overhauls, and forced outages. An
24 increase in O&M costs over a historical annual average is not a valid reason to exclude a
25 portion of the O&M expenses that the Company reasonably and necessarily incurred in the
26 test year as per the Commission's cost-of-service rule.

27
28 Q. PLEASE DESCRIBE MR. NORWOOD'S REASONING AND APPROACH TO THIS
29 SUBJECT.

¹ Direct Testimony of Scott Norwood at 3:4-11.

1 A. Mr. Norwood compares the test-year O&M costs at EPE's local generation stations and
2 units and concludes that they are \$7.9 million higher than the average O&M costs for the
3 four years preceding the test year (2016-2019). He notes that the largest increases in O&M
4 costs are at Newman, Montana and Copper, for which he says a disallowance is warranted.

5 Mr. Norwood also takes exception to the concept that older units can require more
6 O&M expenses as they continue to age, arguing at page 9 of his testimony that "[a] more
7 likely explanation [than aging units] for the extraordinary sudden increases in Test Year
8 maintenance expenses at the Newman, Montana and Copper Stations is simply that there
9 were an abnormally high number of outage hours during the Test Year at these plants."

10
11 Q. EXPLAIN WHY YOU DISAGREE WITH MR. NORWOOD'S REASONING.

12 A. Mr. Norwood's rationale ignores the Commission's cost-of-service rule by disregarding the
13 actual O&M expenses reasonably and necessarily incurred during the test year. The cost
14 of service rule in 25 TAC 231(b) states that "Only those expenses which are reasonable
15 and necessary to provide service to the public shall be included in allowable expenses. In
16 computing an electric utility's allowable expenses, only the electric utility's historical test
17 year expenses as adjusted for known and measurable changes will be considered..."

18 Mr. Norwood contends that the O&M costs included in the rates established in this
19 case should be determined by considering average costs from previous years in an attempt
20 to decipher what future O&M costs will be. This approach is unreasonable because under
21 the Commission rule quoted above, rates are based on O&M costs actually incurred during
22 a recent historical test-year, not by forecasting future costs based on averages from further
23 back in time. Accepting Mr. Norwood's proposed disallowance of test-year O&M
24 expenses that were reasonable and necessary would promote a policy that could have
25 adverse reliability impacts going forward.

26 Moreover, the Company has recently added four local units to its generation
27 portfolio: Montana Units 1 and 2 were added in 2015, followed by Montana Units 3 and 4
28 in 2016. It is axiomatic that adding such generation produces more power, which results
29 in additional O&M costs. General costs for routine and preventative maintenance,
30 overhauls and other outages increase as the amount of generation increases.

1 In addition, Mr. Norwood did not disagree with the general notion that O&M costs
2 increase as the Company's older units continue to age and near the end of their useful lives.
3 In fact, he has previously testified that a utility can have higher O&M expenses for older
4 gas-fired units that are still operating (such as Rio Grande Unit 7 and Newman Units 1 and
5 2) than it would have for newer units.² This concept is similar to the expenses incurred for
6 the operation and maintenance of an aging car or truck. As cars and trucks start nearing
7 the end of their useful lives, their owners typically experience an increase in required
8 repairs and/or maintenance to ensure the vehicles remain functional.

9 Finally, from January through September of this year, actual non-fuel O&M
10 expenses incurred for EPE's local generating units are above the budgeted amount for that
11 time period by approximately \$4.4 million. For calendar year 2021, the Company is on
12 track and expects to spend \$56.5 million on generation O&M which is more than the
13 test-year amount of O&M expenses. Therefore, not only were the test-year O&M costs for
14 EPE's local generation units reasonable and necessary, but also they were less than the
15 current year's expected O&M costs, showing that Mr. Norwood's characterization of the
16 test-year costs as "abnormal" and "nonrecurring" is misleading and incorrect. It is
17 important to maintain generating units for all operating conditions and contingencies. In
18 2011, during a period of unusually cold weather, EPE had a number of generation units
19 fail. As a result, EPE recommitted to maintaining its generation units for operation during
20 all contingencies on a routine basis. As a result, when a similar cold weather event occurred
21 during 2021, EPE's plants continued to operate. As the Commission is well aware, a
22 number of plants in ERCOT failed resulting in rolling blackouts throughout ERCOT and
23 significant increases in power costs.

24
25 Q. MR. NORWOOD CHARACTERIZED THE TEST-YEAR O&M COSTS FOR THE
26 NEWMAN GENERATING STATION AS "EXTRAORDINARY". IS THAT A FAIR
27 CHARACTERIZATION?

28 A. No.

² See pages 101-102 in Exhibit JKO-1R, which is an excerpt from Mr. Norwood's cross-examination in Docket No. 50277, the case in which EPE received approval to modify its Certificate for Convenience and Necessity to add Newman Unit 6.

1
2 Q. WHY NOT?

3 A. With the exception of 2019, which I explained in my direct testimony, there has been a
4 rising trend in O&M spend on local generation since the last rate case, an increase of
5 approximately \$2.5 million per year.

6 As I explained in my direct testimony, four of the units at the Newman Generating
7 Station are 45 years old or more, with Newman Units 1 and 2 both about 60 years old. As
8 units reach these advanced ages, maintenance costs often increase. Mr. Norwood did not
9 disagree with this general proposition.

10 Nothing extraordinary occurred at the Newman Generating Station during the test
11 year. The O&M expenses incurred at the Newman plant were primarily related to the
12 advanced ages of most of the units there. They were necessary and reasonable to ensure
13 reliable service.

14
15 Q. HAS MR. NORWOOD IDENTIFIED ANY SPECIFIC O&M COST AS BEING
16 UNREASONABLE?

17 A. No. Mr. Norwood has not identified any specific O&M cost as unreasonable or unneeded.
18 He only makes general conclusions and observations regarding generation O&M costs.

19
20 Q. CAN YOU EXPLAIN WHY THE TEST-YEAR O&M EXPENSES FOR THE
21 MONTANA POWER STATION ARE APPROXIMATELY TWICE AS MUCH AS THE
22 AVERAGE ANNUAL O&M EXPENSES FOR THAT PLANT FROM 2017-2019?

23 A. Yes, I can. The Montana units are new units that had very little maintenance required
24 during 2017-2019, which were the early years of their service lives, but during the test year
25 they entered regularly scheduled overhaul and maintenance cycles. This includes pump
26 rebuilds, motor refurbishments, and other routine maintenance. Like the car or truck
27 example from above, a brand-new car requires little maintenance during the first few years,
28 but as the car begins to hit its routine maintenance windows (i.e., tires, brakes, etc.), the
29 result is higher maintenance costs.

1 Q. WERE THERE AN ABNORMALLY HIGH NUMBER OF OUTAGE HOURS AT THE
2 NEWMAN, MONTANA AND COPPER STATIONS DURING THE TEST-YEAR, AS
3 MR. NORWOOD CLAIMS?

4 A. No there were not, and Mr. Norwood's table of outages included on page 10 of his direct
5 testimony is misleading and does not support his position. Outages at generation units are
6 related to both capital and O&M projects at those plants. Mr. Norwood fails to
7 acknowledge this fact and ignores the difference between the two types of costs related to
8 generation outage hours. His testimony implies that all of the outages at Newman, Copper
9 and Montana during the test year shown in his Table 5 were related to O&M. To the
10 contrary, while the actual number of outage hours during the test year was higher than in
11 the past, the increase in outage hours is primarily attributable to capital improvements that
12 were being made at the Copper and Newman plants, not to O&M. Mr. Norwood's rationale
13 for his proposed reduction in O&M expenses is therefore based on an improper comparison
14 of apples (outages during the test year related to capital projects) to oranges (test year O&M
15 expenses).

16
17 Gas turbine spare parts (14-15)

18 Q. WHAT DOES MR. NORWOOD RECOMMEND REGARDING THE BOOSTER AND
19 POWER TURBINE SPARE PARTS?

20 A. EPE's local generation fleet includes five General Electric (GE) LMS 100 gas turbines:
21 Rio Grande Unit 9 and all four Montana Units. EPE acquired a spare LMS 100 booster and
22 power turbine (which Mr. Norwood incorrectly refers to as a "LMS 1000 gas turbine and
23 booster"³) at a cost of approximately \$7.6 million for use to offset future failures at any of
24 these five units. EPE purchased these parts after GE and EPE identified these parts as
25 likely to have long lead times (up to 24 months) due to part availability and could thus
26 result in long forced outages absent their being purchased ahead of time, as EPE did.
27 Mr. Norwood recommends that these two items be excluded from rate base.⁴

28
29 Q. WHAT IS MR. NORWOOD'S REASONING?

³ Direct Testimony of Scott Norwood at 14:13.

⁴ Direct Testimony of Scott Norwood at 14:19-15:17.

1 A. Mr. Norwood asserts that EPE failed to provide justification for the cost of these two
2 components. He claims that EPE has provided very limited summary information
3 describing the purpose of the spares and has not provided any cost/benefit analysis to
4 support these investments.

5
6 Q. DO YOU AGREE WITH MR. NORWOOD?

7 A. No, I do not.

8
9 Q. PLEASE EXPLAIN.

10 A. As I explained above and in my direct testimony, it is important to have spares available
11 for critical components of local generation units in the event there is a malfunction, and a
12 part needs to be replaced quickly. The purchase of the spares that Mr. Norwood criticizes
13 was reasonable and necessary to ensure the reliability of EPE's service to its customers. In
14 fact, the booster has recently been approved to be installed at Rio Grande Unit 9. This
15 decision was made to enhance the reliability of the unit's operation, given that recent
16 inspections have revealed common cracking in the blades across a particular vintage of the
17 General Electric LMS100 fleet. Rio Grande Unit 9 is part of this vintage. The booster is
18 being installed as a precaution. The booster from Rio Grande Unit 9 will be refurbished in
19 the fall of 2022 after serving as EPE's spare for the summer of 2022. By proactively
20 replacing the booster with the spare, EPE is attempting to avoid an unplanned outage that
21 could occur during a peak period, and having a spare avoids an extended outage while the
22 booster is repaired. Having these spare components is critical to maintaining the reliability
23 of EPE's LMS 100 fleet.

24
25 **IV. Concluding Comments on Mr. Norwood's Arguments**

26 Q. DO YOU HAVE ANY CONCLUDING COMMENTS ON MR. NORWOOD'S
27 RECOMMENDATIONS ON THE SUBJECTS YOU ADDRESS?

28 A. Yes, I do. I believe that Mr. Norwood's arguments and recommendations, if accepted,
29 would not be conducive to reliability. Reliable service requires the underlying expenditure
30 of money to ensure proper and efficient operation of the Company's local generation fleet.
31 There were no abnormal costs incurred in the operation and maintenance of these units

1 during the test year; they were all reasonable and necessary to provide reliable service to
2 EPE's customers. Disallowing some portion of these expenses because they are outside the
3 annual average of a particular set of years is contrary to how rates are set and could result
4 in negative reliability impacts if such reductions in actual test-year costs become a standard
5 practice.
6

7 **V. Response to Ms. Cannady**

8 Q. HOW DO YOU RESPOND TO MS. CANNADY'S RECOMMENDATION THAT EPE'S
9 FUEL OIL INVENTORY AT NEWMAN GENERATING STATION SHOULD BE
10 REMOVED FROM RATE BASE?

11 A. The Company is not opposed to removal of the 13-month average value of the fuel oil
12 inventory at Newman Generating Station from rate base as suggested by Ms. Cannady.
13 After filing this rate case, EPE entered into a contract to remove the fuel oil at the Newman
14 plant for no cost to EPE. This no cost contract allows EPE and customers to avoid paying
15 for removal of the fuel oil. EPE witness Jennifer Borden reflects the adjustment to rate
16 base in her rebuttal testimony.
17

18 Q. HOW DO YOU RESPOND TO MS. CANNADY'S RECOMMENDATION THAT THE
19 EXPENSES INCURRED BY EPE FOR THE CLEAN-UP OF THE FUEL OIL SPILL AT
20 NEWMAN GENERATING STATION DURING THE TEST YEAR?

21 A. EPE is not opposed to removing these clean-up costs from its cost of service as
22 recommended by Ms. Cannady. This adjustment is reflected by Ms. Borden in her rebuttal
23 testimony.
24

25 **VI. Conclusion**

26 Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

27 A. Yes, it does.

SOAH DOCKET 473-20-2278

PUC DOCKET 50277

APPLICATION OF EL PASO) BEFORE THE STATE OFFICE
ELECTRIC COMPANY TO AMEND)
ITS CERTIFICATE OF)
CONVENIENCE AND NECESSITY) OF
FOR AN ADDITIONAL)
GENERATING UNIT AT THE)
NEWMAN GENERATING STATION) ADMINISTRATIVE HEARINGS

HEARING ON THE MERITS

Tuesday, June 9, 2020

(Via Zoom Videoconference)

BE IT REMEMBERED THAT at 10:00 a.m., on Tuesday, the 9th day of June 2020, the above-entitled matter came on for hearing in Austin, Texas, before ROBERT PEMBERTON and CHRISTIAAN SIANO, Administrative Law Judges, and the following proceedings were reported remotely by Lorrie A. Schnoor, Certified Shorthand Reporter, Registered Diplomat Reporter and Certified Realtime Reporter.

<p style="text-align: right;">94</p> <p>1 of Zoom.</p> <p>2 JUDGE SIANO: Okay. So we'll take up --</p> <p>3 we'll take up the City's case next and then Staff and</p> <p>4 then rebuttal. Does that sound like the plan?</p> <p>5 MR. SLOCUM: I think that's --</p> <p>6 MR. BELL: Yes, Your Honor.</p> <p>7 JUDGE SIANO: Okay. Very good. So</p> <p>8 let's -- I want to have a short discussion with you all</p> <p>9 off the record.</p> <p>10 So, Ms. Schnoor, let's go ahead and go off</p> <p>11 the record.</p> <p>12 (Recess: 12:06 p.m. to 12:09 p.m.)</p> <p>13 JUDGE SIANO: We can go back on the record</p> <p>14 and go ahead and swear him in retroactively.</p> <p>15 Let's see. Mr. -- Mr. Wayne Oliver?</p> <p>16 THE WITNESS: Yes.</p> <p>17 JUDGE SIANO: Okay. Please raise your</p> <p>18 right hand. You do solemnly swear or affirm that the</p> <p>19 testimony that you gave today -- that you gave today in</p> <p>20 this proceeding is the truth, the whole truth, and</p> <p>21 nothing but the truth?</p> <p>22 THE WITNESS: Yes, I do.</p> <p>23 JUDGE SIANO: All right. Thank you.</p> <p>24 And with that, we'll go off the record</p> <p>25 again.</p>	<p style="text-align: right;">96</p> <p>1 A No, I don't.</p> <p>2 MR. GORDON: So we tender Mr. Norwood for</p> <p>3 cross-examination.</p> <p>4 JUDGE PEMBERTON: All righty. I think</p> <p>5 Applicants -- or Applicant?</p> <p>6 MR. SLOCUM: Your Honor, we had filed</p> <p>7 something saying we waived cross of Mr. Norwood but</p> <p>8 reserved the right if other parties cross, and so we</p> <p>9 have no cross for him now, but Mr. Bell may possibly</p> <p>10 have recross depending on redirect.</p> <p>11 JUDGE PEMBERTON: All righty. Well, I</p> <p>12 think, then, Staff, anything?</p> <p>13 MS. ASHER: Yes, Your Honor. Thank you.</p> <p>14 CROSS-EXAMINATION</p> <p>15 BY MS. ASHER:</p> <p>16 Q Mr. Norwood, very brief. Good afternoon,</p> <p>17 first.</p> <p>18 A Good afternoon.</p> <p>19 Q And I have very few questions, so just bear</p> <p>20 with me.</p> <p>21 So let's turn to your -- your direct</p> <p>22 testimony. On Pages 4 to 5 of your direct testimony,</p> <p>23 you summarize your conclusions regarding EPE's</p> <p>24 application. Is that correct?</p> <p>25 A Yes.</p>
<p style="text-align: right;">95</p> <p>1 (Lunch recess: 12:09 p.m. to 1:15 p.m.)</p> <p>2 AFTERNOON SESSION</p> <p>3 TUESDAY, JUNE 9, 2020</p> <p>4 (1:15 p.m.)</p> <p>5 JUDGE PEMBERTON: Okay. We are on -- back</p> <p>6 on the record in 473-20-2278, PUC Docket 50277, El Paso.</p> <p>7 Mr. Gordon, I think we're to your direct</p> <p>8 case.</p> <p>9 MR. GORDON: We are. And we call Scott</p> <p>10 Norwood.</p> <p>11 JUDGE PEMBERTON: Okay. Mr. Norwood, will</p> <p>12 you please raise your right hand and repeat after me.</p> <p>13 (Witness sworn)</p> <p>14 JUDGE PEMBERTON: All righty. You may</p> <p>15 proceed, Mr. Gordon.</p> <p>16 MR. GORDON: Your Honor, Mr. Norwood's</p> <p>17 direct testimony and workpapers have been previously</p> <p>18 admitted as CEP Exhibits 1 and 2.</p> <p>19 PRESENTATION ON BEHALF OF CITY OF EL PASO</p> <p>20 SCOTT NORWOOD,</p> <p>21 having been first duly sworn, testified as follows:</p> <p>22 DIRECT EXAMINATION</p> <p>23 BY MR. GORDON:</p> <p>24 Q Do you have any corrections to make,</p> <p>25 Mr. Norwood?</p>	<p style="text-align: right;">97</p> <p>1 Q And particularly, one of your main conclusions,</p> <p>2 I think, on -- on -- it's No. 2 on Page 5, is that the</p> <p>3 Company fails to account for the economic impacts of the</p> <p>4 COVID-19 pandemic in assessing the need for Newman 6.</p> <p>5 Is that correct?</p> <p>6 A Yes.</p> <p>7 Q And you go on to state -- let me see where it</p> <p>8 is -- that -- well, let's see. On Page 17 of your</p> <p>9 direct testimony, that EPE would have -- still have</p> <p>10 sufficient generating capacity of -- I'm going to give</p> <p>11 you the line number so it's easier for you. I</p> <p>12 apologize.</p> <p>13 A All right.</p> <p>14 Q Lines 8 through 11.</p> <p>15 A Okay.</p> <p>16 Q And you go on to state that EPE would still</p> <p>17 have sufficient generating capacity available on its</p> <p>18 system until 20 -- at least 2026, simply by delaying</p> <p>19 planned retirements of the Company's existing resources,</p> <p>20 and supplementing those with short-term market --</p> <p>21 short-term market purchases.</p> <p>22 A Yes.</p> <p>23 Q And I assumed, I guess, from Table 3, which is</p> <p>24 on Page 16 of your application -- and let me know if I</p> <p>25 assumed incorrectly -- but that this would involve</p>

<p style="text-align: right;">98</p> <p>1 delaying the retirements of Newman 1, Newman 2, Rio 2 Grande 7, and then taking Rio Grande 6 out of inactive 3 reserve. Is that correct?</p> <p>4 A No, not necessarily. Actually, if you'll look 5 over on my Table 2, which is the page before on 14, 6 the -- this calculation shows what I'm suggesting. And 7 Rio Grande 6 has already been taken out of the capacity 8 shown on Row 1 up there, so they're not showing that as 9 a firm resource available to serve peak, although it is 10 available technically. That's why they're spending 11 money to keep it around.</p> <p>12 So what I'm saying is, if you -- until we 13 know what's going on with COVID, if you could -- if they 14 could delay this decision to pull the trigger a year or 15 two by basically deferring retirements of Rio Grande 7 16 and Newman 1 and 2 and then picking up resource 17 purchases, which is a short-term purchase, at a very 18 modest level, much -- much lower than what they've done 19 already in the past, then they would have adequate 20 reserves at least through 2026.</p> <p>21 I'm not suggesting necessarily that it has 22 to -- has to go that long, but, you know, I think this 23 is, you know, obviously a once-in-my-lifetime-type 24 thing, so it's -- I think it makes sense and will be 25 prudent to take a little extra time here.</p>	<p style="text-align: right;">100</p> <p>1 2023 peak.</p> <p>2 Q And then those -- those orange boxes, though, 3 include, I guess, Rio Grande 7 in those orange boxes in 4 Row 1.1 --</p> <p>5 A Yes.</p> <p>6 Q -- from 2023 to 2028. Is that correct?</p> <p>7 A Yes.</p> <p>8 Q Okay. And -- and this was the information you 9 had available to you at the time you filed your 10 testimony, but it also includes the battery project 11 that -- I guess that's in line -- Row 1.7 that was 12 rejected by the New Mexico Commission. Is that correct?</p> <p>13 A That's my understanding, yes.</p> <p>14 Q Okay. And your testimony doesn't -- well, not 15 getting into any specifics, but there are operating and 16 maintenance costs associated with maintaining any -- any 17 gas-fired units, including Newman 6. Correct?</p> <p>18 A Yes.</p> <p>19 Q And as a general statement, older gas units 20 have greater O&M costs than newer ones. Would that be 21 correct?</p> <p>22 A Well, I mean, that doesn't apply with Rio 23 Grande 6, because they're not -- they're not actually 24 operating the unit, per se, unless they need it. For 25 example, the data they've given us on Rio Grande 6 --</p>
<p style="text-align: right;">99</p> <p>1 Q Mr. Norwood, actually you jumped right to -- to 2 where I wanted you to go anyway, so let's just start 3 talking about Table 2.</p> <p>4 A Okay.</p> <p>5 Q So in Table 2, you have, at least in my copy, 6 the one that was served to me, there is -- in Row 1.1 7 and Row 1.2, you have some orange highlighted boxes from 8 the year 2023 to 2028.</p> <p>9 A Yes.</p> <p>10 Q And that would include delaying the retirement 11 of Newman 1 and 2, just as you testified earlier.</p> <p>12 A That's at 736 megawatts in that line. Is that correct?</p> <p>13 A That's correct.</p> <p>14 Q And then, like you said, Rio Grande Unit 6 is 15 in inactive reserve, but it's already included in EPE's 16 forecast. Is that correct?</p> <p>17 A It is actually not in their capacity forecast 18 here. So that line -- the Rio Grande Line 1.1, that 19 278 megawatts does not include Rio Grande 6, because 20 they're saying -- they don't -- they don't use that for 21 planning purposes as a long-term resource. They're 22 keeping it available to run in case they need it, just 23 as they do with the -- the Rio Grande 7 and Newman 1 and 24 2. Although they retire them in 2022, they plan to keep 25 them around in case they need them, you know, for that</p>	<p style="text-align: right;">101</p> <p>1 and this is, I believe, in response to CEP 1-16 -- the 2 O&M numbers are -- are nil. The capital additions 3 they're showing for 2019 were actually negative.</p> <p>4 So they're basically, you know -- they're 5 keeping all the systems checked out, and they do some 6 preparation on the turbine to keep it from corroding, 7 degrading.</p> <p>8 The idea is do a minimal amount of 9 expenditure and work, but if need be, if in May or -- 10 you know, you have a coronavirus hit in April or May, if 11 you see a need for that unit or, you know, some other 12 event, like an outage on one of the Palo Verde units, 13 for example, it would be another 200 megawatts loss, you 14 would have the ability to bring that unit online over a 15 period of weeks, perhaps, to be available at -- at the 16 time of the peak, along with other things you could do. 17 You could go out and contract short-term. We heard 18 about that earlier with Mr. Hawkins.</p> <p>19 So you have some flexibility to have 20 resources available as you need them.</p> <p>21 Q Sure. And Rio Grande 6 is on inactive reserve, 22 but I asked you a general question. More generally, not 23 referring to Rio Grande 6, but in general, older 24 gas-fired units have greater operating and maintenance 25 costs than newer ones. Is that correct?</p>

<p style="text-align: right;">102</p> <p>1 A Yeah, if you're -- if you're actually operating 2 them and not keeping them in inactive reserve, they can 3 have higher expenses.</p> <p>4 Q Okay. And, Mr. Norwood, your testimony doesn't 5 provide any estimates on operating and maintenance costs 6 regarding Newman 1, Newman 2, and Rio Grande 7. Is that 7 correct?</p> <p>8 A I did not -- no, did not include that. In 9 essence, I'm saying the Company should study this, 10 because it appears to me, from the data I did look at, 11 the operating cost and the capital cost for those units 12 are very low. And so to keep them around as an option 13 is -- is really kind of a gimme. It's a no -- 14 no-brainer if you have the kind of crisis we have now 15 that potentially could affect things, you know, in a 16 very big way going forward.</p> <p>17 Q And -- I'm sorry. I also wanted to ask you a 18 little bit more about Table 2, which is on Page 14 --</p> <p>19 A Okay.</p> <p>20 Q -- if you could flip to there. I apologize. 21 I'm jumping around here.</p> <p>22 A No. Go ahead.</p> <p>23 Q A couple of questions just as a point of 24 clarification. This was made with the 2019 load 25 forecast provided by EPE's application. Is that</p>	<p style="text-align: right;">104</p> <p>1 A That's correct.</p> <p>2 Q Okay. And earlier in our testimony and on our 3 dialogue today, you talked about delaying Newman 6 for 4 possibly one to two years. Is that correct?</p> <p>5 A (Audio distortion)</p> <p>6 THE REPORTER: I'm sorry. Was that --</p> <p>7 A Yes.</p> <p>8 JUDGE PEMBERTON: Yeah, Mr. Norwood, you 9 broke up in that last sentence. If you could please 10 repeat that.</p> <p>11 A Okay. Yeah, the -- what I am talking about 12 here are purchases in order to delay Newman 6, sort of 13 my recommendation a couple years to see what happens 14 with COVID.</p> <p>15 Q (BY MS. ASHER) And not just purchases but 16 delaying of retirements. In general, you're talking 17 about delaying the Newman 6 project for another one to 18 two years, at least in our dialogue. Correct?</p> <p>19 A Well, yeah. Let me -- I have not -- I think my 20 testimony makes this clear -- I've not --</p> <p>21 JUDGE PEMBERTON: And I'm sorry to 22 interrupt again. You -- back up a little bit, because 23 you broke up once again.</p> <p>24 THE WITNESS: Okay. Okay. Is that 25 better?</p>
<p style="text-align: right;">103</p> <p>1 correct? And that's information you had available at 2 the time.</p> <p>3 A I don't recall if this was the 2018 or the 4 2020, but both of those forecasts were relatively close.</p> <p>5 Q 2019 or 2020. Correct?</p> <p>6 A Well, there was one they did with the 2018 RFP 7 that I think was what they made the selection on.</p> <p>8 Q Just as a point of clarification, I guess, if 9 you go to system demand, that line, it's Line 4.0. Just 10 let me know when you're there.</p> <p>11 A I'm there.</p> <p>12 Q Okay. Sorry. Whichever load forecast you 13 used, those would -- those numbers in that line would 14 come from, you know, the 2019 load forecast or the 2020, 15 or if you don't remember 2018, that's fine, too. But 16 those numbers should --</p> <p>17 A Yeah, it's an earlier forecast. I think the -- 18 I seem to recall this being the 2018 or 2019 forecast, 19 but the forecast is essentially the same as the 2019 20 forecast. Very little difference.</p> <p>21 Q Sure. And the last thing I wanted to highlight 22 here, in Row 2.6, those are the short-term market 23 purchases that you referred to in your testimony of -- 24 from years 2023 to 2026, 35 megawatts, and then the last 25 year, 60. Is that correct?</p>	<p style="text-align: right;">105</p> <p>1 JUDGE PEMBERTON: Yeah. Yeah.</p> <p>2 A Okay. Yeah, I'm not -- my testimony does not 3 sign off on Newman 6 as being the best resource. And, 4 you know, we've talked about several deficiencies in 5 their analysis that, you know, precludes us from this 6 time deciding whether that's really what they should do. 7 One being, again, you know, load forecast, which, you 8 know, no fault of their own, but, you know, COVID 9 hitting and you not having any idea what your future 10 load is going to be -- that's a big -- you know, that's 11 a big -- a big issue.</p> <p>12 Two, this New Mexico renewable energy 13 regulation that essentially requires large reductions in 14 carbon emissions, and then ultimately zero carbon 15 emissions, is a goal by 2045, I believe. Those -- those 16 two things were not modeled.</p> <p>17 As -- also, the Company did not model 18 short-term purchases and essentially moving the 19 retirement dates on the three gas units that they have 20 plugged in as -- you know, they plug them in as given 21 actions without really analyzing what a one- or two-year 22 delay in those units could do.</p> <p>23 So I am saying they ought to wait a few 24 years before they pull the trigger on an investment that 25 would be right at \$200 million probably, when it's all</p>