BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light Company for Approval to Extend 2020 Electric and Natural Gas Rates Into 2021 and for Approval of Its 2021 Fuel Cost Plan	Docket No. 6680-UR-122

SURREBUTTAL TESTIMONY OF DEVI GLICK ON BEHALF OF SIERRA CLUB

1. INTRODUCTION AND PURPOSE OF TESTIMONY

Q Are you the same Devi Glick that submitted direct testimony on behalf of Sierra Club in this docket?

A Yes.

Q What is the purpose of your testimony in this proceeding?

A The purpose of my testimony is to respond to Wisconsin Power and Light ("WPL" or the "Company") witness Kevin A. Joachim's rebuttal testimony (PSC REF # 396784).

2. RESPONSE TO COMPANY WITNESS JOACHIM'S TESTIMONY

Q Please describe your overall impression of Company witness Joachim's testimony.

A In Mr. Joachim's rebuttal testimony, he criticizes and dismisses my analysis of Columbia's recent economic performance, which I conducted based on public data. But his criticism relies on mischaracterizations of my assumptions and methodology, making his conclusions entirely baseless. Furthermore, the results that he presents on the recent economic performance of WPL's share of the plant—which he offered to counter my results— rely on internal Company data and are provided without context, explanation, or the actual underlying data, making it impossible to assess the accuracy of his counter-analysis.

Q Mr. Joachim claims that your hypothesis that WPL has very likely omitted a significant portion of its variable O&M costs from its unit commitment decision-making process and fuel cost plan modeling is without merit. How do you respond?

A The Company's reported variable O&M costs for Columbia, at [redacted],[1] are exceptionally low relative to industry standard variable O&M costs. Horizon's Energy, which prepares a US National Database that is used in the EnCompass model, estimates that variable O&M costs for a coal-fired power plant the size of Columbia should be between $8.51 – $9.75/MWh.[2] This matches what I have seen at other coal plants throughout the country.

[1] WPL Response to FCP-DM-11, CONFIDENTIAL Attachment A

[2] Horizon's Energy, North American Market Database.

In my experience, when reported variable O&M costs are less than [redacted] of standard industry levels, that does not indicate that the company actually operates the plant at [redacted] the variable cost of similar plants, but rather that the company is erroneously classifying the majority of its O&M costs as fixed. More specifically, the Company appears to be reporting artificially low variable O&M because it is omitting routine maintenance activities that vary with the Company's commitment decisions—that is, output—over periods of days or weeks. There are many types of routine maintenance that are knowable and predictable based on the frequency of use. Just like you know you need to change the oil in your car or switch out your engine air filter after driving a certain number of miles, there are tasks at a power plant that are directly tied to frequency of use. It is therefore inaccurate to claim that there are only "minimal costs aside from fuel and other consumables that vary directly with generation output."[3]

Although these costs vary according to the Company's commitment decisions, the Company apparently ignores these costs when actually making its commitment decisions. These costs are still passed onto customers in rates, even if they are erroneously omitted from commitment and dispatch decision-making processes. This can result in the plant being committed and dispatched more than it should be, to the detriment of ratepayers.

Q Mr. Joachim mentions that "The types and amounts of variable O&M expenses WPL reflects in its Fuel Cost Plan, as well as in its MISO offers,

[3] Rebuttal Testimony of WPL Joachim, pages 6-7.

have been audited multiple times by Commission Staff and have not been found imprudent."[4] How do you respond?

A To be clear, my testimony does not state an opinion as to whether the amount of variable O&M WPL expends at its plants in imprudent or not. Nor does it state an opinion as to whether the variable O&M expenses for which WPL was previously compensated as part of prior Fuel Cost Plans or elsewhere were appropriate. Rather, *all* variable O&M expenses—including maintenance costs that increase predictably with the hours a plant operates—must be taken into account in the Company's commitment decisions.

Further, these expenses should be incorporated when evaluating the resulting economic performance of the unit. The prudence of fuel expenses incurred depends on the prudence of the commitment and operational decisions that lead to the incursion of those fuel expenses. It is therefore also essential to evaluate the outcome of the commitment decisions by comparing the short-run marginal costs (including fuel and variable O&M costs) to actual market revenues.

Regardless of whether prior Commission and staff reviews have returned findings of no imprudence, it is still reasonable to expect the Commission to regularly evaluate whether the assumptions and analysis underlying past commitment decisions (and associated fuel and variable O&M costs) are still relevant and in the best interest of ratepayers. Coal plants can no longer be presumed to be competitive in the current energy market based on pressure from renewables and natural gas plants, and therefore cannot be presumed to be economic when operated as they were in the past. The Commission and Staff need to base their

[4] Rebuttal Testimony of WPL Joachim, pages 7.

evaluation of prudence on current data and the most current best practices and understanding of market conditions.

Finally, as discussed in my direct testimony, I find that WPL likely incurred net revenue losses in 2019 and the first five months of 2020 based on fuel costs *alone*. This means that even without the inclusion of any variable costs, I still find that Columbia likely incurred net revenue losses.[5]

Q Mr. Joachim claims that you did not provide the direct results of the analysis that supports your assertion that Columbia 1 and 2 are likely operating at a net loss relative to the market.[6] How do you respond?

A Mr. Joachim appears to have completely misinterpreted and/or misread my analysis and methodology. In fact, I do provide the direct results of my analysis on page 21 lines 13 through page 22 line 2:

> I find that Columbia 1 and 2 together likely accrued around $9.1 million in net losses between 2019 and the first five months of 2020 (this jumps to around $29 million with a variable cost adder). Specifically, fuel spending at Columbia exceeded its revenue from the MISO energy markets by around $8.7 million in 2019 and $0.4 million in the first five months of 2020.[7]

[5] Direct Testimony of Sierra Club Witness Glick, 21 lines 13 through page 22 line 2.

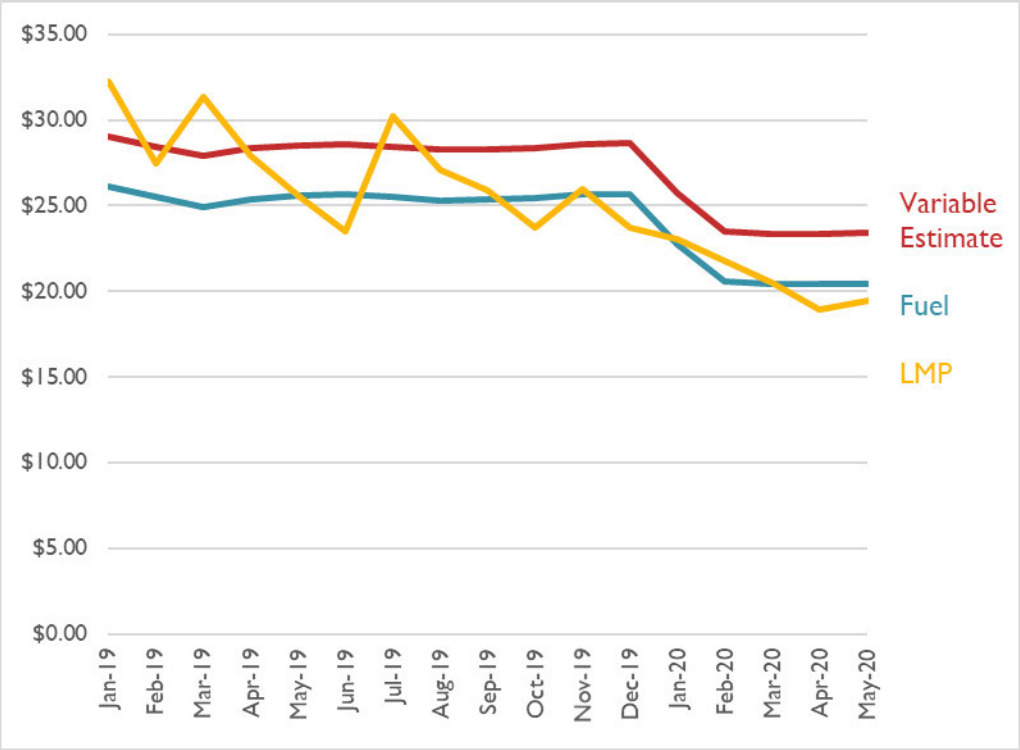
[6] Rebuttal Testimony of WPL Joachim, page 7.

[7] Direct Testimony of Sierra Club Witness Glick, 21 lines 13 through page 22 line 2.

Q How do you respond to Mr. Joachim's further claim that your methodology uses average LMP costs and is therefore flawed?

A Mr. Joachim is once again incorrect: my analysis does NOT compare Columbia's costs to average LMP costs. I do not disagree with his assertion that using average LMPs at a monthly level is an imperfect approach; but this is precisely why my analysis is based on *hourly* generation data from EPA and EIA, *hourly* day ahead LMPs reported by MISO, and only *monthly average* fuel costs as reported to EIA. Using these hourly figures for generation data and LMPs, I found $9.1 million in net losses at the entire Columbia Plant, as I have presented above. The only place I used average LMP metrics was in the summary monthly analysis and graph, which I presented only to supplement the detailed hourly results. This analysis was intended to demonstrate a general trend rather than specific numeric conclusions. In the interest of avoiding any continuing misconceptions about the nature of my analysis, I present below the same analysis using updated weighted average LMPs in Figure 1 below.

Figure 1: Average coal costs vs weighted average LMP ($/MWh)



Q How does your analysis differ from the analysis that Mr. Joachim presents on the economics of Columbia Units 1 and 2?

A As discussed in both my direct testimony and my answers above, my analysis is based on public data. Critically, my analysis covers the entire Columbia Plant, not just WPL's share. The data presented by Mr. Joachim, however, includes just WPL's share of the plant. This means that only a portion of the total plant loses I find would be directly attributed to WPL ratepayers. But my results on a $/MWh basis should theoretically be very similar to what Mr. Joachim would find with Company actual data.

There are reasons why public data for the entire plant as reported to EIA and EPA could show a slightly different result than what the Company would find using

confidential data for just its portion of the plant. It is very concerning that the Company's reported public data [redacted] than what it calculates with its own confidential data.

Further, Mr. Joachim's analysis in Exhibit 2 to his Rebuttal testimony is presented entirely without context or explanation. It is therefore impossible for me to assess the reasonableness of his findings. The Commission should require WPL to explain how it calculated the results presented in Exhibit 2, and to justify why the Company's confidential data [redacted] than what is shown in the Company's public reported data for the entire plant.

Q Does this conclude your testimony?

A Yes.