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**APPLICATION OF EL PASO
ELECTRIC COMPANY TO AMEND
ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY
FOR AN ADDITIONAL GENERATING
UNIT AT THE NEWMAN
GENERATING STATION IN EL PASO
COUNTY AND THE CITY OF
EL PASO**

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BEFORE THE STATE OFFICE

OF

ADMINISTRATIVE HEARINGS

REBUTTAL TESTIMONY

OF

DAVID C. HAWKINS

FOR

EL PASO ELECTRIC COMPANY

MAY 2020

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I. Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David C. Hawkins. My business address is 100 North Stanton Street, El Paso, Texas, 79901.

Q. ARE YOU THE SAME DAVID C. HAWKINS WHO PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes, I am.

II. Purpose of Rebuttal Testimony

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is to respond to City of El Paso witness Scott Norwood's direct testimony in this proceeding. Specifically, I address his recommendation that, instead of proceeding with Newman Unit 6, El Paso Electric Company ("EPE") rely on extending the lives of generation units EPE plans to retire.

Q. ON PAGES 15-16 OF HIS DIRECT TESTIMONY, MR. NORWOOD STATES THAT DELAYING THE PLANNED RETIREMENT OF EPE'S OLDER GAS-FIRED UNITS FOR SEVERAL YEARS UNTIL THE IMPACTS OF COVID-19 ARE MORE CERTAIN WOULD NOT CREATE UNDUE RELIABILITY RISKS FOR EPE'S TEXAS CUSTOMERS. DOES HE MAKE A VALID POINT?

A. No. Mr. Norwood apparently assumes that the lives of the units can be extended without making the required investments to extend the lives of the generators. First, EPE must make, at a minimum, the required investments to extend the lives of the generators planned for retirement that are addressed in the unit condition assessments prepared by Burns and McDonnell. Mr. Norwood selectively relies on these assessments to reach his conclusion. Mr. Norwood does not address the costs, identified in the condition assessment reports, that EPE will incur if Newman Unit 1 and 2 and Rio Grande Units 6 and 7 are relied on to meet planning reserve requirements through 2026. Reliability is not free. Second, given the age of these units, other unanticipated costs and unit issues are likely to arise, either

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during the life extension project itself, or upon completion and return to operation. Sixty-year-old generating units are like old cars; you cannot predict which part will go out next.

Q. IS IT MORE DIFFICULT TO OBTAIN REPLACEMENT PARTS FOR THESE UNITS?

A. Yes, it can be. Because of the age of these generators, certain components, such as pumps and turbine equipment, are no longer supported by the Original Equipment Manufacturers. Support for impacted components comes from third-party vendors who typically reverse-engineer the original parts. This process results in longer and costlier maintenance outages, which, if these units experienced forced outages during the summer, would directly impact system reliability in meeting summer peak demands.

Q. WHAT WOULD BE THE INCREMENTAL COSTS OF A FIVE-YEAR LIFE EXTENSION PER MR. NORWOOD'S "WAIT-AND-SEE" APPROACH?

A. The incremental costs can be derived from the condition assessment reports developed by Burns and McDonnell.¹ The five-year operations and maintenance (O&M) and estimated investment costs to safely and reliably operate were as follows²: Newman Unit 1 (\$32.2 M), Newman Unit 2 (\$38.4 M), Rio Grande Unit 6 (\$42.4 M), and Rio Grande Unit 7 (\$30.4 M)³ under Mr. Norwood's "wait-and-see" approach. Additionally, this \$143.4 M dollar cost for five years of flexibility does not reflect the 2024 increased fuel costs (\$4.3 M) identified in the Direct Testimony of James Schichtl that would be incurred if Newman Unit 6 is not built.⁴ Also, it should be noted that the units that are planned for retirement do not have pollution control equipment, as it was not required when originally constructed. Though the cost due to the lack of pollution controls is not directly

¹ The Burns & McDonnell Life Extension and Condition Assessment Reports are included as Attachments 1 through 3 to EPE's response to discovery request CEP 1-17.

² The identified costs exclude fixed O&M costs provided in the Burns & McDonnell 2018 Life Extension and Condition Assessment Reports that would be incurred regardless of life extension.

³ The Burns and McDonnell 2018 Life Extension and Condition Assessment Report for Rio Grande Unit 7 recommended a generator rewind in 2021. This work was performed in the second quarter of 2020 due to a generator fault. The dollar amount is thus excluded from the referenced value.

⁴ Direct Testimony of James Schichtl at 14.

1 quantifiable, it obviously is preferable to have such controls (as Newman Unit 6 will have)
2 from a public health perspective.

3 The generating units that are planned for retirement are conventional steam turbine
4 technologies. Although historically reliable (and considering their advanced age, future
5 reliability is not a given), the operating characteristics of these units are less flexible for
6 meeting load requirements than those of Newman Unit 6. Newman Units 1 and 2 and
7 Rio Grande 6 and 7 are most reliable when turned on and left on due to the wear-and-tear
8 impact of cycling. The start-up times of these units are typically referred to in days, not
9 minutes. For these reasons, with the exception of Rio Grande Unit 6, which is in inactive
10 reserve status, EPE strives to have these units on-line from May through September to
11 respond to load and contingency events, as well as during planned transmission outages
12 during maintenance seasons.

13 Newman Unit 6 is not limited by long start up times, or frequent daily cycling
14 issues. Newman Unit 6 can be started to meet immediate contingency needs through its
15 quick start capability, as well as to meet typical load profiles. Additionally, Newman
16 Unit 6 is better suited to respond to the intermittency of the growing penetration of
17 renewables on EPE's system. The operational benefits of Newman Unit 6 are clearly
18 superior to Newman Units 1 and 2 and Rio Grande Units 6 and 7 for meeting load and
19 resource balancing requirements.

20
21 Q. WHAT IS THE STATUS OF RIO GRANDE UNIT 6?

22 A. Rio Grande Unit 6 has been in Inactive Reserve status since November 2018. EPE has
23 made minimal investments in Rio Grande Unit 6 since it first went into Inactive Reserve
24 status. These minimal investments were made for the short-term purpose of mitigating
25 operational contingencies for summer peak period operation, without addressing the long-
26 term preventive maintenance measures for continued unit operation. EPE did not prepare
27 this unit for operation for the 2019 summer peak period, nor has EPE prepared this unit for
28 operation for the 2020 summer peak period.

29
30 Q. ARE ANY RIO GRANDE UNIT 6 COSTS INCLUDED IN EPE'S BASE RATES?

31 A. No, EPE's base rates include no Rio Grande Unit 6 costs.

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1
2 Q. WILL THE UNCERTAINTY OF FUTURE DEMAND DUE TO COVID-19 IMPACT
3 THE NEED TO INVEST IN LIFE EXTENSIONS FOR NEWMAN UNITS 1 AND 2
4 AND RIO GRANDE UNITS 6 AND 7 IF NEWMAN UNIT 6 IS NOT CONSTRUCTED?

5 A. No. As more fully discussed in the Rebuttal Testimony of George Novela, historical data
6 indicates that the effects on native system peak demand resulting from the COVID-19
7 pandemic will be minimal, if any. With that in mind, prudent utility planning requires EPE
8 to plan for resources assuming that the economy will rebound after the short economic
9 shutdown and not base its plans on unsupported speculation. EPE must still prepare its
10 existing generators in advance for safe and reliable operation in 2023 and beyond.
11

12 III. Conclusion

13 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

14 A. EPE conducted assessments of the costs and risks of extending the lives of Rio Grande
15 Units 6 and 7 and Newman Units 1 and 2 for five and fifteen years. After careful
16 consideration, EPE determined that Newman Unit 6 was a more reliable and cost-effective
17 option than extending the lives of the aforementioned generating units. The five-year life
18 extension assessment is comparable to the time period Mr. Norwood recommends in his
19 testimony. The costs of flexibility, reliability, and safety cannot be ignored.
20

21 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

22 A. Yes, it does.