



1407 W North Temple, Suite 330  
Salt Lake City, Utah 84114

January 24, 2019

***VIA ELECTRONIC FILING***

Utah Public Service Commission  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84114

Attention: Gary Widerburg  
Commission Secretary

RE: **Docket No. 18-035-01 – Application of Rocky Mountain Power to Decrease the Deferred EBA Rate through the Energy Balancing Account Mechanism**

Rocky Mountain Power hereby submits for filing its surrebuttal testimony in the above referenced matter.


Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)  
[utahdockets@pacificorp.com](mailto:utahdockets@pacificorp.com)  
[jana.saba@pacificorp.com](mailto:jana.saba@pacificorp.com)  
[yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,

  
Joelle Steward  
Vice President, Regulation

cc: Service List

Rocky Mountain Power  
Docket No. 18-035-01  
Witness: Dana M. Ralston

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

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Surrebuttal Testimony of Dana M. Ralston

January 2019

1 **Q. Are you the same Dana M. Ralston who previously submitted response**  
2 **testimony in this proceeding on behalf of PacifiCorp d/b/a Rocky Mountain**  
3 **Power (“the Company”)?**

4 A. Yes.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. My surrebuttal testimony responds to the rebuttal testimony of Mr. Philip  
7 DiDomenico and Mr. Dan F. Koehler of Daymark Energy Advisors (“Daymark”) on  
8 behalf of the Utah Division of Public Utilities (“DPU”) recommending that the  
9 Commission disallow replacement power costs, associated with seven outages. I also  
10 respond the DPU’s view of the Company’s responsibilities for contractor performance  
11 and industry performance benchmarks.

12 **SUMMARY OF TESTIMONY**

13 **Q. What was Daymark’s response to your testimony that Daymark’s standard of**  
14 **review is based on an unrealistic standard of perfection?**

15 A. Daymark noted that it only recommended disallowances for seven out of 29 possible  
16 outages. It further claims that it “argue[d] for an adjustment only when the actions (or  
17 inaction) at the root cause of the outage was clearly imprudent based on information  
18 known or knowable at the time.”<sup>1</sup>

19 **Q. How do you respond to Daymark’s contention that the outages selected for**  
20 **disallowance demonstrate clear imprudence based on known or knowable**  
21 **information?**

22 A. Daymark continues to assert that if the Company did not prevent an outage that with  
23 perfect foresight could have been preventable, then it is responsible for those costs.

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<sup>1</sup> Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler, January 10, 2019, ll. 262-263.

24 This standard requires perfect knowledge and control over the Company's own  
25 employees and equipment, contractors, co-owners, and third-party plant operators.  
26 The Company diligently negotiates contracts to minimize risks to customers and the  
27 Company while still providing the lowest cost. Managing operating risks to protect  
28 customers is important to the Company. However, shifting all the risks to the  
29 counterparty would consistently require an unreasonably high price. The Company's  
30 strong operational performance measured against industry averages is evidence that  
31 the Company operates in a prudent manner and effectively balances between risk and  
32 costs for the benefit of its customers.

33 **Q. What was Daymark's response to your testimony that the Company's**  
34 **operational performance as measured by the Equipment Availability factor**  
35 **("EA") demonstrates that the Company prudently manages its generation fleet?**

36 A. Daymark contends that while EA averages are a useful benchmark to assess  
37 performance of a generation fleet at a high level, they are not proof that the Company  
38 acted prudently in specific outages. Daymark states "we disagree that fleet EA should  
39 be a factor into prudency review of outages in this context."<sup>2</sup> To the contrary, Fleet  
40 EA *is* indicative of the attention to detail and care the Company uses when managing  
41 its fleet. To completely dismiss this metric demonstrates a narrow view of overall  
42 plant management and operation, which should be a guide this Commission uses. The  
43 Company agrees with Daymark that each outage should be reviewed for prudence on  
44 a case-by-case basis. The Company has never claimed the EA averages should mean  
45 all outages are automatically prudent. However, Daymark itself consistently points to

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<sup>2</sup> *Id.*, ll. 237-238.

46 broad industry standards to justify its recommendations on outages. In many cases,  
47 the actions that would be necessary to adhere to Daymark's strict liability standard  
48 would mean a significant increase in expense to customers that could be greater than  
49 the benefits of avoided outages when viewed over the period of a year. The Company  
50 must balance the costs of maintenance of its plants with the potential reduction in  
51 risk. The Company points to its EA as an indicator that, overall, it's performing well  
52 and achieving a prudent and reasonable, albeit not perfect, balance.

53 **Craig Unit 2 Outage**

54 **Q. Please summarize Daymark's response to your testimony related to the Craig**  
55 **Unit 2 outage.**

56 A. The outage at Craig Unit 2 was caused by a plug that appears to have backed-out by  
57 vibration over time. Daymark continues to assert that the Company should not be  
58 allowed to recover the replacement power costs associated with the outage since it  
59 was due to the contractor's failure and that accountability should extend to the  
60 Company.

61 **Q. Please respond to Daymark's contentions.**

62 A. Daymark's position appears to be that the Company should be held accountable for  
63 all outages that, in hindsight, could have been prevented in any way. Impliedly  
64 Daymark surmises that had the plug been tightened more, the leak wouldn't have  
65 occurred. But Daymark does not confront the undisputed facts that General Electric  
66 ("GE") *did* conduct post-installation testing (pressurizing the system for 24 hours,  
67 with no leaks) and the presumed mode of failure (backing out over time) is not  
68 something that would have been physically observable even with additional eyes-on

69 inspections. Daymark asks this Commission to make two assumptions: First, it makes  
70 an assumption that the plug wasn't seated properly, even though it passed  
71 pressurization testing. Second, it wants to assume that additional oversight by the  
72 Company would have caught a "loose" plug even though the purported failure  
73 (vibrating loose) is not something that would have been ascertainable by visualizing  
74 every single plug to make sure they were all installed. Daymark simply assumes that  
75 the leak, by itself, denotes imprudence. They have no evidence that other utilities  
76 have or would have acted differently than the Company in this instance, or that  
77 typical utility practice would have prevented this leak. In the case of the Craig Unit 2  
78 outage, Tri-State Generation and Transmission ("Tri-State"), the plant operator, used  
79 the original equipment manufacturer ("OEM"), and the OEM had established  
80 procedures and practices in place that included trained employees to perform this  
81 work. The OEM tested the equipment for leaks, and the equipment passed before the  
82 OEM turned over the equipment to Tri-State. Tri-State negotiated contract provisions  
83 to address such work performance issues that included a warranty provision to correct  
84 work performance issues.

85 Daymark provides no evidence that the Company could or should get any  
86 recovery from GE for the outage costs. It provides no evidence that the Company's  
87 imprudence caused the leak. It simply tries to make the Company an insurer of all  
88 risks for its customers. But that is not the applicable standard. The Company is  
89 entitled to recover its excess costs in this proceeding unless the costs were  
90 imprudently incurred. There is no evidence of imprudence for this outage.

91 **Q. What does Daymark claim regarding third-party operators, such as Tri-State**  
92 **who operates the Craig plant?**

93 A. Daymark states “[t]he Company should ensure that such fundamental practices are  
94 followed throughout its generating fleet, regardless of operator.”<sup>3</sup>

95 **Q. Does the Company have the right to enforce Daymark’s standard on the other**  
96 **owners and operator?**

97 A. No. Daymark’s statement implies that the Company has a unilateral right to enforce  
98 the processes utilized at Craig. As a non-operator of the Craig units, and as a minority  
99 interest owner, the Company cannot control all things as demanded by Daymark. The  
100 Company diligently and actively participated and used its influence to manage the  
101 operation of the Craig units to the extent possible, under the Participation Agreement.  
102 This is evident by the acceptance of Tri-State to develop and institute an outage  
103 reporting procedure, for example. However, the Company has no contractual ability  
104 through its Participation Agreement to seek recourse from Tri-State for replacement  
105 power costs for outages when the operator used generally accepted utility practice.  
106 The provisions of the Participation Agreement are typical with such joint ownership  
107 agreements, as the operator is not paid to accept risk for non-fault damages. The  
108 Participation Agreement includes a provision that requires the operating agent to  
109 follow generally accepted practices of the electric industry in its operation of the  
110 plant. Significantly, Daymark has provided no reference to other plants, operations  
111 standards, or other evidence that the conduct of the Company or Tri-State fell below  
112 industry standards. That is because there was no such failure. Daymark simply  
113 equates a “preventable” outage with “fault.”

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<sup>3</sup>*Id.*, ll. 75-76.

114 I'll give an example to make my point. If someone changed the tires on their  
115 car every month, and only used steel belted radial tires in addition, that would likely  
116 eliminate many flat tires that are experienced. And yet, that is not necessarily prudent  
117 behavior because the cost of that behavior is far more excessive, generally, than the  
118 inconvenience of an unforeseen flat tire. Furthermore, even if you did replace your  
119 tires monthly, that wouldn't eliminate all possible tire failures. Thus, while someone  
120 may say a flat tire is avoidable, it does not mean that someone acted imprudently just  
121 because they had a flat tire. Maybe a person with 12 month old tires ran over the  
122 same, unseen nail that would have pierced a brand new tire.

123 My point is this: an unplanned outage—even if “preventable” in hindsight—  
124 does not prove imprudence. One can always say in hindsight “you shouldn't have run  
125 over that nail.” But in reality, careful drivers acting at the same level of care as other  
126 drivers will run over a nail that wasn't seen. That doesn't make that driver  
127 “imprudent.” Here—as with the other outages at issue in this proceeding—Daymark  
128 equates “preventable” with “imprudence.” Flat tires are preventable. But not every  
129 flat tire is evidence of imprudent driver operations. Similarly here, even assuming all  
130 of these outages were preventable (which is an unproven assumption), that doesn't  
131 demonstrate imprudence on the part of the Company.

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

133 **Q. How did Daymark respond to your testimony regarding the Dave Johnston Unit**  
134 **2 outages on April 25, 2017?**

135 **A.** The outage at Dave Johnston Unit 3 on April 25, 2017 was caused by weld failures on  
136 tubing material. The tube ends being connected were non-identical metals. As I



137 describe in my response testimony, the material was installed over 20 years ago,  
138 which is well within acceptable operation expectations. Daymark claims that the  
139 “timing of when it occurred does not change the fact that it led to this outage”<sup>4</sup>

140 **Q. Please respond to Daymark’s testimony.**

141 A. Daymark’s dismissal of the fact that the material lasted 20 years before failing is once  
142 again an example of holding the Company to an unreasonable standard. This outage  
143 does not show imprudence on the Company’s part as the specific facts involving this  
144 outage are not known since they occurred over 20 years ago and the use of a material  
145 that is not exactly the same as what failed may have been the right decision at that  
146 moment to get the unit back online. Daymark’s disregard for the timing of the  
147 installation of the material and the reasonable performance of material for 20 years is  
148 unreasonable.

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

150 **Q. Do you agree with Daymark on the cause of the September 19, 2017 outage at**  
151 **Dave Johnston Unit 3?**

152 A. No. Daymark states “we believe that this outage was a repetitive event caused by the  
153 Company’s lack of attention to modify its deslagging practices, as repeatedly  
154 recommended by IEC.”<sup>5</sup> The statement by IEC was to ensure that if we were not  
155 already using the lowest velocity detonation cord that we consider its use. However,  
156 the Company already uses the lowest velocity detonation cord available and, as stated  
157 in response testimony, has used this product since 2011 so the Company has already  
158 adopted the suggested changes eight years ago. The reason explosive deslagging is

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<sup>4</sup> *Id.*, line 101.

<sup>5</sup> *Id.*, ll. 135-136.

159 used is to provide a safe work environment for people due to large chunks of slag that  
160 stick to boiler tubes and have the potential to fall on people during tube repairs.  
161 Explosive deslagging is the safest and most effective way to remove slag to ensure we  
162 have a safe work location for people. Based on expert advice, the Company modified  
163 its deslagging practices several years ago to minimize damage and provide the safest  
164 work environment for people.

165 **Huntington Unit 1 Outage**

166 **Q. Please summarize Daymark's response to your response testimony regarding the**  
167 **outage at Huntington Unit 1.**

168 A. Daymark suggests that the Company acted imprudently because it did not correctly  
169 identify four dissimilar metal welds in the outlet of the reheater. As I explained in my  
170 response testimony, there are approximately 600 of these types of welds that would  
171 have to be checked and the costs of doing so would most certainly outweigh the  
172 benefits. Yet, Daymark dismisses this argument and continues to argue the  
173 Company's actions are unacceptable. As stated in previous testimony, the four leaks  
174 occurred over an 11 year period and represents a less than one percent failure rate.  
175 The Company does collect and analyze the condition of boiler tubes based on  
176 inspection and known industry issues. Daymark's position appears to be that all tube  
177 leaks are imprudent and must be prevented regardless of the cost. Making significant  
178 and costly repairs with a failure rate of less than one percent over an 11 year period is  
179 not in the best interests of customers and is not prudent.

180 **Jim Bridger Unit 2 Outage**

181 **Q. Daymark continues to claim that the Company was imprudent because it had a**  
182 **“gap” in a procedure at Jim Bridger Unit 2. Do you agree?**

183 A. No. Daymark focuses on two items in its testimony. First, “the Company had no  
184 information as to when the system first became inoperable, which is indicative of a  
185 procedural failure.”<sup>6</sup> The fact that this is freeze protection and not used in the months  
186 when freezing temperatures do not occur or that the procedure the Company has in  
187 place tests the heat tracing prior to the months when freezing temperatures occur does  
188 not seem relevant to Daymark. Second, “having gaps in procedures is not prudent”  
189 shows that Daymark’s standard appears to be a perfection standard not a prudence  
190 standard. The Company did have a procedure in place to test heat tracing prior to  
191 freezing temperatures in an attempt to avoid issues. The procedure did have a gap that  
192 allowed the failed heat tracing to not be identified. When the gap was identified the  
193 procedure was corrected. These are not imprudent actions.

194 **Jim Bridger Unit 3 Outage**

195 **Q. How did Daymark respond to your arguments that the outage at Jim Bridger**  
196 **Unit 3 was due to damage that occurred with the plant was constructed 40 years**  
197 **ago?**

198 A. As with the Dave Johnston Unit 3 Outage on April 25, 2017, Daymark claims that the  
199 Company was not prudent due to cable damage from when they were installed during  
200 initial construction and should be held responsible regardless of how long ago the  
201 damage occurred. Once again, Daymark holds the Company to an unreasonable  
202 standard that disregards the fact that the equipment operated without issue for

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<sup>6</sup> *Id.*, ll. 170-171.

203 approximately 40 years. Taking the position that damage that occurred 40 years ago  
204 while the equipment operated satisfactorily during that period is imprudent is an  
205 unreasonable standard.

206 **Dave Johnston Unit 4 Outage**

207 **Q. Please describe Daymark’s arguments related to the Dave Johnston Unit 4**  
208 **outage.**

209 A. During a planned outage, it was discovered that the Company’s contractor had  
210 installed an incorrect impeller, requiring the control rotor to be sent back to be  
211 corrected. As in the Craig Unit 2 outage, the contractor, Mechanical Dynamics and  
212 Analysis (“MD&A”), assumed responsibility and paid for the damages. Daymark  
213 claims “the Company bears responsibility for the imprudent actions of its contractors  
214 who accepted work without being properly staffed and who lacked the proper  
215 procedures to prevent such errors for occurring.”<sup>7</sup>

216 **Q. Do you agree with Daymark’s position?**

217 A. No. Again it appears Daymark has a perfection standard, or a “strict liability”  
218 standard, when reviewing this outage and assumes MD&A acted in a manner that was  
219 imprudent because they accepted the work and took responsibility for the issue.  
220 However, there is no proof that MD&A knowingly accepted work in its capacity so  
221 the accusation lacks merit. MD&A has completed several projects for the Company  
222 successfully and continues to be a valued and viable contractor for the Company.  
223 Daymark also blames procedures for the event and ignores that this was a human  
224 error. As with any event, there are always lessons to be learned and MD&A has  
225 implemented improvements to their quality control program.

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<sup>7</sup> *Id.*, ll. 224-226.

226 **Q. Does this conclude your surrebuttal testimony?**


227 A. Yes.

**CERTIFICATE OF SERVICE**

**Docket No. 18-035-01**

I hereby certify that on January 24, 2019, a true and correct copy of the foregoing was served by electronic mail to the following:

<b>Utah Office of Consumer Services</b>	
Cheryl Murray Michele Beck	<a href="mailto:cmurray@utah.gov">cmurray@utah.gov</a> <a href="mailto:mbeck@utah.gov">mbeck@utah.gov</a>
<b>Division of Public Utilities</b>	
Erika Tedder Chris Parker William Powell	<a href="mailto:etedder@utah.gov">etedder@utah.gov</a> <a href="mailto:chrisparker@utah.gov">chrisparker@utah.gov</a> <a href="mailto:wpowell@utah.gov">wpowell@utah.gov</a>
<b>Assistant Attorney General</b>	
Patricia Schmid Robert Moore Justin Jetter Steven Snarr	<a href="mailto:pschmid@agutah.gov">pschmid@agutah.gov</a> <a href="mailto:rmoore@agutah.gov">rmoore@agutah.gov</a> <a href="mailto:jjetter@agutah.gov">jjetter@agutah.gov</a> <a href="mailto:stevensnarr@agutah.gov">stevensnarr@agutah.gov</a>
<b>Rocky Mountain Power</b>	
Yvonne Hogle Jana Saba  Data Request Response Center	<a href="mailto:yvonne.hogle@pacificorp.com">yvonne.hogle@pacificorp.com</a> <a href="mailto:jana.saba@pacificorp.com">jana.saba@pacificorp.com</a> <a href="mailto:utahdockets@pacificorp.com">utahdockets@pacificorp.com</a> <a href="mailto:datarequest@pacificorp.com">datarequest@pacificorp.com</a>
<b>Utah Association of Energy Users (UAE)</b>	
Gary A. Dodge Phillip J. Russell	<a href="mailto:gdodge@hjdllaw.com">gdodge@hjdllaw.com</a> <a href="mailto:prussell@hjdllaw.com">prussell@hjdllaw.com</a>
<b>Utah Industrial Energy Consumers (UIEC)</b>	
William Evans Vicki Baldwin Chad Baker	<a href="mailto:bevans@parsonsbehle.com">bevans@parsonsbehle.com</a> <a href="mailto:vbaldwin@parsonsbehle.com">vbaldwin@parsonsbehle.com</a> <a href="mailto:cbaker@parsonsbehle.com">cbaker@parsonsbehle.com</a>



Katie Savarin  
Coordinator, Regulatory Operations