

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 18-035-01
APPLICATION OF ROCKY)	
MOUNTAIN POWER TO INCREASE)	Exhibit DPU 2.0 R
THE DEFERRED EBA RATE)	
THROUGH THE ENERGY)	Testimony
BALANCING ACCOUNT)	Philip DiDomenico
MECHANISM.)	and
)	Dan F. Koehler

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Rebuttal Testimony of

**Philip DiDomenico
and
Dan F. Koehler**

January 10, 2019

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1 **I. Introduction**

2 **Q: Please state your name, business address and title.**

3 A: My name is Philip DiDomenico. I am employed by Daymark Energy Advisors, Inc
4 (“Daymark”) as a Managing Consultant. My business address is 370 Main Street, Suite
5 325, Worcester, Massachusetts, 01608.

6 My name is Dan F. Koehler. I am employed by Daymark as a Senior Consultant. My
7 business address is 370 Main Street, Suite 325, Worcester, Massachusetts, 01608.

8 **Q: On whose behalf are you testifying?**

9 A: We are jointly testifying on behalf of the Division of Public Utilities of the State of Utah
10 (the “Division”).

11 **Q: Have you previously filed testimony in this proceeding?**

12 A: Our direct testimony in this proceeding was filed on November 15, 2018.

13 **Q: What is the purpose of your rebuttal testimony?**

14 A: The purpose of our rebuttal testimony is to respond to the response testimony of Rocky
15 Mountain Power (“RMP”), a business unit of PacifiCorp (“PacifiCorp” or the
16 “Company”), witness Mr. Dana M. Ralston. We respond to certain issues raised by Mr.
17 Ralston regarding the proposed generation plant outages featured in the Technical Report
18 of the Energy Balancing Account Audit for Rocky Mountain Power for Calendar Year
19 2017 (“Audit Report”) provided by Daymark. However, the lack of response to any
20 particular issue raised by the RMP witness or other parties should not be construed as
21 agreement on that issue.

22 **II. Ralston Response Testimony**

23 **Q: To what issues raised in Mr. Ralston's response testimony do you wish to respond?**

24 A: In our direct testimony, we recommended that \$1,954,826 in net replacement power costs
25 related to seven imprudent outages be removed from Company-wide actual NPC,
26 resulting in a reduction of the EBA deferral amount by \$840,267. Mr. Ralston's response
27 testimony disputes that the Company acted imprudently in any of these instances and
28 asserts that no adjustment to EBA amounts is necessary.

29 *Craig Unit 2 Outage*

30 **Q: How do you respond to Mr. Ralston's testimony on the Craig Unit 2 outage?**

31 A: Mr. Ralston's testimony asserts that the Craig Unit 2 outage was the result of GE's sub-
32 contractor's (APM) failure to correctly tighten particular plugs and not the lack of
33 established procedures and practices as Daymark claims. The outage occurred after a
34 hydrogen leak was located close to the #5 and #6 bearings. It was determined that the
35 leak was "caused by a missing ¼ inch plug near the South side of the collector bell end
36 (Ralston Response, lines 40-41)." Mr. Ralston points out that GE has taken responsibility
37 for the incident, corrected known deficiencies in a timely manner, and paid for costs
38 associated with its sub contractor's mistake. We continue to believe that the Company is
39 responsible for the actions of its contractors. In this case GE has admitted fault and we
40 commend the Company for holding GE accountable, but the accountability should extend
41 to the Company as well. Replacement power costs related to incidents such as these
42 should not be the responsibility of the customer. The Company is responsible for risk
43 mitigation measures, including ensuring its partners have proper policies or other
44 accountability for mistakes. Nothing offered in Mr. Ralston's testimony changes our

45 position that the Company acted imprudently since the outage could have been avoided if
46 the procedures were properly followed. Therefore, we recommend Company-wide
47 replacement power costs of \$21,384 associated with this outage be disallowed in the
48 EBA.

49 **Q: What is your position on the general lack of root cause analysis and documentation**
50 **from Third Party Operators?**

51 A: We believe that the lack of timely documentation and root cause analysis by 3rd Party
52 operators such as Tri-State is not consistent with good industry practice. Therefore, we
53 recommend that subsequent steps taken by the Company to institute an improved outage
54 reporting is a step in the right direction.

55 **Q: What is Mr. Ralston's position regarding this issue?**

56 A: Mr. Ralston disagrees with a conclusion that he asserts is implied in our report,
57 specifically that PacifiCorp could require a Third Party Operator like Tri-State to use the
58 "exact same documentation tools as used by PacifiCorp." Mr. Ralston states that Tri-State
59 is not a "contractor" in the manner suggested by Daymark. Instead, PacifiCorp and Tri-
60 State are co-owners of Craig Unit 1 and Unit 2 (with three other entities as co-owners
61 also). However, Mr. Ralston does state that Tri-State has agreed to implement an outage
62 reporting procedure by January 31, 2019. Tri-State has also started creating reports for
63 2018, which includes events requested by PacifiCorp. This is evidence that PacifiCorp is
64 well-positioned to undertake risk mitigation measures or otherwise negotiate some

65 accountability for mistakes. The Company is far from the powerless co-owner Mr.
66 Ralston seems to imply.

67 **Q: How do you respond to Mr. Ralston’s testimony regarding general lack of root**
68 **cause analysis and documentation from Third Party Operators?**

69 A: The Daymark report does not state or imply that PacifiCorp must require Tri-State or any
70 other Third Party Operator to use the “exact same documentation tools as used by
71 PacifiCorp.” Our report states: “It is imperative that the Company hold its contractors to a
72 standard *comparable* to its own (emphasis added).”¹ We disagree with the assertion that
73 the Company has limited ability to influence the outage reporting of plant it does not
74 operate. Timely outage reporting, root cause analysis and documentation are fundamental
75 good industry practices. The Company should ensure that such fundamental practices are
76 followed throughout its generation fleet, regardless of operator. We are encouraged to
77 learn that Tri-State, with apparent encouragement from its co-owner PacifiCorp, has
78 agreed to implement an outage reporting procedure by January 31, 2019 and is starting to
79 create reports for 2018 which include events requested by the Company. Outage tracking
80 and reporting are key to a utility’s ability to identify trends, learn from its mistakes and
81 avoid repeat failures.

¹ Daymark report at p 28.

82 *Dave Johnston Unit 3 Outage (April 25, 2017)*

83 **Q: How do you respond to Mr. Ralston’s testimony on the Dave Johnston Unit 3 outage**
84 **that occurred on April 25, 2017?**

85 A: The outage that occurred on April 25, 2017 was the result of several failures along the
86 leading edge of the reheat superheater (Ralston Response, lines 106-107).” In response to
87 these failures, “

88 [REDACTED]

89 [REDACTED]

90 [REDACTED]

91 [REDACTED]

92 [REDACTED] (IEC Report No. IEC-17-011-1-R0).”

93 The metallurgical report [REDACTED]

94 [REDACTED].² Mr. Ralston

95 states that “the use of the specific non-conforming SA-209 T1a tubing in the U3 Reheat
96 (“RH”) outlet pendant was an anomaly that was installed over 20 years ago. Furthermore,

97 “the SA-209 T1a tubing material that was installed lasted for a minimum of 20 years

98 which is well within acceptable operation expectations for the material (Ralston

99 Response, 115-118).”

100 We believe that the use of incorrect tubing material SA-209 T1a is a procedural failure.

101 The timing of when it occurred does not change the facts that it led to this outage.

² Confidential Attachment DPU 1.6-1 “DJ3 04-25-17.”

102 Mr. Ralston indicates that the Assembly 45, Tube 3 referenced in the IEC report does not
103 refer to the April 25th outage event even though it was provided by the Company as
104 documentation in support of that outage. Regardless, the IEC reference to “[REDACTED]”
105 [REDACTED]
106 [REDACTED]
107 [REDACTED]
108 [REDACTED]” is worthy of note given the Unit’s outage history related to the
109 reheater and a subsequent outage which occurred shortly thereafter on September 25,
110 2017, which will be elaborated upon when discussing that outage.

111 Regarding the April 25, 2017 outage, we maintain that the Company acted imprudently
112 by not installing the proper tubing material and recommend an adjustment of Company-
113 wide EBA cost for the replacement power cost of \$265,673. The question is not whether
114 time has cured past imprudence, but whether imprudence led to expenses that should be
115 disallowed. It did.

116 *Dave Johnston Unit 3 Outage (September 19, 2017)*

117 **Q: How do you respond to Mr. Ralston’s testimony on the Dave Johnston Unit 3 outage**
118 **that occurred on September 19, 2017?**

119 **A:** The outage that occurred was due to a number of failures involving the reheat
120 superheater. “[REDACTED]”
121 [REDACTED]
122 [REDACTED] (IEC Report No. IEC-17-018-1-R0).” In both instances the Company’s
123 metallurgical expert [REDACTED]

124 [REDACTED]
125 [REDACTED]
126 Mr. Ralston explains in his testimony that it is not possible to attribute the failure that
127 occurred on September 19, 2017, to any specific explosive deslagging event. He states
128 further that the blasting procedures currently in place would have little to no impact on
129 remaining tube life. Mr. Ralston asserts that PacifiCorp prudently implemented new best
130 practices in a timely manner. The Dave Johnston Plant has utilized the same blasting
131 contractor and the scope of work since 2011, which utilizes low velocity detonation cord
132 and cast boosters. We are relying on the expertise of the Company's metallurgical
133 experts, [REDACTED]

134 [REDACTED]
135 [REDACTED] We believe that this outage was a repetitive
136 event caused by the Company's lack of attention to [REDACTED]
137 [REDACTED] Therefore, we maintain that the Company acted
138 imprudently and recommend an adjustment of Company-wide EBA cost for the
139 replacement power cost of \$705,475.

140 *Huntington Unit 1 Outage*

141 **Q: How do you respond to Mr. Ralston's testimony on the Huntington Unit 1 outage?**

142 A: The outage that occurred at Unit 1 was [REDACTED]
143 [REDACTED]³ Mr. Ralston's testimony states that there are over 600 of these welds in the
144 outlet of the reheater and the costs to review each to check for this issue would largely

³ Confidential Attachment DPU 1.6-1 "HTG1 05-03-17."

145 outweigh the benefits. The four failures, noted by Daymark, represent a less than 1
146 percent failure rate. The Company strongly believes it is not prudent to make an
147 expensive full replacement decision with less than 1 percent failure rate. Even though the
148 dissimilar metal weld is a potential issue, the Company must balance the need to remedy
149 the issue with its fiduciary responsibility to customers to optimize the utilization of its
150 assets, which includes scheduling replacements appropriately. We believe that the
151 Company's lack of attention to a known (not disputed) industry issue is unacceptable.⁴
152 Waiting until 2018 (only after a fourth confirmed DMW outage in 2017) to even
153 determine the extent of the problem and 2022 to correct an issue first identified in 2008 is
154 not prudent.⁵ We maintain that the Company acted imprudently and recommend an
155 adjustment of Company-wide EBA cost for the replacement power cost of \$80,391.

156 *Jim Bridger Unit 2 Outage*

157 **Q: How do you respond to Mr. Ralston's testimony on the Jim Bridger Unit 2 outage?**

158 A: The outage at Unit 2 "occurred due to water freezing in the water-cooled spacer tubing
159 during a shutdown to repair the Submerged Drag Chain Conveyor (Ralston Response,
160 lines 231-232)." Furthermore, it was discovered that "the heat tracing on the supply line
161 on the water-cooled spacer appeared to be inoperable (Ralston Response, lines 234-
162 235)." Mr. Ralston states in his testimony that the Company had procedures in place for
163 testing the heat tracing equipment but that the procedures had a "void" or "gap" in them
164 which allowed this problem to go unnoticed. The Company believes it was prudent in
165 that processes were in place to verify heat tracing operation but a gap in the process was

⁴ Response Testimony of Dana M. Ralston, page 9, lines 201-202.

⁵ DPU Data Request 20.3

166 discovered. Furthermore, the Company believes that gaps are an on-going risk within any
167 organization and the Company's management was prudent by implementing adequate
168 corrective actions when the gap was investigated. We believe that the Company should
169 have known the heat tracing equipment was inoperable. What is also telling is that the
170 Company [REDACTED]

171 [REDACTED]⁶ The risk of procedural "voids" or "gaps" should not be
172 responsibility of the customer. Customers rightfully depend on the expertise of the
173 Company to ensure its procedures fully address operational needs. Having gaps in
174 procedures is not prudent. Only prudent expenses are to be recovered through the EBA.
175 Therefore, we maintain that the Company acted imprudently and recommend an
176 adjustment of Company-wide EBA cost for the replacement power cost of \$132,375.

177 *Jim Bridger Unit 3 Outages*

178 **Q: How do you respond to Mr. Ralston's testimony on the Jim Bridger Unit 3 outages?**

179 A: The outage that occurred at Unit 3 was due to an underground water vault being flooded
180 by water from a broke flange located at the Central Deluge House of the Unit 1 Cooling
181 Tower. The location of the cable faults was "in the conduit between manhole #7 at the
182 Unit 1 Cooling Tower and manhole #8 at the Unit 2 Cooling Tower (Ralston Response,
183 lines 277-278)." The likely cause of the failure of the cables was due "to a combination
184 of age and damage received during an initial pull in the 1970s (Ralston Response, lines
185 278-279)." Mr. Ralston states in his testimony that the cables in question have been in
186 place for approximately 40 years and have functioned correctly over that period. Mr.

⁶ Confidential Response to DPU Data Request 15.20

187 Ralston also believes that to say that although a cable which functioned for 40 years until
188 an aggravating event brought to light the damage that occurred during the initial
189 construction of the unit 40 years ago warrants a disallowance is unreasonable and
190 unrealistic. There was no indication during the course of normal operation of the plant
191 that the cable had been damaged and therefore prompting the need for any corrective
192 action. Only when the cable vault and conduit that housed the damaged cable became
193 flooded was an electrical path to ground established. We believe that the cable damage
194 caused by the use of improper installation practices during the initial installation of the
195 cable, regardless of how long ago, merits a finding for disallowance. As above, the
196 question is prudence, not timing. The cable damage was an error and was not prudent.
197 Only prudent costs can be recovered through the EBA. We therefore recommend an
198 adjustment of Company-wide EBA cost for the replacement power cost of \$21,505.

199 *Dave Johnston Unit 4 Outage*

200 **Q: How do you respond to Mr. Ralston's testimony on the Dave Johnston Unit 4**
201 **outage?**

202 A: The outage that occurred at Unit 4 was an extension of a planned outage to replace a
203 Control Rotor Main Oil Pump Impeller. During the planned outage, "it was discovered
204 that the wrong impeller had been installed and therefore the control rotor had to be sent
205 back to be corrected (Ralston Response, lines 304-305)." Mr. Ralston's testimony states
206 that this incident was the result of a human error and not due to imprudence. It is unclear
207 what level of error the Company believes is imprudent and should not be charged to
208 ratepayers. This error was discovered during a secondary check before the machine was
209 assembled and was worked on an expedited basis by Mechanical Dynamics and Analysis

210 (“MD&A”). The Company claims it acted prudently when managing this work and
211 avoided the potential of greater loss. Mr. Ralston states that MD&A took responsibility
212 for the incident, corrected known deficiencies in a timely manner, and paid for costs
213 associated with shipping and restoration of the incorrectly installed turbine control rotor
214 assembly. We believe that MD&A acted imprudently by accepting work that it wasn’t
215 properly staffed to complete. It led to a plain error. An RCA performed by MD&A found
216 that the error that caused the extended outage was due to “their repair shop having an
217 increased amount of work from several other utilities at the same time. MD&A
218 determined the root cause was that MD&A had recently increased the repair shop’s
219 capacity for work, however, they had not yet caught up with fully staffing appropriately
220 (Ralston Response, lines 325-328).” Furthermore, we also believe that MD&A did not
221 have proper procedures in place to prevent this type of error from occurring. Mr. Ralston
222 states that “Corrective actions implemented included MD&A increasing their repair shop
223 staff and a process was implemented to review and improve their quality control program
224 (Ralston Response, lines 328-330).” We maintain that the Company bears responsibility
225 for the imprudent actions of its contractors who accepted work without being properly
226 staffed and who lacked the proper procedures to prevent such errors for occurring. We
227 accordingly recommend an adjustment of Company-wide EBA cost for the replacement
228 power cost of \$728,023.

229

230 *Prudent Management of the Generating Fleet*

231 **Q: Please respond to Mr. Ralston’s testimony regarding the Equivalent Availability of**
232 **the Company’s coal fleet compared to industry averages.**

233 A: Mr. Ralston states that PacifiCorp’s coal fleet had a higher average Equivalent
234 Availability (“EA”) in 2017 than a NERC industry averages for comparable units,
235 providing value to customers. He cites this value to customers as evidence that
236 PacifiCorp operates its fleet in a prudent manner and that our recommended adjustments
237 for imprudent outages should be rejected by the Commission. We disagree that fleet EA
238 should factor into a prudency review of outages in this context. While NERC industry
239 averages are useful benchmarks to assess performance of a fleet of generating units at a
240 high level, they are not dispositive determinants of the prudence of specific outages and
241 their associated costs. For example, a plant could experience an outage that was the
242 result of gross negligence and imprudence, and still be part of a fleet or even a plant that
243 has a higher EA than the industry average.

244 Furthermore, NERC industry averages are determined for large categories of plants, such
245 as all coal plants within a certain nameplate rating range. Within these categories, there
246 are many differences in the design and operation of individual generating units that could
247 cause outages that are not captured in the industry average statistics.

248 For these reasons, and the fact that the EBA statute allows recovery of only prudently
249 incurred expenses, we believe it is appropriate to review each individual outage and
250 assess if each outage was prudent or not. Under this approach, the Company can explain
251 the cause of each outage and document the reasons for it, and a fair judgment can be
252 made to determine whether that outage was prudent or not. We stand by our original
253 analysis of individual outages.

254 **Q: Do you agree with Mr. Ralston’s characterization of your standard of review for**
255 **outages?**

256 A: No. Mr. Ralston states that our recommendations “are based on 20/20 hindsight and
257 assumes an unrealistic standard of perfection and not a standard of prudence (Ralston
258 Response, lines 353-354).” Were that the case, we would have recommended
259 disallowance for many more forced outages that occurred during the deferral period. In
260 fact, of 29 thermal unit outages found in our review that were apparently avoidable, we
261 argue only 7 outages demonstrated sufficient imprudence to warrant reducing EBA costs.
262 We argue for an adjustment only when the actions (or inaction) at the root cause of the
263 outage was clearly imprudent based on information known or knowable at the time.

264 **Q: Please summarize your recommended outage-related reductions in Company-wide**
265 **NPC.**

266 A: After considering new information provided by the Company in Response Testimony and
267 in responses to follow-up data requests, nothing in the Company’s response testimony
268 changes our conclusion that seven outages demonstrated sufficient imprudence that we
269 recommend reducing EBA costs to reflect net replacement power costs related to the
270 outages. The total reduction in PacifiCorp-wide NPC for these outages is \$1,954,826,
271 resulting in a Utah-allocated EBA deferral adjustment of \$840,267.

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

273 A: Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Redacted Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler filed by the Utah Division of Public Utilities was emailed on 10 January 2019 to the following in Utah Docket 18-035-01:

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