In the Matter Of:

In RE: RMP - EBA

HEARING (NON CONFIDENTIAL), DOCKET NO. 18-035-01

February 05, 2019

Job Number: 461395B

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power to Increase the Deferred Rate through the Energy Balancing Account Mechanism	)))))	Docket No. 18-035-01 HEARING Confidential Portion Redacted

February 5, 2019
10:00 a.m.

Location: Public Service Commission
160 East 300 South, 4th Floor
Salt Lake City, UT 84111
(801) 530-6769

Reporter: Teri Hansen Cronenwett
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Job No. 461395B

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I N D E X

February 5, 2019 10:00 a.m.

P R O C E E D I N G S

CHAIRMAN LEVAR: Okay. Good morning. We are here for Public Service Commission hearing in Docket 18-35-1, Application of Rocky Mountain Power to Increase the Deferred Rate through the Energy Balancing Account Mechanism. We have a few preliminary matters to discuss, but why don't we start with appearances from Rocky Mountain Power.

MR. MOSCON: Matt Moscon and Yvonne Hogle for Rocky Mountain Power.

CHAIRMAN LEVAR: Okay. Thank you.

MR. JETTER: Good morning. I am Justin Jetter with the Utah Attorney General's Office, and I am representing Utah Division of Public Utilities. With me at counsel table are division witness David Thompson and division outside consultant witness, Phillip DiDomenico.

CHAIRMAN LEVAR: Thank you.

MR. RUSSELL: And Phillip Russell on behalf of the Utah Association of Energy Users.

CHAIRMAN LEVAR: Okay. Thank you. No one else in the room participating today? Okay. I think the next matter to go to is, on Friday afternoon Rocky Mountain Power filed a motion requesting leave for Mr. Meredith, Mr. Robert M. Meredith, to participate

telephonically. Does any party have anything to add to that motion? Any of the parties present here today? Okay. The motion is granted. Thank you.

Just a couple more preliminary issues. We do have a lot of material that has been submitted in confidential format. Obviously, the entire Daymark audit is confidential, but there are some materials from the Daymark testimony relating to the seven outages at issue here today that is -- that is in yellow.

First, I think the first thing I ought to do is ask Rocky Mountain Power if you are aware of any reason any of the material that's in yellow in their testimony, or in, I think, Mr. Ralston -- Mr. Ralston also has a little bit of material in yellow. Is there any reason any of that material is no longer confidential, or is it still -- do we still need to treat it that way in any of our discussions today?

MS. HOGLE: I am going to say just to be cautious, we have, of course, over the time that we have been preparing for the hearing, we have discussed some of the items in the testimony. And -- and I would just ask Dana if he believes that there is anything during the cross-examination or direct examination that he thinks that's confidential, if he let us know.

And of course, we are aware of the materials

that we have submitted as confidential, but it appears to me that hopefully we -- we will be cautious and not get into exact confidential material while also making our case.

CHAIRMAN LEVAR: Okay. Well, if -- if there's ever a need to make a motion to close it, we'll entertain a motion and deal with it. We will also endeavor as we ask questions of the witnesses to -- to avoid that, but if any party notices one of us starting to ask a question that you think we are not being as careful as we should, please feel free to interrupt us and let us know if we need to deal with something, but we will try not to.

I think just two more preliminary issues I was going to ask about. One is just informative just so you all know. Probably about 20 minutes before we will break for lunch today, Commissioner Clark will be stepping out to attend a senate confirmation vote, and then he should be able to return for anything else. So he's not losing interest in the hearing if you see him leave a few minutes before our break, and then we can enjoy his participation for six more years.

And the last preliminary matter is, I wanted to invite the attorneys to have a conversation on the -- on -- on the legal standards, either at the beginning of

the hearing or at the end, or if you tell me you would rather not have this conversation as -- as part of the hearing, we'll just deal with it in testimony, we're -- we can come to our own legal conclusions too. But we would invite any input that -- that the attorneys would like to give.

Obviously, we -- we could probably all in the room recite 54-44 on the prudent standard in our sleep, but this hearing presents some unique issues with respect to that standard, particularly the -- the relevance to a prudent evaluation of subsequent corrective action or the standards for evaluating prudence where there is a plant operator or co-owner involved or a contractor relationship and what -- what the legal standards are.

So if the attorneys would like to have a conversation at some point, we're happy to have that conversation now or circle back at the end of the hearing if anyone -- if anyone wants to provide thoughts that would give us any guidance as we -- as we deliberate on these issues.

MR. MOSCON: I -- I would suggest, if it please the commission, that at the end would be appropriate. I think it is something that's worth addressing, but I think after the information has been

received, the commission's probably going to be in the best circumstance to ask back to the attorneys the questions about it. So on this point, what does that mean or how does this play out?

So I just suggest at the end that you invite interested counsel to give their input on what the legal standard for any topic is. Then you can question back.

CHAIRMAN LEVAR: Okay. Thank you.

Mr. Jetter?

MR. JETTER: I -- I think that's fine. I am -- I'm happy to do it at any point. So whatever -- whatever the commission, works best for you guys. I think that's really the core of what we are here today for. I am not sure there's a lot of facts at issue, so I think it's somewhat of a matter for first impression for this commission and an important issue certainly to us, so we're happy to address it whenever you find it most convenient.

CHAIRMAN LEVAR: Okay. Thank you, Mr. Jetter.

Mr. Russell?

MR. RUSSELL: I agree both with Mr. Jetter and Mr. Moscon, and I think maybe we can circle back at the end. I -- I did, because this is an issue, as Mr. Jetter said, of first impression, I did do some research into this. And I found some cases that are not

from this jurisdiction I think may be useful to the commission, that the standards and the facts therein don't really lend themselves to cross-examination.

So I -- I anticipate that my suggestion will be that we submit briefs, even -- even if it's just, here are some cases. Look at them for yourselves. Decide what you think they mean and how they apply here. But I -- I agree, I think we can circle back at the end to -- to decide exactly how we want to convey that information to the commission.

CHAIRMAN LEVAR: Okay. I think we will proceed that way then, and we will come to the history at the end. I will just state for something for parties to think about with respect to briefs, I am presuming there is a need to have an order in this docket in time to inform the next EBA filing.

And so I'm -- I'm assuming a drop-dead date to get an order out that would give time to inform the next EBA would be, you know, around the end of February or the first of March. So that may be something to think about if -- if we're going to be talking about briefs, or if we're just going to be having a conversation at the end of hearing.

And with that, we'll move forward and look forward to ruling on objections to witnesses talking

about legal issues in the meantime. Any other preliminary matters before we -- before we go to the first witness? Okay. Mr. Moscon or Ms. Hogle.

MR. MOSCON: Yes, thank you. Rocky Mountain Power calls as its first witness Mr. Michael Wilding.

CHAIRMAN LEVAR: And I think your microphone might not be picking you up for the streaming.

THE REPORTER: Yeah, it's literally -- it's too far away.

MR. MOSCON: Rocky Mountain Power calls as its first witness Mr. Michael Wilding.

CHAIRMAN LEVAR: Good morning, Mr. Wilding. Do you swear to tell the truth?

THE WITNESS: Yes.

CHAIRMAN LEVAR: Thank you.

MICHAEL G. WILDING,

was called as a witness, and having been first duly sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. MOSCON:

Q. Good morning, Mr. Wilding. Would you please state your name for the record?

A. Yes. My name is Michael G. Wilding.

Q. Would you please give a very brief description of your -- the position you hold at the company and your

background leading up to that position?

A. Yes. I am the director of net power costs and regulatory policy for PacifiCorp.

MR. RUSSELL: You got to push that green button. There we go.

A. Do I need to start over? I am the director of net power costs and regulatory policy for Pacific Power. Under my purview is the net power cost filings, so I oversee the EBA. And I have been with the company for approximately five years, for the entire time in the net power cost group.

Q. (By Mr. Moscon) Okay. Have you previously testified here before this commission?

A. Yes.

Q. In this proceeding, did you cause prefiled testimony -- or testimony to be recorded and filed?

A. Yes.

Q. If I were to ask you the questions set forth in the prefiled testimony here in person today, would your answers be the same?

A. Yes, they would.

Q. Are there any corrections that you need to make to that prefiled testimony?

A. No.

Q. Okay.

MR. MOSCON: Based on that, commission, first I suppose, unless the commission has a preference of sequence, I would move for the admission of Mr. Wilding's prefiled testimony, together with any exhibits thereto into the record.

CHAIRMAN LEVAR: Okay. If any party objects to that, please indicate to me.

MR. JETTER: No objection from the division.

CHAIRMAN LEVAR: Okay. That motion is granted.

MR. MOSCON: Thank you.

Q. (By Mr. Moscon) Mr. Wilding, have you been able to prepare a summary of your prefiled testimony?

A. Yes.

Q. Would you please share that for the commission and the parties?

A. Yes. Good morning, commissioners. The company filed its annual energy balancing account or EBA application on March 15th, 2018, for the deferral period of January through December of 2017.

The company requested recovery of $2.8 million, which consisted of the following components, a $4.4 million credit for the deferral of the variances between actual net power costs and actual wheeling revenues versus base net power cost and base wheeling

revenues, a $2.9 million credit related to the Deer Creek Mine retiring medical obligation savings, a $2.8 million credit related to the settlement of the 2017 EBA, a $9.1 million in costs for the Utah allocated amortization expense associated with the closure of the Deer Creek Mine, $4 million in costs related to an adjustment for sales made to special contract customer, and finally, a .2 million dollar credit related to various smaller items, including interest.

The Division of the -- of Public Utilities issued its report on the EBA and proposed a reduction to the company's EBA application of approximately $910,000, consisting of approximately $885,000 for replacement power costs associated with seven plant outages and $25,000 for an update to an allocation factor used in the filing. The DPU also proposed a change to the company's energy risk management policy.

The Office of Consumer Services and the Utah Association of Energy Users did not file testimony in this proceeding.

In my testimony responding to the DPU's EBA report, the company accepted the update to the allocation factor and also agreed to change and update our risk management policy as proposed by the DPU in their reports. The company disagrees with the proposed

adjustments related to the prudency of the seven plant outages, and company wit -- witness, Mr. Dana Ralston, will address this issue.

Therefore, I -- I respectfully request that the commission approve the EBA as modified in my response testimony. Thank you.

MR. MOSCON: Thank you, Mr. Wilding. As the commission notes, there was not any testimony filed that called into question any of the testimony of Mr. Wilding. But, of course, he is here available for any questions that the commission may have, or any clarifying questions by the parties.

CHAIRMAN LEVAR: Okay. Mr. Jetter, do you have any questions for Mr. Wilding?

MR. JETTER: I have no questions. Thank you.

CHAIRMAN LEVAR: Mr. Russell?

MR. RUSSELL: No questions. Thank you, Chair.

CHAIRMAN LEVAR: Commissioner Clark?

COMMISSIONER CLARK: No questions, thank you very much.

CHAIRMAN LEVAR: And I don't either. Thank you for your testimony.

THE WITNESS: Thank you.

MR. MOSCON: Thank you. With the permission of the commission, the second witness that Rocky

Mountain Power would call is Mr. Robert Meredith who the commission earlier this morning granted leave to appear by telephone. And so Mr. Meredith, are you able to hear us where you are now?

THE WITNESS: Yes, I am able to hear you.

MR. MOSCON: All right. So --

CHAIRMAN LEVAR: Why don't I swear him in?

MR. MOSCON: Go ahead. Yes, thank you.

CHAIRMAN LEVAR: Mr. Meredith, do you swear to tell the truth?

THE WITNESS: I do.

CHAIRMAN LEVAR: Thank you.

ROBERT M. MEREDITH,

was called as a witness, and having been first duly sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. MOSCON:

Q. Mr. Meredith, would you please state your name for the record?

A. Robert M. Meredith.

Q. And would you please tell the commission what your current job title is and any relevant experience you had leading up to that position?

A. Sure. I am the manager of pricing and cost of service in Rocky Mountain Power's regulation department.

Worked for the company for about 14 years, or a little over 14 years now. I have worked in customer services and the integrated resource planning department and in regulation for all that time at various analytical roles.

Q. Okay. Thank you. Mr. Meredith, did you cause prefiled testimony to be prepared in this matter?

A. Yes, I did.

Q. And if I were to ask you the questions that were written out, would your answers here live today be the same as the ones that are recorded in that prefiled testimony?

A. Yes, it would.

Q. Do you have any changes to that testimony that would need to be made?

A. No.

MR. MOSCON: Again, Mr. Chairman, I would move for the admission of Mr. Meredith's prefiled testimony, together with any exhibits as part of the record.

CHAIRMAN LEVAR: If any party objects to that motion, indicate to me. I am not seeing any objection so it's granted.

MR. MOSCON: Thank you.

Q. (By Mr. Moscon) Mr. Meredith, have you had the opportunity to prepare a summary of your prefiled

testimony?

A. Yes.

Q. Would you please share that for the commission and the parties?

A. Sure. Good morning, Chair LeVar, Commissioner White and Commissioner Clark. In my direct testimony, I presented the company's proposed rate spread and prices for the 2018 energy balancing account. With interim rates effective May 1, 2018, recovery of the 2.8 deferral calculated by company witness, Mr. Michael G. Wilding has resulted in an increase to customers of 0.1 percent.

The allocation and development of rates for the 2018 energy balancing account has been prepared in a manner consistent with prior energy balancing account balances, and they are not contested by any party in this proceeding. That concludes my summary statement.

MR. MOSCON: Thank you, Mr. Meredith. Mr. Chairman, similarly, Mr. Meredith didn't have any testimony contradicted, but he is available for any clarifying questions of the commission or the parties.

CHAIRMAN LEVAR: Okay. Mr. Jetter, do you have any questions?

MR. JETTER: I have no questions, thank you.

CHAIRMAN LEVAR: Mr. Russell?

MR. RUSSELL: No questions, thank you.

CHAIRMAN LEVAR: Commissioner Clark?

COMMISSIONER CLARK: No questions, thank you.

CHAIRMAN LEVAR: Commissioner White?

COMMISSIONER WHITE: No questions, thank you.

CHAIRMAN LEVAR: Okay. Thank you, Mr. Meredith. We appreciate your testimony today.

THE WITNESS: Sure. No problem.

CHAIRMAN LEVAR: And I don't know if your intention is to keep him on the phone? It's up to you, Mr. Meredith, if you want to keep listening for the sheer fun of it or should we close the line?

THE WITNESS: You can close the line. That's fine.

MR. MOSCON: Thank you.

THE WITNESS: Okay, thanks.

COMMISSIONER CLARK: I am shocked.

CHAIRMAN LEVAR: He is just going to listen on YouTube for the rest.

MR. MOSCON: All right. Now, I know we have already been through two witnesses, so unless the commission wants to take a break, we'll keep plowing forward.

CHAIRMAN LEVAR: Let's keep going.

MR. MOSCON: Thank you. If it please the

commission, our final witness that Rocky Mountain Power would call, who is with us here today, is Mr. Dana Ralston. So we would ask that Mr. Ralston to take the stand.

CHAIRMAN LEVAR: Good morning, Mr. Ralston. Do you swear to tell the truth?

THE WITNESS: Yes, I do.

DANA MICHAEL RALSTON,

was called as a witness, and having been first duly sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. MOSCON:

Q. Good morning, Mr. Ralston. Would you please state your full name and your current business position for the commission?

A. My name is Dana Michael Ralston. I am the senior vice president of thermal generation and mining for Rocky Mountain Power. I have responsibility for all the thermal assets, which are the coal plants and the gas plants and the geothermal plants within Rocky Mountain Power, and the fuel supply and a few mining activities for the company.

I have a degree in electrical engineering and been in -- working in and around the power plant sector for over 37 years, as a plant manager, maintenance

manager, electrical supervisor, electrical engineer.

Q. Okay. Mr. Ralston, did you have opportunity to prepare prefiled testimony to be filed in this?

A. Yes, I did.

Q. In your testimony, and -- and we'll -- we'll get to that momentarily, you describe your experience a little bit. Can you provide -- let me back up and ask you this. Have you provided testimony to this commission before today?

A. In the written form, yes.

Q. Have you ever presented live testimony to these commissioners?

A. No, not in the state of Utah.

Q. So although I wouldn't typically do this, just because this is your first time before these commissioners, could you please give us a little bit more color, describing your working background and specifically to the extent it's germane to what we are doing here today, give us some indication of your work that you have done, you know, facilitating plant overhauls, maintenances, shutdowns, startup, et cetera.

A. Okay. Until I took this position in 2010, I was stationed at a plant, and I worked in the overhaul process. I coordinated maintenance activities. I coordinated electrical maintenance activities. I was an

electrical engineer in charge of design. I was in charge of overall plant operations as the plant manager.

Q. Okay. So is it fair to say that you are very familiar with all the topics that are at issue today?

A. That would be correct.

Q. Okay. And Mr. Ralston, could you describe for the commission the various pieces of prefiled testimony that you submitted in this matter?

A. I respond -- or I supplied response testimony to the Daymark testimony and then supplied surrebuttal testimony to their rebuttal testimony.

Q. Do you have any changes that would need to be made to either piece of testimony?

A. Yes. On my surrebuttal testimony, I have a few changes.

Q. Okay. If you would wait just a minute to give the parties and the commission an opportunity to turn to that in your surrebuttal. What page was your first change or correction be made on?

A. On page 5, line 93, the word "tight" should be right.

Q. Okay.

CHAIRMAN LEVAR: I am sorry. You are on line 93 of the surrebuttal?

MR. MOSCON: 95.

CHAIRMAN LEVAR: Oh, 95.

THE WITNESS: Excuse me, 95. Did I say 93? I apologize.

Q. (By Mr. Mascon) Okay. Any other corrections?

A. Page 6, line 135, the word weld near the end of the line should be deleted. And page -- or at line 136, the sentence that says, "tubing ends being conducted were nonidentical metal" should be deleted.

Q. Any other changes or corrections?

A. And finally on page 10, line 220, where it says "ND and A know -- knowingly accepted work in its -- in its capacity," should say -- read, "Accept work in excess of its capacity." So "excess of" should be added.

Q. Okay. Any other corrections or modifications that you believe should be made to your prefiled testimony?

A. No.

Q. Okay. And similarly then, if I were to ask you all of the questions in both pieces of your testimony here today, would your answers be consistent with the answers in your prefiled testimony, including the corrections that you have just noted for us?

A. That's correct.

MR. MOSCON: Okay. With that, Mr. Chairman, I

move for the admission of the prefiled testimony of Mr. Ralston, together with any exhibits thereto.

CHAIRMAN LEVAR: Okay. If any party objects to that motion, please indicate to me. I am not seeing any objection, so the motion is granted.

MR. MOSCON: Thank you.

Q. (By Mr. Moscon) Mr. Ralston, have you had the opportunity to prepare a summary of your prefiled testimony?

A. Yes, I have.

Q. Would you please share that with the commission and the parties.

A. My name is Dana Ralston. I am the senior vice president of thermal generation and mining for Rocky Mountain Power. I've been responsible for Rocky Mountain Power's thermal fleet since 2010, and prior to that held a number of positions within the generating fleet of Berkshire Hathaway Energy, including plant manager, maintenance manager, electrical supervisor and electrical engineer. I have a degree in electrical engineering with over 37 years working around and in the power plants.

Today I am offering responses and surrebuttal testimony to Daymark's testimony regarding the prudency of contested plant outages. In my testimony, I show

that the company did demonstrate prudency by its actions when maintaining and operating its plants.

Daymark, when reviewing the outages, equates its avoidable outage that could be prevented with perfect foresight to improve in that by the company. This demonstrates that Daymark is using a perfection standard not a prudency standard.

If Daymark's approach to maintenance and operational was implemented, costs to the customers would significantly increase with a very small impact on fleet equivalent availability, because Daymark would have the company shift all risk to contractors no matter what the cost and undertake corrective actions that were not justified by inspection or operating data.

In addition, Daymark represents -- misrepresents data and testimony to arrive at an erroneous conclusion related to outages. In my testimony, I show how the company used reasonable and prudent processes to avoid outages and mitigate risks while effectively balancing risks and costs for the benefit of our customers.

In my testimony I use an analogy of changing tires on your car every month to prevent a flat fire. While this may reduce the chance of a flat tire, it is far from prudent to do this and would not eliminate all

chances of a flat tire. This seems to be the same standards Daymark uses when reviewing outages.

With respect to our jointly owned plants that we -- that are operated by others, Daymark incorrectly implies we have a unilateral -- unilateral right to enforce process or changes on these plants. Rocky Mountain Power is a very active and engaged owner involved in our participation agreements to its fullest extent.

These agreements that govern these plants are based on a partnership with all owners getting benefits and costs based on their ownership share. The operating company receives no premium to take on the risks of operating the plant. The companies that operate these plants use prudent processes, but they may be not the same as Rocky Mountain Power uses. And when Daymark refers to these partners as contractors, it shows a lack of understanding about these agreements.

Finally, the company uses equivalents availability, or EA, as an indicator of the detail and care the company uses with regard to maintaining its operating fleet. The company's thermal EA is significantly better than the North American Electric Reliability Corporations or NERC, average for a similar size fleet.

The company believes outages should be reviewed individually and that NERC averages do not automatically make every outage prudent. But to completely ignore this metric does not paint a complete picture of how the company manages thermal plants to provide the least risk, least cost supply to our company -- or customers.

Rocky Mountain Power has and will continue to prudently manage the thermal fleet with the best interests of the customers at its forefront. I am here to answer your questions.

MR. MOSCON: Thank you, Mr. Ralston. Mr. Ralston is available for any questions of the parties or commission.

CHAIRMAN LEVAR: Okay, thank you. Mr. Jetter?

MR. JETTER: Thank you. I have a few questions.

CROSS-EXAMINATION

BY MR. JETTER:

Q. Good morning.

A. Good morning.

Q. Maybe I'd like to just start out asking a question that -- that you addressed a little bit in your introduction. You mentioned that -- that, I guess in your testimony, that Daymark Associates, the consulting

firm hired by the Division of Public Utilities, is seeking to hold the company to a perfection standard. Is that an accurate representation of your understanding?

A. Yes.

Q. Can you tell me how many forced outage events the thermal fleet for PacifiCorp experienced in 2017?

A. I don't have that number off the top of my head.

Q. Would you accept, subject to check, that there were 368?

A. Subject to check.

Q. And do you know how many megawatt hours were lost as a result of those?

A. Again, I don't have that off the top of my head.

Q. Would you accept, subject to check, that it was in the ballpark of three million?

A. All right. Subject to check.

Q. Do you know how many outages Daymark has recommended not be -- be removed from recovery from the EBA?

A. I believe it was seven.

Q. Okay. And -- and seven is lot less than 368; is that correct?

A. I believe so.

Q. And so do you still think that the -- the perfection applies when Daymark and Associates recommended only seven out of 368 forced outages be unrecoverable as a result of imprudence?

A. When I look at the detail of the seven outages and the action Daymark expects us to take, or would say would be a prudent level, I believe that is a perfection standard, not a prudent standard that a reasonable utility would do.

Q. Let me ask you a little follow-up question there. Can you give me an example of an imprudent outage?

A. I can't think of one right off the top of my head.

Q. Okay. Do you know if PacifiCorp has ever had an imprudent outage?

A. Again, I can't think of one right off the top of my head.

Q. Okay. If there were never an imprudent outage, wouldn't that somewhat be the inverse of a perfection standard; it would be a standard of imperfection?

A. I guess you could look at it that way.

Q. And following up with that, do -- do you

believe that customers of Rocky Mountain Power in Utah should be responsible for all of the replacement power costs regardless of the -- the type of outage or the prudence that led up to that?

A. I believe the customer -- well, the company should be reimbursed for their cost when they acted prudently towards trying to avoid and prevent outages.

Q. Do you think that that -- that same standard should apply to Rocky Mountain Power's contractors or third party operators?

A. Please repeat the question. Be more specific.

Q. In your answer to my previous question, I believe you answered that PacifiCorp should be reimbursed for the costs of its prudent actions. Is that an accurate representation?

A. Yes. We should be re -- reimbursed for prudent -- for costs when we act prudently.

Q. Okay. And do you -- do you also think that Rocky Mountain Power should be responsible for costs when it does not act prudently?

A. Well, if we don't act prudently, then the commission would determine that and probably not allow those costs.

Q. Okay. And do you think that that should extend -- regardless of whether it's legally mandated,

do you think that similar standard should extend to third party contractors that Rocky Mountain Power hires?

A. Okay. And -- and again, the -- the contractors are out operating on our behalf, so the same standard should apply.

Q. Thank you. Can you tell me what steps Rocky Mountain Power or PacifiCorp in its fleet takes -- let me rephrase that question.

What steps does the company take to ensure that the third parties are operating in a prudent manner?

A. Can you be a little more specific on whether you are talking about a contractor that is specifically hired by Rocky Mountain Power or a partner operated plant operator?

Q. Well, maybe let's address those each individually. So let's first take a look at -- or -- or let me know your opinion on the -- the contractors that are hired by Rocky Mountain Power.

A. Okay. So when Rocky Mountain Power hires contractors, we take and make sure that we have qualified contractors that can perform the work, are reasonable, competent and available. Okay. And at the same time, when we sit down, we get their prices from them. We negotiate a contract and negotiate terms that

have the warranty provisions and allow us to execute towards that contract to try to protect the customer and us to its best extent.

In those provisions it's always a give and take, I will say, because if you want perfect, if you want to shift a hundred percent of the risk all to the contractor, you are going to pay for it. And in my 37 years of doing that, I have never seen any contractor be willing to accept 100 percent of all risk, including net power cost risk, in any contract we have been able to negotiate.

Q. And so would you agree with me then that that puts those contractors in a different risk position than the Rocky Mountain Power would be were Rocky Mountain Power performing the same amount -- the same work?

A. Possibly. Again, it depends on the situation, I would say, and the contract.

Q. And would it then be accurate that when -- in -- in the company's view when it hires third party contractors that are not taking on that risk, that that effectively shifts that risk to customers to bear the losses that Rocky Mountain Power might otherwise be responsible for?

A. Not necessarily. It depends on the event.

Q. Could that be the case?

A. What do you mean?

Q. Could it be the case that -- that those contracts would shift risk to customers?

MR. MOSCON: Mr. Chairman, before he answers, again, you noted this, and I am not trying to overdo it, but I guess I just need to note for the record that this whole series of questions has embedded the legal conclusion that the company would otherwise be liable for it, which itself could be impact to a great -- great detail.

I am not trying to get in the way or interrupt the flow. I just don't want anyone to at a later date say, well, we waived any objection. So to the extent that he is asking the witness to make legal conclusions about the company, its liability, what the legal standard of prudence is, et cetera, I just want to preserve that objection.

CHAIRMAN LEVAR: Sure. Mr. Jetter, do you want to respond to the objection?

MR. JETTER: I am really trying to -- to -- to get this without going into -- to the legal conclusion, and I understand that -- that some of this has that as the backdrop. I think this, really all of our -- our cases today, the facts at issue, are kind of set with that backdrop.

And as I was creating my cross questions, I wasn't anticipating a -- a legal discussion in addition, and so I think I maybe can withdraw that question and move on to some more specifics.

CHAIRMAN LEVAR: Okay. Well, then there's no need to rule on the specific objection. We'll move on then.

MR. JETTER: Okay.

Q. (By Mr. Jetter) So just to -- to clarify, before I -- before we move on, replacement power costs are not typically included in third party contracts; is that correct?

A. Not directly.

Q. Okay. Replacement power costs, are those ever included in your contracts with co-owners or affiliates or other -- other operators that are not Rocky Mountain Power that are operating a partially owned power plant?

A. No. We -- we don't have them in any of them that we are the owner but not the operator. And at the same time, we don't have any of them that we are the operator and owner and we have other owners.

Q. Okay. And -- and so how are -- how is Rocky Mountain Power, through those contacts -- contracts, or relationships with those other -- other operators, how is Rocky Mountain Power protected from imprudent

actions?

A. We protect ourselves from a -- from being involved with the participation agreements. We have what we call E and O committees or coordinating committees. We're heavily involved with those. We have constant communication, at least daily with those different plants on what's going on in that. We're a very active participant on it.

From a contractual standpoint, there is no net power cost provision in any of the participation agreements that -- on either side, where we are the operator or they are the operator.

Q. Okay. And is it fair to say that you have influence on the operations, even if you are not directly in control?

A. We -- we try our hardest to influence and direct the plan to where we think is the best place for customers.

Q. Thank you. I think I am done -- will move on at this point, and -- and go through the seven outages.

A. All right.

Q. Sort of in the order that they have been presented in testimony. I think it will be the easiest way to follow. So if you look at Craig Unit 2, is it accurate that this is a representation, or this is an

instance where it's a third party operator?

A. Yes, that's correct. Tri-State Generation and Transmission operates the Craig unit.

Q. Okay. And is it accurate that Rocky Mountain Power has influence on how this is operated through its relationship with Tri-State?

A. Again, we work our hardest through those committees and through discussions with them to influence the direction.

Q. Okay. Thank you. And in this case let me make sure I characterize this correctly, but there's a series of plugs that are each opened individually, and -- and a compound is -- is deposited through the plug. And then the plugs are reclosed, and that process ultimately resulted in one of the plugs being missing at some point?

A. Maybe a better way to say it is the generator is probably 14, 16 foot in diameter, and there's a series of plugs like little quarter inch or three-eighths inch plugs all the way around. If they take one out and they use this, like a -- it's a -- it looks like our TV almost, you know, that you get at the store.

And they pump it in, and they pump it in the next one. It comes out. Then they put the plug in here

and then pump it here to the next one. It creates a flexible seal so the hydrogen doesn't leak out, and then they put the plugs back in one by one.

Q. Okay. And you mentioned -- this is -- I can direct you to it. It's page 3 of your response testimony, on line 56, and is this -- this accurate that -- that you had written in there, that the plugs are tightened, torque not required and pressure tested to verify the seal integrity?

A. Yes. When the -- the work was done, a pressure test at 48 pounds was done for 24 hours, and it passed the pressure test.

Q. Okay. And so it's -- it's your testimony of the company that it's believed that the plug had vibrated out at some point?

A. That's correct. Otherwise, it wouldn't have passed the pressure test.

Q. Okay. And -- and would it be a reasonable conclusion that it vibrated out because it was not tightened properly?

A. That's one possibility. I -- they're not sure why it vibrated out. It may not have been tightened enough. It may have had a flaw, don't really know, but we believe it vibrated out sometime during operation when it was returned to service.

Q. Okay. And how many of the other plugs vibrated out since then?

A. None of them.

Q. So if you were creating a plan to prevent that from happening in the future, would you recommend adding a torque value to the installation of those plugs?

A. I'd have to check on the design on that. I would have to really know whether that was prudent or not. I -- I -- that is a reasonable solution. I am not sure if it was or not. The procedure done was by General Electric, and it was their procedure.

Q. Okay. Would you agree with me that hand tight probably isn't adequate?

A. And I don't know if it was hand tight or not.

Q. Okay. About if -- if that was -- if that was the case, it would need to be tighter than that?

A. I would say so, yes.

Q. Would it be unreasonably expensive, do you think, to add in the procedure manual for when you are reinstalling these plugs to tighten them to some level that's checked in some way?

A. I wouldn't think so.

Q. That's all the questions I have about the Craig Unit 2. Next I'd like to move on and discuss Dave Johnson -- or excuse me, Dave Johnson 3, the April 25th

outage.

Can you tell me why different grades of metal are used in different pipes at different -- different points within the boiler unit?

A. It's basically temperature and pressure related event. Low temperature steam or water, carbon steel is okay for, but when you start getting into the higher temperatures, a thousand degrees or higher, the material breaks down faster. So the longevity would be reduced over time.

Q. And I think your testimony is in agreement that it was a -- a tubing material that was incorrect for the location; is that accurate?

A. It was a nonconforming material.

Q. Okay. It didn't meet the engineer's design spec for that location?

A. Somewhat, yes. To give you a better frame of reference is, the tube that had the material that failed is here, and somewhere right below there, the -- it was a transition switch to a different material, like within a couple of feet. And the tube right next to it was the same material that was put in. So I mean, they were literally inches apart.

Q. Okay. So -- and is that the case that the tube next to it was the correct tube?

A. Yes.

Q. Okay. And that was, I think if I am remembering, that was No. 47, but I don't remember that.

A. No, no, no, no. You're -- you're thinking of something different.

Q. Okay. You would agree that prudent construction of a facility would use the appropriate tube for the correct locations; is that correct?

A. In an optimal condition, you would use the exact design material that was put in the boiler, yes.

Q. Okay. And part of the response in your testimony was that the nonconforming tube had lasted 20 years, and that was an indication that it was adequate for that location?

A. It lasted at least 20 years. The -- the reason we go back at least 20 is because when Utah Power and Pacific Power merged, the Utah Power repair process, called an R state process, was more robust than the Pacific Power one. And it was implemented, and that was about the time it was implemented.

This material could have been put in 30 years ago. I -- we -- we don't have the records, and back that far back, it would have been a paper system. So it was more difficult to track and follow things, where today it's very computer friendly.

So I know it's at least 20 years because that's when we did the switchover, and we don't have any records from that 20 years back -- forward. So it was at least 20 years.

Q. Okay. Thank you. And -- and is it -- is it an accurate statement that if the, the correct grade of steel tube had been used, all else equal, you would expect it to have lasted longer in the same conditions?

A. That's a possibility, yes. It would have -- it probably would have lasted longer.

Q. Thank you. I'll move on next to the same power plant but the September 19th, the Dave Johnson September 19th outage.

I, I think it, it would be a fair summary, correct me if I am wrong, of your testimony that the -- the company does rely on a metallurgist that's a third party contractor to review some of these failures, and that that third party recommended less explosive use, less -- I guess it's a slower propagation, deslagging explosive or propellant?

A. When a metallurgist gets a section of tube, he dissects that tube, and he reports to us everything he sees, you know, whether it's old damage, new damage, whatever. His -- his responsibility is to tell us everything that he -- he knows about that tube.

In this case he noticed that there was some stress rings, I believe they are called Nelson rings, for that saying that there had been some previous damage at some point in time. Okay. That could have happened 10 plus years ago. We don't know.

So what he reported there, because he saw that, is he said, you should consider using low -- lower prop -- lower velocity detonation cord. Okay. And that was a -- to inform us that if we hadn't already started doing it, we should consider it.

As I said in testimony, we identified that issue back in -- long before that, and we implemented the lowest velocity det. cord that's available on the market in 2011.

Q. And are there -- are there other ways to deslag those outside of using detonation cord?

A. Yes. But they tend to have more risk towards people. Using detonation cord tends to be the most effective and safest method for deslagging.

I mean, if I go back to 30 years ago when I was doing it, I remember spending an Easter with a large steel rod just hammering away at slag between panels, and it was not a very pleasant time. Or, you know, you, you have eye injuries. You have strains and sprains. So detonation cord shakes the whole thing, breaks the

slag and allows people to get in there without injury.

Q. Okay. But it also tends to cause fractures in -- in brittle materials; is that correct?

A. Yes. In this case we are putting people first.

Q. Okay. And prior to 2011, you were using the more aggressive detonation cord that --

A. I understand that, yes. I just know since 2011, we have been using the lowest. There might have been steps, but I am unfamiliar with exactly what steps they were.

Q. Thank you. I am going to move on to the Huntington Unit 1 outage. It's correct that the Huntington Unit 1 outage was the fourth of a similar type of failure that's occurred since 2008; is that correct?

A. Yeah. We have had four failures over an 11 year period.

Q. Okay. And all of the failures were the result of -- of the same welding failure?

A. It's -- it's of a similar metal weld failure that happens with everything on a dissimilar metal weld over time and temperature.

Q. Okay. And this has been known in the -- the utility generation industry for quite some time; is that

correct?

A. Yes. And it's managed by most utilities. It's a judgment call on when to do a bunch of replacements and when to keep managing through them, and managing so that you don't have a, what they call the hockey stick up on failures.

Q. Okay. And you have had planned outages where this could have been repaired as is planned for 2022. You've had planned outages between 2008 and 2017; is that correct?

A. That's correct. And maybe to frame that, is, we have a planned outage about every four years. Okay. And we take it down for about five weeks, and we tear just about everything apart and try to rebuild it and put it back together and then try to run the plant for four years solid.

So when you have that five week period, you know, these structures are 15, 20 stories tall, with thousands and thousands of tubes and welds in them. And you have all the ancillary equipment, so you kind of have to prioritize your work. Okay. And for lack of a better term, you triage it, and you focus on the things that are going to cause you the most forced outages and you address those.

And this data was not the worst actor we had

in the plant so we focused on other areas that were going to be more negatively impactful to the forced outage rate.

Q. Do you know how long, in addition during any of your previous planned outages, it would have taken to remedy this, in a -- as an extension to a prior outage?

A. You mean to replace it all?

Q. To perform the same planned replacement as you intend in 2022.

A. How long it would take?

Q. Yeah. Would that have added a week --

A. Probably --

Q. -- to your prior outages or longer?

A. Well, if you planned it up front, you build it in there, and it would probably be a couple of million dollars to replace them all, all 600. And if -- if I knew about it beforehand and planned it and planned the work in there, it probably wouldn't have extended the outage. Now, if I found out about it in week four of a five week outage, I would have a problem.

Q. So -- so what was it about the fourth outage that was different from the first or second or third outage that caused the company to change or implement a replacement for 2022?

A. It was basically time. I mean, we -- we -- we

know that dissimilar metal weld failures are a function of time and temperature, and as time goes on, you know, you are taking on more risk of a failure as time goes on. So in 2008, I don't believe we felt that there was enough risk after one failure to do anything.

And then I believe -- I can't remember the other two, is I want to say in '11 and '15 and then the last one in '17. I am not sure those dates are correct.

Q. Okay. I don't know the -- the dates of those either. Let's move on to Jim Bridger No. 2 is next. And is it accurate that this outage at Jim Bridger No. 2, January 17th, 2017, was a result of a water coolant line freezing because of a failure in the heat tracing?

A. That's roughly correct.

Q. Do you run the heat tracing all of the time or only during shutdowns?

A. No. We only run it when there's freezing temperatures though.

Q. Okay. And I am looking at your response testimony, page 11, beginning at line 244. You testified that the -- "The company has processes in place to inspect the heat tracing and verify operation. But the process had a void in it that results in this failure" -- resulted, excuse me, "in this failure to not be identified so repair work could be completed"?

A. Yes. So what -- what we do is, in the fall, before the freezing temperatures, go out, usually start sometime in August or early September, have people go out to all the freeze protection panels and all the circuits, and there is literally hundreds and hundreds of these.

There's -- there's a lot, especially if you have an outdoor boiler. And then they go out and they actually measure the current in the voltage and record it. So it's to determine whether something's malfunctioning or not.

In this particular case, there was no current, but there was voltage. So that is how it got missed. Okay. So as I have said in testimony, we said, when the technician sees that, he is to raise the red flag and do some other things.

So we went through the effort to try to, before the freezing temperatures to verify our -- our systems were working. We just had a procedural problem here where the -- the failure slipped through the cracks, either by the technician not raising it or somebody else not seeing it.

Q. And so ultimately the result was that the testing procedures were carried out but they didn't identify the problem?

A. This -- this particular problem, yeah.

Q. And it's your testimony that that -- that was the testing procedure was, I guess, a prudent choice by the company?

A. Well, we had a -- a testing procedure in place, and we thought it was complete. We didn't recognize this could be a void until it happened to us, and then we made corrections since we have discovered that.

Q. Okay. And -- and as an electrical engineer, do you think a testing procedure that measures a voltage difference at -- at the, I guess the plug-in points of a heat tracing tape that doesn't measure resistance of the tape would be an appropriate way to test whether it's functional?

A. In measuring the resistance? I am not sure I understood your question.

Q. Measuring -- measuring electricity flow?

A. You mean the current and the voltage?

Q. Yes.

A. That -- that would be very prudent, and that's what we were intending to do.

Q. Okay. So you were -- that was what the policy was prior to that, or that's what it is now?

A. No. That's what it was prior, to record the

current and the voltage. In this case there was no current, okay, but there was voltage, and at that point, nobody raised the flag, the technician or someone said, this doesn't seem right to me.

Q. Okay. So the inspector, whoever was inspecting, the technician, identified or had an erroneous reading. They just didn't identify it as a -- as a problem?

A. Correct.

Q. Thank you. I'll move on now to the Jim Bridger 3 outage. And just to refresh recollection, this was the outage that was caused by an electrical failure that was determined to be a cable that was flooded in an underground wire ball; is that correct?

A. That's correct.

Q. Okay. And the identified cause of this, is it accurate that the cable failed potentially due to damage during the initial time when the wire was pulled?

A. I believe the report said it was age and damage.

Q. Okay. Do you know how age would have caused that failure?

A. Cable insulation breaks down with age. I mean, it's a form of a plastic. I mean, if you took a gallon milk jug and set it outside for a year, then

tried to pick the handle up, the handle is probably going to come off in your hand because it degrades from sunlight and everything else. Cables, the insulation on them, they aren't designed to run for a million years.

Q. So do you have a policy in place then to replace those at periodic intervals?

A. No. I think we replace those as conditions warrant, when we do some testing and -- or if we have a problem, that the cost of replacing those would be tremendously large.

Q. And to the extent that a cable is -- is damaged during installation, that's usually the result of a mistake, is it not?

A. I -- I can't necessarily say that. I mean, this was during an original construction in the early seventies. So it could have been that there was a rock that got picked up. I mean, you're -- you're talking about traveling hundreds and hundreds of feet.

And what they do is, they have these little concrete vaults in the ground with the conduit going through it. And then it goes to another concrete vault, and they run the cable through it, through the vault, and they pull it through. And these cables are like this big around.

And they pull -- pulling -- put a pulling

lubricant on it, and they pull it through. And they are trying not to pull it so hard that they damage the insulation. Okay. So during the process, if it -- if it picks up any type of debris or -- or runs on a corner and gets slight gouged, it can get damaged.

Generally, after a cable is pulled in, a standard practice is to what they call Hipot them, is they get the cable in place, and it's not connected up to anything. And they put a voltage on it to check the leakage current to make sure it's functional.

I am assuming that happened back in the seventies when the plant was built and that it passed at that time, and then it successfully operated for over 40 years before the pit got flooded and water actually improved the conduction path. And the damage and the age probably got to it right there.

Q. Let me ask you a couple quick follow-ups. The -- the purpose of those procedures as they install it with the lubrication and -- and the way that it's fed into the tubing and into the conduit tube, and the conduit itself, in fact, it's -- it's all there to make sure that it's not damaged; is that correct?

A. Generally, yes.

Q. And on a little bit of a different question, with relative to the flooding of those, have you taken

any steps since then to remedy, to -- to have drains to keep those vaults from being flooded?

A. Not to my knowledge. I believe this was a gasket failure.

Q. Okay. Do you think it would be a prudent choice to do that in the future, at least to the extent that a vault is within the drain path of some of the plumbing?

A. So let's take this little building where it happened. It's kind of out in the middle of nowhere. I mean, there -- there aren't probably any drains to drain it to. I mean, you might be able to do something by building up the lip of the vault or something else. I don't know. I haven't specifically looked at that spot to think about it that way. I think the best thing to do is prevent the leak to begin with.

Q. Okay. And the vaults -- the vaults aren't intended to be run under water; is that correct?

A. It's not unusual to find water in them at some point in time, because the ones outside may get precipitation. I mean, in my career, I have opened up vaults before and they have had three to six inches of water in them. It's not uncommon. They are not designed for that, but it's not out of the ordinary.

Q. Okay. And so in a typical situation, wiring

that's undamaged is not -- I guess, a circuit to ground isn't created when water is -- is in those?

A. No, not always. It also, again, depends on the age of the cable, if it's starting to break down.

Q. Okay. Thank you. And finally, I guess we'll move on to the Dave Johnston Unit 4 outage, which I believe was March 17th, 2017, and this is the instance where an incorrect part was delivered by MD&A; is that correct?

A. That's correct.

Q. How did the company choose to contract with MD&A for this service?

A. It was a competitive bidding process. I mean, we usually qualify the vendors again, and based on their experience and everything in the industry, and then we go out for a competitive tender based on the scope of work. In this case it was a turbine overhaul, and then we see the prices and negotiate terms and then take the best value for the customer.

Q. Okay. I am looking at your response testimony on line 326, and I am going to -- are you -- are you caught up?

A. I'm there.

Q. Okay. And it says, "MD&A determined that the root cause was that MD&A had recently increased the

repair shop capacity for work. However, they had not yet caught up with fully staffing appropriately." Did I read that correctly?

A. Yes.

Q. And you said that you had -- had -- Rocky Mountain Power had verified that it was an appropriate vendor through their process; is that correct?

A. Yes, and we have experience with them before.

Q. Okay. But -- but you didn't know that they had increased their repair shop capacity and not yet caught up on staffing?

A. No. Maybe a better way to say that is, when you take a turbine apart, you don't necessarily know what's -- needs repaired. I mean, in our case we go -- on certain sections of turbine, we go eight years before we tear them apart. And when you tear it apart, you find damage, and then you go to repair shops to try to get that damage fixed within the outage frame.

And most utilities will schedule outages in the spring and the fall, because that's when power prices are the lowest and replacement power costs for the customer is the cheapest. Winter and summer, that's when everybody wants their electricity and the market prices are higher. So you select those times there.

And a lot of times, the amount of repair work

these shops see in those times is kind of like drinking out of a fire hydrant, and then in the middle of the summer, it could be next to nothing. So I mean, it, it kind of depends on who tore things apart across the country and what did they find. So it's very, very hard to determine. We just make sure that we are trying to get a contractor who is capable and competent of doing the work.

Q. Okay. And in this case, they -- they actually installed the wrong part; is that correct?

A. Yes.

Q. It was an impeller from a different generation unit?

A. Yes. What they did is they sent out the impellers for -- to a third party for nondestructive testing, to see if there was cracks in them that you couldn't see visually, so that if you put it back in there and then it was running, it didn't fly apart at you at some other time. And when they came back, there was more than one impeller from the contractor, or from the third party testing company, and they got it switched.

Q. Okay. And so if I -- if I go to your analogy of -- of switching your tires frequently, if you went to the tire repair shop and your -- your car came out and

it had three different wheels on it, you might ask questions, wouldn't you, of whether this repair shop is competent to be doing the work that you hired them to do?

A. I would question the ability, but if I had been doing business with him for 20 years and had very good success, I would ask him to correct it and ask him what they were going to do to make sure it didn't happen.

Q. Okay. Would you ask -- would you ask them to -- in the -- in the car repair instance, to pay for your taxi to go wherever you needed to go while they repair your car?

A. Probably not.

Q. You wouldn't. Okay. And similarly can you not ask MD&A to cover the cost of the energy to cover the outage?

A. We did not ask them to cover the direct cost of the replacement power.

Q. Okay. And it's accurate, I guess, that you are asking that the customers are going to -- asking customers to pay for that?

A. To some -- yes. The other way to think about this, if we would try to get contracts that shifted a hundred percent of the risk to contractors, I know we

would pay a significantly amount more than what we are paying for contracts now. And the frequency rate of failures is extremely small compared to the number of contracts we do. So we would be spending a lot more money for the benefit.

Q. Thank you. I have no further questions. Thank you for your testimony and putting up with my questions today. I appreciate it.

A. No worries.

CHAIRMAN LEVAR: Thank you, Mr. Jetter. Mr. Russell?

MR. RUSSELL: Thank you, Chairman LeVar.

CROSS-EXAMINATION

BY MR. RUSSELL:

Q. I have a few questions, and I'm going to try to follow Mr. Jetter's format a little bit in that he started asking you some questions more generally about the company when it hires subcontractors or third party contractors.

You -- he asked you a question about whether those contracts include replacement power costs in those third party contracts, and you indicated they do not. I'm -- I'm curious about the mechanism. Is it -- do those contracts typically include a waiver of consequential damages? Is that -- is that how those

contracts are set up?

A. I -- I believe so. I mean, the -- the contracts do not specifically say that.

CHAIRMAN LEVAR: I don't think you are getting on the microphone.

THE WITNESS: I'm sorry.

Q. (By Mr. Russell) It's difficult because I am way over here and you have to turn. I'm sorry.

A. I don't believe so. I'd -- I'd have to look at the contract. But the contracts do not have specific language that say, if -- if an event happens, the contractor will be solely responsible for all replacement power cost incurred by the company. It doesn't say anything like that.

Q. In -- in, I guess, does -- does it contain a provision that has the inverse? Does it say that the contractor will not be responsible for certain damages that result if we, the subcontractor, made a mistake?

A. I don't -- I don't recall that.

Q. Okay. All right. Fair enough. Part of the -- the job, I guess, of the company, is to -- is to go out and hire subcontractors that you believe are competent, right?

A. That's correct.

Q. And -- and also to hold contractors

responsible if they make a mistake, yes?

A. Yes.

Q. And as between the company and the customers, the company is in the better position to hold those subcontractors responsible, yes?

A. Yes, I would agree.

Q. Okay. And let's talk a little bit about relationships with third party operators of power plants. We talked about the Craig 2, Craig Unit 2 plant a little bit. And it's Tri-State Generation that operates that unit, yes?

A. That's correct.

Q. And what -- and maybe we can just talk specifically about that one. What recourse does Rocky Mountain Power have in a situation where you believe that Tri-State Generation has operated its plant imprudently and it causes impacts on Rocky Mountain Power's customers?

A. I would have to go back and look at the participation agreement. If they used reasonable utility standards, I don't think we have any recourse. I mean, if it was gross negligence or something to that effect, I believe we might, but I, again, I'd have to go back and look at the participation agreement and ask my attorneys whether they would concur with my opinion or

not.

Q. Fair enough. Do -- do you know whether the standard that -- that Tri-State Generation owes to its co-owners is the same as the standard that Rocky Mountain Power owes to its customers?

MR. MOSCON: Objection as to the legal conclusion. But as far as the understanding of what they expect of their co-owner, I mean, go ahead and answer.

A. Well, I guess I am not sure I understand your question.

Q. (By Mr. Russell) Yeah. I -- I guess -- and the context here, of course, is that the company has come to this commission saying, we -- we have acted prudently, and we would like to recover X costs, and -- and the commission has to determine whether the company has acted prudently.

What I am wondering is, does Tri-State Generation have the same standard to Rocky Mountain Power that Rocky Mountain Power has to its customers? In other words, is it the same prudent standard, or is it some higher standard that -- that Tri-State Generation would have to the company? Or some lower standard, if you know.

I'm -- I'm merely asking whether you know.

A. Tri-State has the responsibility to operate the plant with good utility practice. Okay. I mean, I believe that's the term used, because there's not a standard quoted or anything to that effect.

Q. Okay. Thank you. Let's talk -- I have some follow-up questions about some of the units that we walked through that are -- that are outlined in the Daymark report. Let's talk about the Craig Unit 2 outage, and this is the one with the -- the plugs that were removed and then put back in.

I had -- I had a question, I -- that I guess I don't understand the -- in your testimony you say when those plugs go back in, they are tightened, but torque isn't used. And I guess I don't understand what that means. But -- but they are -- they are not just hand tightened, but what -- how are they -- how are they put back in?

A. Okay. I'll try to figure out the best way to say this. Okay. So when you tighten something up, you are putting a bed frame together on a -- for a house, or for your kids.

CHAIRMAN LEVAR: Just interrupt. Does that microphone move any closer to you? Does it have enough cable to move to the edge so you can look at him?

A. So you are putting a bed frame together, use a

crescent wrench or a Boxit wrench, and you just tighten it down. And when it's tightened up by what you feel, you just kind of move on.

Well, in -- in certain pieces of a high technical equipment like engines and that, they use what they call a torque wrench. And it has amount of tightening to it, and you want to get it tight enough generally so it like crushes a gasket or has a good seal so that when the, the bolt heats up, it grows enough so it doesn't create a leak or anything.

So when torque value is not required, they didn't ever put a torque wrench on it to do it. It was left up to the experience of the millwright, the mechanic doing it, to say, it's tight enough and appropriate.

Q. (By Mr. Russell) Okay. And do you know whether in this particular instance the millwright that was -- that was tightening those bolts, whether anybody checked the work of the person that was doing it?

A. No.

Q. Whether somebody followed behind and said, that bolt's not tight enough or anything?

A. I don't know.

Q. Okay. Your testimony, your response testimony, indicated -- it gave a description of how

these bolts -- bolts are removed and, and tightened. I -- my question is, do you know whether that's how it was done here? Or is this -- or was that testimony -- the basis of that testimony simply your experience as to how those things are done?

A. I, I didn't witness what they did. That's the procedure I have witnessed General Electric do in the past.

Q. Okay. So, so your testimony there described --

A. And that's what the plant operator told us they did too.

Q. Okay. So you conducted some investigation into this instance --

A. Yeah, I was --

Q. -- and -- and this is what the plant operator informed you was the process that took place.

A. Yes.

Q. Okay. Okay. Let's move on to the -- Dave Johnson 3 is the next one. The April 25, Dave Johnson 3 outage, and that is the one -- was this a forced outage?

A. Yes, it was.

Q. Okay. I am not going to be offended if you don't look at me when you answer my questions.

A. Okay.

Q. If it's just easier to face the microphone, that's fine.

A. All right.

Q. This was the one where the -- there was nonconforming material in the boiler tubes, correct?

A. That was correct.

Q. Okay. And I think your testimony indicates this, but I -- I guess I'll ask. Is nonconforming material in the boiler tubes a known cause of a potential outage?

A. Well, nonconforming means it's not exactly what was designed. Okay. Giving an example is, let's just say we didn't have that material when the outage occurred and we put a lower grade, okay, nonconforming material in, but that material has a cycle life. Okay. And if we put it in, we just have to recognize that at some point in time we'll need to address it.

Q. Okay. And in this instance you don't know why this nonconforming material was installed, correct?

A. No. It was 20 plus years ago, and we don't have records for that.

Q. Okay. And in your testimony there is a description. I can point you to the portion of your testimony. I think it's around lines 125 and 126. You describe a period of about 15 years of repairs in which

you -- you include the -- the statement here is that you showed that the standard of like kind materials has and will continue to be used, maximizing plant equipment life. Can you tell me what you meant by that?

A. We have a better tracking system, a computerized tracking system. So what we do is if we had to do something similar to this, we'll log it in that tracking system, and we'll be able to pull it up easily like during overhauls and that and address it. So we went back 15 years and said, had we put in nonconforming material in the last 15 years, and the answer is no.

Q. Okay. So this -- this review only went back -- went back to whether -- whether the company had installed nonconforming materials in the last 15 years?

A. And that's -- the quality of our records degrades significantly after that, because, you know, they were more paper oriented at that time. So it's harder to do searches.

Q. And when was -- when did the company become aware that this particular tube, or portion of tube that failed, used nonconforming material?

A. After we got the metallurgist report after it failed.

Q. So this wasn't something you were aware of

beforehand?

A. No.

Q. And is that something that one would find on a -- during an outage, that there is material in here that isn't the correct spec?

A. Okay. So when you weld these tube materials together, I mean, you will have a piece of pipe, and you will have one -- one over here and a piece over here and weld it together. And after -- let's just say after four or five years, I could lay them on the table there, and you wouldn't be able to tell which material is which.

I mean, it will take a metallurgist going under a, you know, basically looking at the materials through radiation, through that, and try to figure out what the material makeup is. So I can't look at it and tell you whether it's a different material after it's been in service for a while.

Q. And is the -- the -- the type of material used, is that something that could be discovered during an inspection during a planned outage?

A. It would be an extremely difficult task. I mean, now they make a gun that's got a radioactive source in it. You could put it up to material, and it gives you a relative chemistry makeup, you know, one and

a quarter chrome or whatever, so you can kind of figure that out.

But you basically -- it's telling you that little spot. So you would have to do that at every little piece on every boiler tube throughout the whole boiler. I think you would be doing that for many, many years.

Q. Okay. Thank you. Let's move on to -- I think the next one is -- oh, the next one is the September outage of the same year. So I guess we're at four months -- four months later, different boiler tube, right?

A. Correct.

Q. Okay. And this one we -- you talked with Mr. Jetter a little bit about explosive, deslagging, and I -- I appreciate that testimony. I -- I, the only -- I have just a short bit of follow-up. You indicated that in years past the company used a higher velocity detonation cord than it does now.

I'll admit that I have no idea what that means, but it, it sounds as though, based on your testimony, that the company became aware that -- of testing or reports in the industry that using a lower velocity detonation cord may cause less stress to the boiler tubes. Is that correct?

A. That's correct.

Q. And when did -- when did that occur?

A. Pre-2011. I don't know exactly when.

Q. Okay. And why -- why do you say pre-2011?

A. We implemented a new standard in 2011 at the DJ plant, so we know -- we know it was before that. Since 2011, we have been using the lowest velocity det. cord at the DJ plant that's available on the market. So I am sure we made some changes before that. I just don't know whether they were graduated or whether it was a step change or what it was pre-2011.

Q. Okay. So sitting here today, you don't know when the company found out that -- or -- or when the reports became available indicating that a lower velocity detonation cord may cause less stress to -- to boiler tubes, but you know that in 2011, the company implemented a change to use the lowest velocity detonation cord. Do I have that right?

A. That's correct.

Q. Okay. And then let's move on to the Jim Bridger. I am going to skip the Huntington one. Let's move to Jim Bridger 2. This outage was in January of 2017, and this is the one that the -- I guess there was water freezing in a water cooled spacer tubing?

A. That's correct.

Q. And this was in, I take it, an unplanned outage for something else. Yeah?

A. The bottom ash system, the drag chain, had a problem, and the plant had to come off for that, so -- excuse me, people could safely work on the repair. And during that time, it was very cold out, and the -- the boiler, that particular section of line froze up.

Q. Yeah. I mean, you indicated earlier that the company typically would -- would plan an outage for the spring and the fall, and here we are in January, so I -- I thought maybe there was something else happening.

You described with Mr. Jetter a little bit the -- the process that was in place at the time. What I -- what I don't feel like I have a great grasp of is what changed after the January outage when this problem arose. What do you do now that you did not do then?

A. If you go to page 11, starting on line 248, "The heat trace preventive maintenance now instructs the control electrical technician to write a work order to correct any deficiencies found. Capital projects have been established to replace the heat tracing in all four Jim Bridger units, and to mitigate the risk of line freezing, plant personnel have evaluated if there's a positive slope in the horizontal sections of the spacer tube lines, where positive slope didn't exist.

Otherwise, it can self-drain."

So unfortunately, heat tracing has a propensity to fail over time. And then "Plant personnel have modified the boiler shutdown procedures to drain the boiler when the water temperature reaches 180 degrees, rather than waiting for until blasting and deslagging efforts are complete."

And that was -- that was done because if there's water in the tubes, the possibility of damage to the tubes is reduced, because there's water in the tube.

Q. Okay. I -- I thought I understood your previous testimony in responding to Mr. Jetter's questions to be that the void in the process here was that the technician who had checked that line with a piece of equipment was able to indicate that there was current but no voltage?

A. The opposite way.

Q. Oh, sorry, I --

A. There was voltage but no current.

Q. I thought that might -- I thought I might have written it down backwards. There's voltage but no current. And tell me how that led to the problem at issue here.

A. Go to an outlet. You look at an outlet right now, there's 120 volts on it, but it's not doing any

work. When you plug something into it, current flows and it does work, and it needs the current and the voltage to do the work. So if there's no current, there's no work being done, which means there's no heat to keep the line from freezing.

Q. Okay. Thank you. I appreciate that. And is that something that should have been noted by the technician who -- who registered that there was voltage but no current?

A. We didn't tell him he had to. We had told him he had to do this, and we just kind of assumed they would flag it. I mean, it was -- I don't know what to say is, we -- we made the assumption that his knowledge and experience he would flag that, and for some reason, he did not, and then it slipped through the cracks.

Q. Okay. And then the first bullet point that you pointed to me here, starting on line 248, "That the heat trace preventive maintenance now instructs the control and electrical technician to write a work order to correct any deficiencies found during the PM."

Is that -- is that designed to address that specific issue?

A. Yes. We are creating an expectation that if you find something, you need to write the corrective action for that, not rely on somebody else to do it and

assume somebody else is going to catch it.

Q. Okay. Thank you. Let's talk about Jim Bridger Unit 3 for a moment. This is the one where there was -- had apparently been some damage to the wiring, and then when the -- when that wiring conduit flooded, there was a forced outage, correct?

A. That's correct.

Q. Does the company know when the -- the damage to that wiring or the insulation around that wiring occurred?

A. Well, since they are the original cables, it would have been during the construction period of Jim Bridger 3, which is '73, '74-ish, somewhere around there. I don't -- somewhere around there.

Q. Is that the only time that that damage could have occurred?

A. Yeah. The cables were never replaced before then.

Q. Okay. And is there a process in place to go inspect cables that have been in conduit for 40 plus years?

A. There's no really way to do it. I mean, it's kind of like, there's a vault here, and a hundred yards away, there is another vault. And I don't know how you inspect the cable all the way.

What you do is, you can't visually inspect it. What you do is an electrical test, and you basically put a voltage on it. You measure what I would call leakage current, it's open ended, and it tells you how much -- and these are micro amps, and you -- you measure how much current is going through just by dissipating it.

As insulation breaks down, more current will flow, and there's generally accepted standards for equipment, and occasionally you do that, but not very often. I mean, but that's usually a test you do right after you pulled in a cable to make sure you haven't damaged it.

And I am making the assumption that Black and Veach, when they built the plant, they had that as a standard, and -- and allowed that or tested all cable pulls after they were put in to verify that no damage had occurred to the point where it failed the test. But I don't have any records to prove that. That's just general practice in my 37 years.

Q. Okay. Thank you. I don't have any further questions. I appreciate your time today.

CHAIRMAN LEVAR: Okay. Thank you, Mr. Russell. About how much time do you think you need for redirect?

MR. MOSCON: Longer than I thought that I

would. So...

CHAIRMAN LEVAR: Okay. Well, maybe we should take a break, and we'll have a full complement here when we return. Is breaking until about 12:45 good for everyone?

MR. MOSCON: Yeah.

CHAIRMAN LEVAR: Okay. We will be in recess until 12:45. Thank you.

(Lunch recess from 11:33 a.m. to 12:44 p.m.)

CHAIRMAN LEVAR: Okay. We're back on the record, and we're glad to have Commissioner Clark back with us both for today and the next six years. So we'll move on to --

COMMISSIONER CLARK: Sorry.

CHAIRMAN LEVAR: -- redirect Mr. Ralston.

MR. MOSCON: Thank you.

REDIRECT EXAMINATION

BY MR. MOSCON:

Q. Mr. Ralston, before we get into any specifics of any particular outage, I'd like to have you provide some information pertinent to some questions you received from both parties about steps that the company can take, or has taken or could take vis-a-vis its contractors, and are the customers supposed to bear this risk without any protection or -- or what can we do.

Do you recall being asked the question about whether your contracts had a -- a specific provision that would allow the company to recover any net power costs or excess cost due to outages? Do you remember that question?

A. Yes, I do.

Q. And your answer was?

A. That we do not have any provisions that directly allow to us collect.

Q. Okay.

A. Whatever they are.

Q. So are you familiar with the term, if I use it, liquidated damages?

A. Yes, I am.

Q. Does the company from time to time provide liquidated damages in its contracts?

A. Yes, we negotiate liquidated damages, depending on the scope and the time line of the outage.

Q. Okay. And is one of the categories that would trigger a liquidated damage scenario when the contractor returns the -- the project back to the company?

A. Yes. Gen -- generally liquidated damages are either on a -- on a schedule basis.

Q. Okay. And what does that mean, when you say schedule? Explain to me how these get negotiated.

A. Giving a specific example of DJ4.

Q. Okay. DJ4 is, just for everyone's clarification, that's the plant where MD&A sent back the wrong piece of equipment, the wrong impeller. Is that the outage we are talking about?

A. That's correct.

Q. Okay. So using that as an example, did that contract have a liquidated damages provision?

A. Yes, it did.

Q. And what was a triggering event for the liquidated damages?

A. Not returning the unit to the operator, us, at an agreed-upon time in the contract.

Q. Okay. And so did the company go after its contractor and say, "Hey, we are sorry. We know you tried, but with this impeller you did not get the project back in time. Therefore you owe liquidated damages"?

A. Yes. We collected some liquidated damages because they were late.

Q. Okay. And who got that money that came in from the liquidated damages?

A. They were credited to the capital project, so the customer did.

Q. Okay. So the -- and is it your understanding,

did Daymark in their audit and in their conclusion about the amount of money that should be denied for the overage, did they account for the fact that the company did in fact collect liquidated damages, and it applied that to lower the cost of the project?

A. I didn't -- I don't believe it was in their analysis anywhere.

Q. Okay. Now, do all the company's contracts have liquidated damages?

A. No. You pay for liquidated damages.

Q. So give us just generally the types of contracts that would or wouldn't.

A. On an overhaul, if it's a critical path on the overhaul to returning it, we would generally put liquidated damages on that, because if they are late, it will delay the overhaul.

But if -- if I am Joe contractor and I have a week's worth of work and I start at the beginning of the overhaul, it takes me 10 days, and it doesn't really affect the return time, I am not going to put liquidated damages in. Because as a contractor, I will see that in there, and I will jack up my price to cover my risk.

Q. Okay.

A. So we do it on ones that will have a material effect, we believe, on us if they are late.

Q. Okay. And that included, for instance, the Dave Johnston Unit 4 outage?

A. Yes.

Q. Okay. Now, going now more broadly, meaning not just referring to the Dave Johnson Unit 4 outage, you indicated from your summary to your answers to the questions you were asked by various counsel about your belief that shifting all risks to the contractor was going to result in exorbitant costs. Do you remember saying words to this effect?

A. Yes.

Q. And I apologize if you said this, but just to get where we are going, have you ever seen, in your years of experience, a contract of the type that you understand Daymark is suggesting the company needs to enter into with its contractors?

A. No, I have not in -- in this -- in my experience, seen anybody who would be willing to sign up for a hundred percent all the risk.

Q. Okay. Now, my question was about contractors. There's also questions about your -- about Tri-State, who you point out is not a contractor, it's a co-owner. Are you aware of whether or not Tri-State, or if there are participation or operation agreements, is it typical to shift all of the risks to whoever the operator is?

A. In all the ones I have been involved with, both the ones that we are the operator and the ones that we are not the operator, I have never seen one where all the risk is shifted to the operator.

Q. And so there are instances, as I understand it, when the company is in the shoes of -- of Tri-State where the company is the operator but it has different co-owners?

A. Yeah. We have three plants that that's the case.

Q. And in those plants, has the company allowed those other co-owners to say to the company, "Hey, you are the operator. If there is some kind of outage, if there is some kind of, you know, risk, you are holding -- that all goes to you"?

A. No, we have not allowed that.

Q. Would the company enter into such a contract?

A. Absolutely not.

Q. Now, as long as we are talking about the contract, there was a question asked at one point about is the standard different, meaning if the company is entering into contracts to have someone else operate this plant, does that expose customers to greater risk? Is the standard different? Do you remember that --

A. Yeah.

Q. -- questioning? What is your understanding of -- and again, I know you are not a lawyer, so I don't mean, you know, the legal terms. But is your understanding that there is any kind of shift that makes customers more at risk either whether, you know, Tri-State's operating it or the company's operating it?

A. The standard we have with the commission is the same standard Tri-State has with us.

Q. And what is that standard?

A. Reasonable and prudent utility standard.

Q. Okay. So to be clear, you weren't in your answers trying to imply that somehow customers have a -- less protection if Tri-State is operating it compared to the company?

A. No.

Q. Okay. Now, you were asked a series of questions about how the company does stay engaged if it does have another operator rather than itself. You recall those questions?

A. Yes.

Q. Just to give the commission a sense of how involved the company is, because this is your job duties, when was the last time that you visited one of those such plants, or how often does that happen? Can you give just a sense of how the company does stay

engaged?

A. The -- at -- at my level, we usually discuss things at least quarterly unless there's something else going on. Okay. And then the E and O level, they have daily e-mails on status and everything else, but then they meet, is it five or six times a year? I can't remember which the exact number is, for things like long-term planning, budgeting and everything.

But again, if there is an event going on, they will have a call, or we have sent people to the plant to inspect things for ourselves when they said, here is an event that happened and it's going to cost us X to fix. And then we'll send people down there to lay our own eyes on it and see if we concur.

Q. Okay. So when was the last time you were at a third party plant?

A. I was at a third party meeting two weeks ago.

Q. Okay.

A. Actually, four of them two weeks ago.

Q. You were asked questions about contractors and why the company is hiring contractors and why isn't the company just doing this itself, and, again, that may not have been that pointed, but questions going towards that.

Just to help the commission in making its

decision, can you explain generally why does the company hire contractors rather than just having employees to do all of the jobs that need to happen to maintain the plant?

A. So during an overhaul, we will get a whole bunch of work. I don't know how else to say it. We will work 24 hours a day, seven days a week on that five week period. And at any given time, there could be, depending on the scope of work, 400 to 800 people on-site, okay, that we need.

And we don't staff up for that. We staff up for forced outages and day-to-day maintenance, because we are doing these overhauls once every four years. I mean, it doesn't make sense to try to staff up to that level. I mean, give you an example is, relative staffing at the Huntington plant is less than 200 people or around there, and we have had outages where we have had 600 to 700 people on there.

We don't need that except for about six, eight weeks out of every four years. So we are going to hire contractors for labor, and also we're going to hire them for technical expertise. We don't -- we don't claim to be experts on how to tear a turbine apart and put it back together. People, the OEMs and other that have that much more experience than we do.

I mean, and especially as we have stretched outages out, the frequency that you get that experience and knowledge gets stretched out too. So we use contractors because that's the most cost effective way to do it for the customer.

Q. Okay. I'd like to now go through and just touch on several of the specific outages that you were asked questions about, and, of course, the first one that came up was Craig Unit 2. And that's the -- again, just to clarify for everyone, that's the unit where there was at some point a plug backed out and there was a leak?

A. Correct.

Q. Okay. There was a line of questioning about torque. You noted in your testimony, no one put a specific torque level because that wasn't required. Do you remember that when you were questioned about that?

A. Yes.

Q. Wouldn't it be prudent, or would it cost a lot more to go back and put a torque spec in there. Do you remember those questions?

A. Yeah. And that -- that procedure is the General Electric or the OEM's procedure.

Q. Okay. So that you -- you anticipated my question, which is, is that -- is that something that

the company comes up with or the actual manufacturer of the part comes up with?

A. No, the actual manufacturer or the contractor doing the work.

Q. Okay. So it's not that the company didn't come along and say, oh, we didn't bother spec'ing. It was GE itself that didn't have a spec for torquing it called out?

A. Correct.

Q. Okay.

A. Generally when we do contracting work like that, we will scope the -- the -- not how to do the work, but the scope of work we want, you know, disassemble, clean, inspect, repair, that kind of thing. We won't tell them how to necessarily do the work.

Q. Okay. There was, I think, some implied assumptions that this one bolt that came out just probably wasn't tightened all the way. Is there -- is that something that we know? Do we know that the reason that bolt or plug came out is because it wasn't properly tightened?

A. We don't really know. We're surmising.

Q. Is there anything else that you could think of that could possibly cause that plug to fail?

A. If there's a defect in the plug possibly.

Q. Okay. Do we -- okay. Let's -- let's switch now from the Craig unit -- well, actually I want to back up one more thing. I had one more thought on the -- the leak. If this really was just because it wasn't tightened, there was a question about, well, did anybody come behind the tightening and test to see if it was, you know, tightened up. And the answer was, no one came right behind him, but there was a test that was put in place.

A. Yeah, there was a leak test at 48 pounds of pressure --

Q. Okay.

A. -- for 24 hours to prove that the leakage was acceptable for the machine.

Q. Okay. And would that -- would, again, I know you didn't go and test it, but would you assume that if there is a plug that simply hasn't been tightened, someone, when they put them all in by hand and then came back with their wrench, if someone didn't tighten one down, would you assume that a -- that such a plug would be able to withstand a 48 pound of pressure test at 24 hours without any evidence of leaking?

A. If they didn't tighten it down or if it --

Q. Yeah. If it wasn't fully tightened, if someone just like hand threaded it in kind of thing?

A. It's -- it's possible, but it, it kind of depends on, you know, is it just sitting in there? Or if it was tight or -- I mean, if -- it's possible it could have, but at the same time, it probably would have failed the test.

Q. Okay. All right. So let's go to the Dave Johnston, the first outage which was, this is the nonconforming tube, okay. And to clarify, does the company know when the piece of nonconforming tubing was put in place?

A. No, we do not.

Q. Does the company know why nonconforming material was put in place?

A. No, we do not.

Q. If the commission was going to be judging utility standards based on what the utility knew or should have known at the time conduct occurred, can you think of any reason why it could have been prudent to put a nonconforming piece of material in, you know, 20, 30 years ago?

A. As -- as I said is, the two tubes, the one that failed and the one next to it, are just inches apart. This material was the same as the one putting in the nonconforming material. If the nonconforming material was not available and wasn't going to be

available for several days or a week or whatever, because they are so close, I would have made the judgment call to put it in to get the unit back to service.

Q. Okay. And just so we're clear, if -- whether it's 20 years later or even two weeks later, if someone were to look at these two tubes, can you visually see, hey, that's not the same kind of tubing; that's obviously nonconforming material?

A. No. You -- you -- visually you wouldn't be able to tell the difference.

Q. All right. Let's move on to the September Dave Johnson's outage. This is the one with the detonation cord, the tubing that may have -- again, I'll say it may have been damaged by blasting, just so we're talking about the same outage. Okay. You covered this a little bit, but again, very briefly, first of all, why is the company deslagging boilers? What is happening?

A. When you have a failure on a tube and you go in to repair it, a lot of times there will be slag hanging in big chunks. If they are large enough, I effectually call them '64 Buicks, and you don't want people working underneath them.

Q. Okay.

A. Because if they come down and fall, it could

kill them.

Q. Okay.

A. So we go in and deslag it to make the area safe to do the repairs.

Q. Okay. And so it's deslagged for safety reasons. Is that --

A. There -- there are some operational advantages in that, but generally, if it's related to a tube leak, it's because we want to clean the area so it's safe.

Q. Okay.

A. And then if we have them in, we may do some other blasting for performance reasons, like if an area is starting to plug off.

Q. Okay. And the alternative to explosions is manual, and how did that happen? I think you talked about you could do it manually. How -- how would that work if you were manually deslagging?

A. Sledge hammers, picks. You know, you just hit the stuff. You just beat on it.

Q. And just why is that more dangerous to workers?

A. Well, you take the chance of it ricocheting off and get in your eye, or you are in awkward positions because, you know, you are standing on little platforms about this big in between panels. It is just putting

people at risk.

Q. Okay. So one of the assumptions that's made -- well, I guess, IEC says there is a recommendation that you switch to the load detonation cord, right?

A. Yes. And as I said, I believe that was, if we haven't already done it, they were flagging it saying, they are seeing stress damage in these tubes that are original equipment.

Q. And that happened eight -- eight years ago. Is that what you said?

A. When we switched?

Q. When you switched?

A. 2011.

Q. Okay. So seven, six years ago from the incidents in question. So can you surmise anything about, based on the fact that this tubing still was operational for at least five, six years, vis-a-vis how much damage that blasting did or didn't contribute to the leak?

A. Well, I can't tell when the damage was done, whether it was 10 years ago or 20 years ago. It's just residual damage in the tube.

Q. Okay. The point is, I guess, you would agree that it's not like the blasting damaged the tube so it

failed two weeks later, right?

A. No.

Q. Okay.

A. Again, there's two elements on this -- this outage. You have the embrittlement, which happens when you are operating at temperatures over 700 degrees, and it's kind of like, you seen a tire that's weather checked. And you can tell the tire is kind of worn out because you can see all the weather checking on the side of the tire, and you can tell it's on its last days.

Okay. You have to have that and the blasting damage for it to really come up. If you put this on a brand-new tube, it probably would never show up.

Q. Okay.

A. As a failure.

Q. Let's switch to the Huntington 1 outage. This is the one where there was like the welds and there was -- there was a question about, well, wait a minute. Isn't this the fourth time in 11 years? Do you recall that line of questioning?

A. Yes.

Q. So have you calculated that? What is the failure rate of these welds that are at issue?

A. Well, less than 1 percent.

Q. Okay.

A. 4 over 605 I believe it is.

Q. And did I hear you testify that there were 600 of these welds in just in this plant?

A. No, in this section.

Q. So there's even -- there's far more than that in a plant?

A. There -- there can be other places where there are other dissimilar metal welds.

Q. Okay. And you testified that -- someone asked you how much it would cost if you were to go in and do those welds, and you had a number which was?

A. I am estimating if you had to replace all 600 and some, it would be close to $2 million.

Q. Okay.

A. Ish.

Q. And so one of the things I want to get to is kind of how you plan these planned outages, but I guess what I am wanting to understand is, if you have a less than 1 percent failure rate and yet $2 million plus repair bill, the implication has been made to this commission, hey, you should have fixed this. You have had a chance to fix it, why didn't you fix it sooner?

And so I am wondering if you can explain why that didn't come up in any planning for that at this plant previously.

A. Well, the -- the failure rate -- we -- we knew the mechanism was there, and we were monitoring it. But with that failure rate and the cost to replace everything, it, it wouldn't pencil out as a prudent expenditure, because the risk over here was smaller than the capital expenditure of 2 million plus dollars.

Q. Okay. So what -- just so they under -- because we have talked about this so much today, can you at a high level explain to the commission, what does go into planning for an outage?

A. Well, we usually spend at least a year working on it. I mean, actually the -- the next outage starts six weeks after the last one begin -- or ended. We -- we get all the inspection reports that we have. We document them, and we create a scope of work that we know we have to do next time.

But then in between that, other data we get, based on analysis and that, will develop that scope of work. And we'll develop the scope of work, and then we'll start figuring out who is going to do what and what we're going to contract out. We will go out for competitive bidding, and we'll negotiate contracts. We'll award those. We'll schedule things.

The week before the outage is always very entertaining, because you will have hundreds of people

showing up, and you will get them through security and train them on safety protocols for our plant and then get them set up for work.

People will bring in contractor trailers, and it's -- it's kind of like you are building a little city. And then you take the unit off, and everybody kind of goes to work. And then daily -- and you have the schedule set up and now they have nice scheduling tools.

The one we tend to use is called Primavera, and you put all the tasks in there, and you link them all together so that if one task takes longer, you can see the effect and you can try to figure out a way around it.

And you have at least daily meetings to talk about schedule update, safety, a number of other things. And you -- you -- when you tear stuff apart, you find out the condition of it, and sometimes it's worse than you like it to be, and sometimes it's better than you like it to be. Unfortunately, most of the time it's the opposite.

So and then you try to figure out how to get work done on the equipment that you find that needs to be repaired that you aren't expecting to repair.

And then you basically put it all back

together, and you commission it and you start it up, and we do all that in about five weeks. So and then we run it basically continuously except for forced outages for four years.

Q. Mr. Ralston, I'd like to now turn your attention to the Jim Bridger Unit 3. This is the cable pull that was that outage that -- so we are all thinking about the same thing.

A. Yes.

Q. This is probably implied in some answers you gave, but I don't think anyone ever asked you directly, so I will ask it now. Is this cable that's being pulled through, is this something that is visible you can look at and see, hey, that's been damaged?

A. No. There's only little sections that are exposed, and that would be in the manholes, you know, and they are six-by-six.

Q. Okay.

A. Four-by-four or something like that, and the rest of it is buried in a conduit. Kind of be like saying, go inspect your gas line from your gas meter out to the street. I mean, it's buried. You can't see it. So you do a pressure test or something else on the gas line. In this case when the cable's pulled in, they do an electrical test on it generally.

Q. Now, when you said it's six-by-six, is that six feet by six feet or six --

A. Six feet by six feet. It's a little vault.

Q. Okay. When -- I guess the point I want to get to is, prior to the event in question, had this cable ever functionally, operationally or visibly given the -- the company notice that it -- there was a problem? Did it ever not perform?

A. No.

Q. Okay. And so I guess I just want to remove any thought the commission would have of whether the company goes, oh, yeah, we know we have got some damaged cable but we just don't want to bother repairing it?

A. No, we didn't know it was damaged until we pulled it out of the hole.

Q. All right. Okay. I think that covers it. Thank you.

CHAIRMAN LEVAR: Okay. Thank you, Mr. Moscon. Mr. Jetter, any recross?

MR. JETTER: I do have some recross.

RECROSS-EXAMINATION

BY MR. JETTER:

Q. Good afternoon.

A. Sure.

Q. I asked someone to make an exhibit that I am

still waiting on. There's a little bit of new testimony here that I think that needs to be addressed. So I am going to skip around just a little bit until we get that.

Just to address the -- the question of the -- the plug that was installed and had fallen out on the -- on the generation facility, I can't recall which one?

A. Craig 2.

Q. Craig 2. It's -- it's correct that those were removed so that a sealing compound could be pumped through the hole; is that correct?

A. That's correct.

Q. Is that sealing compound important to seal gaps such as a potentially not fully tightened plug?

A. It would have the same effect, yes.

Q. Okay. And so a not fully tightened plug, you would probably expect if that sealing compound were working correctly, would seal that hole?

A. That's potentially depending on how tight the plug was.

Q. Okay. Thank you.

MR. JETTER: May I approach the witness and hand out an exhibit?

CHAIRMAN LEVAR: Yes.

MR. JETTER: I'd like to note that this, I

believe, is a designated confidential exhibit. I don't know if we need to go -- we probably should go into a confidential session if we're going to discuss this.

CHAIRMAN LEVAR: Okay. Are you making that motion?

MR. JETTER: I'll -- I'll make the motion. It's -- it's a little bit of a tricky position because it's not my claimed confidentiality.

CHAIRMAN LEVAR: Oh, sure.

MR. JETTER: But I think it's appropriate, so I'll make the motion.

CHAIRMAN LEVAR: Okay. Is there any objection from any party to closing the hearing to the public while we're discussing this? I am not seeing any objection, so let me just -- we need to -- we have to make a finding, and I'll just see if there's any objection from -- okay.

Pursuant to Utah Code Section 54-3-21, we find that it is in the interest of the public to close the hearing while we are discussing this exhibit. I'll ask those that are in the room to just look at those that are in the audience. I don't know if we have anyone in the audience today who is not privileged, not entitled to access to this material. If anyone sees anyone who isn't, please indicate to me. I recognize most of the

people in the room, one or two that I don't, but it looks like we're in good shape.

I will -- while we're in confidential, I will turn off both the microphone speakers and the hearing loop system. If anyone is relying on the hearing loop system to hear, I am -- I'm going to have it turned off while -- while we do this -- and yeah, I mean, because it's accessible into the hallway. So it might be a little bit harder for you to hear. If you have any difficulty hearing just let the witness know, and we'll do that.

(The following portion was marked confidential and was heard in closed session:)

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(The confidential portion ended, and the public hearing proceeded as follows:)

Q. (By Mr. Jetter) And this is a nonconfidential question, so I am not asking you for the -- the value of this, but in response to what we were discussing earlier, the liquidated damages, did the liquidated damages recovered by the company under that contract, were they equal to, greater or lesser than the value of the replacement energy?

A. Lesser.

Q. Okay. Thank you.

MR. JETTER: I have no further questions.

CHAIRMAN LEVAR: Okay. Mr. Russell, any recross?

MR. RUSSELL: Yeah. Just a couple of questions.

RECROSS-EXAMINATION

BY MR. RUSSELL:

Q. Mr. Ralston, you were asked some questions generally about the company's efforts to mitigate costs to customers in the event that, whether the company or a contractor makes an error somewhere along the way. And

we've -- we've have discussed that in -- in the context of contractual provisions, I guess, you know, has -- has the company ever pursued obtaining an insurance policy against these sorts of -- of potential damages?

A. I haven't been directly involved with that, but I understand it's expensive. I -- I haven't got any benchmark or say how expensive it is. I just know that -- I have been told by when we have asked contractors to do it that it's very pricey.

Q. When you have asked contractors to obtain a insurance policy --

A. Well, like --

Q. -- like a rider to their contract or something?

A. When -- when we have negotiated that, we just kind of go, why don't you get an insurance policy for that if they are so worried about it. And they go back and look at it and said, no, we're not interested. It's too expensive. So again, we have used it as more of a negotiating tool.

Q. Okay. But other than -- other than negotiating with contractors, the company itself hasn't tried to insure itself against --

A. Not to my knowledge.

Q. Okay. And then you were asked a question

about the Dave Johnson 3 outage -- we're talking about the nonconforming materials -- by Mr. Moscon. I, I -- you had indicated that there -- there may be some reasons why you might install the nonconforming material at the time, if that's -- that's the material that you have and if the conforming material wasn't available. Do you recall that?

A. Yes.

Q. In the event that you -- that you installed nonconforming materials for whatever reason, wouldn't you then make sure to make a note of it so that the company in later years would know that there's nonconforming material in there, knowing that it will be difficult to ascertain just by looking at it later on?

A. Generally, we would do that. Again, if this was 30 years ago, it was a completely papered system. And when you go through a merger or two, and then you adopt another system, I don't know what happened to those records.

Q. Yeah. But just, if -- if you -- if you were to do that now, I guess is where I am --

A. We, we would have a note in our database, and we would be able to call that up, planning for the next outage, and -- and identify all the nonconformances, and they would be added to the work load.

Q. So if you knew from the previous outage you had installed some sort of the nonconforming material, and you -- you were -- you were able to plan for it going forward, you might make the decision to replace that nonconforming material with conforming material if that conforming material is available during the next outage?

A. Yes.

Q. Okay.

A. And when I say outage, I mean planned overhaul.

Q. Understood. Understood. Thank you.

MR. RUSSELL: And that's all I have. Thanks.

CHAIRMAN LEVAR: Okay. Thank you. I think we had discussed rerecross.

MR. MOSCON: Sure. And I -- and I guess I can just be very short. Mr. --

CHAIRMAN LEVAR: Do we need to go into confidential, closed hearing for this?

MR. MOSCON: No. I think we can just do it this way.

FURTHER DIRECT EXAMINATION

BY MR. MOSCON:

Q. Mr. Ralston, you were shown a confidential attachment, DPU 1.6-1, and there was some question about

why some -- you know, liquidated damages weren't reported pertaining to the MD&A situation at Naughton Unit 2?

So again, just so we're clear, what was your understanding as to why the one doesn't answer the other's question?

A. 6.1 is for forced outages, and I understood 6.2 was for planned outages. And the question was on -- on reimbursements from forced outages, and we didn't have any unforced outages.

MR. MOSCON: All right. Thank you. No further follow-up.

CHAIRMAN LEVAR: Okay. Thank you. I think I am going to ask a few questions, and then I think my colleagues have some more. It might take me a moment to make notes, I want to make sure I don't just ask things that have already been asked and answered.

EXAMINATION

BY CHAIRMAN LEVAR:

Q. For the Craig 2 outage, we have had a lot of discussion today about this plug, and the pressure test that was performed. I think the only question I had left that hasn't been answered is, as an engineer you discussed the pressure test that was performed and -- and the -- the -- the pressure it was performed at. As

an engineer, is it physically possible to conduct a vibration test for this plug?

A. No.

Q. Is -- is that -- is that just an impossibility?

A. No, you wouldn't be able to do that.

Q. Okay. It seems like what -- it seems like you'd have to -- I -- I started thinking through what might be necessary. That's -- that's what it seemed to me.

A. Yeah. I don't know how you would shake -- shake the thing.

Q. So is there -- is there any way to test for vibrations, impacts other than starting the plant back up?

A. Not to my knowledge.

Q. Okay. And then to clarify, you -- you don't know for a fact that it was vibrations that caused this plug to come out, but that's one of your --

A. No, it's a reasonable deduction.

Q. Okay. The Dave Jonnson Unit 3 April 2017 outage.

A. Yeah.

Q. Not the -- the dis -- not dissimilar, the nonconforming tubing that was installed, do you have any

reason not to -- not to presume that the tube was also nonconforming when it was installed some 20 plus years ago? It was nonconforming at the time of installation; is that correct?

A. Yes. Because of the material it was made out of.

Q. Okay. And is it your presumption that it would have been documented at the time, but that document -- the, the reason for the installation of the nonconforming tube would have been documented, but there's not a way to find that documentation any more?

A. In -- in my experience, from 30 plus years ago, we would have documented it somehow.

Q. Okay.

A. And -- and flagged it.

Q. Okay.

A. Now, again, it would have been a paper system, and it could have been in somebody's file or, you know, there -- there was -- the technology has taken us a long way on being able to manage maintenance. I mean, just look at your car from the 1960s to today.

Q. So would you say it was probably an indexing problem, a document management issue of why we don't have access to that -- to that documentation any more?

A. That's my best guess. I really don't know.

Q. Okay.

A. So I mean, you don't know what was actually done at that time, whether the records were there or -- and whether it got discarded or missed or what.

Q. Okay.

A. You don't really know.

Q. Okay. Thank you.

A. Because it was all a paper system.

Q. Okay. I think that's almost all of my questions. Oh, okay. The Jim Bridger Unit 2 outage, and you may have already answered this, when you discussed, I -- I think you discussed during the preventive maintenance that an inspector discovered there was voltage but no current. Am I -- am I --

A. That's correct.

Q. That is what you said before? So how -- and -- and you indicated that that inspector did not flag the issue properly, but how -- so how do we know that the inspector discovered that?

A. Well, he wrote on the PM form.

Q. Okay. Wrote it on a form?

A. He wrote it on the form that there was a voltage, or he had a 208 voltage and zero current.

Q. Okay. So it was written -- it was noted but not flagged?

A. Yes.

Q. And I -- I think you already answered this. This inspector was -- was a contractor?

A. No, he was one of our employees.

Q. Pacific Power employee. Okay.

A. He was our -- we call them CET, control electrical tech.

Q. Okay. Okay. I think I understand all the rest of the testimony on that. Let's see. No. Okay. For Dave Johnson Unit 4, when you hired -- hired MD&A as the contractor, you had indicated that you have used them a lot, right?

A. Yeah. We have used them several times, and I have a -- I have done business with them for well over 20 years.

Q. What kind of mandatory minimum qualifications do you -- do you establish? Does -- does -- does your history of working with them generally satisfy any -- any mandatory minimum qualifications?

A. No. It's also their work experience. You know, we have never done business with them, but they have been out in the business for 15 years and done 50 jobs. And we will call, ask for references and talk to people, and how well did they work? What was their safety record? You know, were they competent? That

kind of thing. That's how we usually qualify a newer contractor that we don't have a lot of experience with.

Q. Okay. With this particular job, with their work on this control rotor main oil pump impeller, I think I am saying that right, did they miss any deadlines or any miss any delivery dates prior to the discovery of this incorrect part installation?

A. Well, the -- the real delivery date is, we call it gear time, when it's put back together and the oil flush is done and everything else, and it's turned over to operations to restart the plant. There's kind of really only one -- there is -- there is two dates, oil flush, but the real date is when you turn it over to operations, because that's the only thing that really matters.

Q. Okay. And was that deadline satisfied and then the -- and then improper installation was discovered?

A. No, no, no.

Q. This was prior -- this was prior to that?

A. Yeah, they -- they -- they missed that deadline because of the rotor.

Q. Because of the discovery?

A. Yeah.

Q. Okay. And they -- they discovered the part

prior to that deadline?

A. Yeah.

Q. Okay.

A. So yeah. When it came back on-site, when we were doing a reinspection between ourselves and MD&A on-site people, it was discovered that it was the wrong impeller at that time, before it was ever installed in the machine.

CHAIRMAN LEVAR: Okay. I think that's all of my questions. Thank you. Commissioner White?

EXAMINATION

BY COMMISSIONER WHITE:

Q. Good afternoon. The first question, just harking -- and this -- this may be potentially a question better addressed by Mr. Wilding. But I just want to clarify the liquidated damages issue, and I am going to avoid any confidential information if possible here.

But I thought I heard, whether it was you testifying or Mr. Moscon clarifying, the battle, typically those liquidated damages are somehow, goes to the customers benefit. Is that -- is that -- does that go to the net power cost equation? Does that offset an expense of some respect? I am just trying to understand was the capital in --

A. It reduces the capital amount of the project that's capitalized and goes into rates.

Q. Okay.

A. I think Mr. Wilding would be much better to explain all the accounting practices on that.

Q. Yeah. We -- I -- I -- I hate to do this because I am not clear if this is an issue that actually reduces rate base or if it's actually part of the EBA. I am just wondering if it's outside. Is he still sworn in, or is that possible to have him answer from the --

MR. MOSCON: Whatever is pleasing to the commission, we're happy to do.

CHAIRMAN LEVAR: Sure. Do you want to wait until we're finished with Mr. Ralston, or do you want to do that right now? It's up to you.

COMMISSIONER WHITE: Why don't -- why don't we wait -- we'll just -- we'll -- you can doodle on it for a minute.

This is more of a general question. So I have heard you mention, and I -- I -- I don't know if this is a term or art or not, but, you know, this reasonable prudent utility standard, and -- and so if we're looking at actions of the company in comparison to that time decisions were made, what -- what does mean?

Are we to look at -- is there like a general

code, like the NESC? Is there -- is this a, you know, a manual that's provided specific to whatever component you're dealing with? Or what -- what should we actually be looking at, I guess, in terms of that standard? How should we be comparing the actions of the company.

A. Part of the reason that kind of phrase is in there is because there is really no, what I would call written guide book, and you hand it to somebody and say, here is what reasonable prudent utility standard is. It's kind of what has developed in the industry, and you would be compared to other utilities and the other metrics and that. So it's kind of like benchmarking for lack of better term. Okay.

Q. So -- so is there -- is there nothing -- I mean, when -- when you are describing the company's practices, it's based upon your experiences, you know, in the industry of 37 years. There is nothing you can say, well, this is as documented by, you know, Evista in their planned outage of, you know, 1994, or this is how southern company -- there's -- there's nothing like that.

It's just your experience as a plant operator doing overhauls, et cetera, that's -- that's -- I guess, I am just trying to figure out how do we explore that in terms of like -- we're not -- I am not an engineer or a

plant operator, certainly haven't been doing it for 37 years, so I am just wondering what -- how do we test that I guess?

A. It's a good question. On -- on outage data on that, if -- take Evista, for example. I don't have any transparency or access to their data or anything else. The only access I have data to is for plants we own. I mean, if you look at the NERC gas data, it's pretty generic, okay. I mean, from a -- from a public view.

A lot of utilities will share data. Like at our partner plants, we will share information between us and the Tri-State people, through us, Excel people that operate the Hayden plant through us, and -- and the APS people that operate the Cholla plant. So we -- we tend to share information and best practices. It's not necessarily a formalized document.

Okay. A lot of the information sharing is bad things that happen to us, and -- and we share it so that it doesn't have to happen to anybody else. And -- and -- and for us, our SDR process are significant events. The whole purpose was that if something happens at a plant site that it's shared with the other plant sites so we don't have to live through that again if at all possible. So that -- there isn't a real structured way to do it.

Q. Let me ask you this. It sounds like when you are -- when you are doing plant outages, you attempt to schedule those the most economic times; in other words, when power costs are lowest, because you are going to have to replace power.

Do you have any sense of what the typical replacement costs are for a four to six week average plant outage?

A. No. Mike might have a better idea on it. What -- what we do, just so you understand is, we kind of come up with the scope of the time we need and then we kind of say, we need it in this year.

And then we go to our -- our trading people, who have the best knowledge of -- of when prices are going to be what. You know, they forecast them, and say, just tell us when we can have it so that we have that information a year or two out, so we can plan around it and develop contracts and everything else.

So generally, from what I have seen, is April, May tends to be the lowest.

Q. Let me ask you about this concept that you testified to earlier in terms of like, you know, essentially when you are contracting with a counter party, there is always going to be risk -- risk shifting, and somebody is going to pay for it depending

on where that goes on the site, you know, the contract.

And, and I also kind of heard you testify that there is no counter party who will ever -- at least there is not a cost high enough to actually -- to -- to where the risk of replacement power costs are unknown. When you are talking about paying for risks, are there certain components of a plant or certain processes that -- that will drive the allocation of risk one way or another?

In other words, is it something like where if it's a -- you know, you are doing something on the outside of the plant that's, you know, very low probability of a -- of an outage, you're -- you're for sure not to going to pay for risk, but for something like you're doing a very highly technical component of a overhaul, that you are going to be willing to pay for the counter party to -- to own that risk? Does it depend?

A. It depends. It depends on the scope of work. For example, like on a turbine, I mean, when you put those back together, it usually takes a couple of weeks to reassemble them. So you really want to make sure they are done right. Okay. So you tend to try to put more onus on the op -- or on the contractor to do it right, because the consequences of them not doing right

tends to be a bigger deal. Whereas, if it's something that can be fixed in 30 minutes, that has a completely different consequence.

Q. Okay. Let me -- let me go through these. I'll -- I'll try to be consistent with the order that it's been addressed today. On -- on the -- on the Craig Unit 2, I think you testified earlier that GE did -- did not have a spec in terms of, I guess, the -- the torque. Do they now?

A. I don't know that.

Q. You don't know. Has the company independently adopted a standard beyond that?

A. No. We -- we don't do that work.

Q. Okay.

A. We are just not staffed up to do that.

Q. And I think you -- I think you answered this from Chair Levar's question, this -- this -- there's no way of knowing from your perspective whether this was a -- a -- a issue of -- of the torque or lack thereof, or it could have been something different beyond that?

A. No. If I would have walked up to it, I doubt if I had been able to even tell any difference between any of the plugs.

Q. On the -- on the DJ 3 outage with the -- I don't know if we're calling it the dissimilar or

nonconforming?

A. The nonconforming.

Q. Nonconforming welds. Is there any way of knowing whether or not there was a different standard at the time? In other words, what was the spec? Were you aware of a spec, and was this consistent with the spec the way it was performed?

A. I'm -- I'm not aware of it. General practice has always been like kind replacement.

Q. Does -- does the company keep records of the original specs for a plant and --

A. Yeah. We have -- we have design drawings that say, here is what the material is and that. And that's when we put it in our database so we know what to look for.

Q. And was -- was this consistent with the spec, the original spec for the way the plant was built?

A. I am not --

Q. Meaning -- meaning the nonconforming tube. I mean, that -- that's -- the company agrees that this was nonconforming with the way the plant was intended to be designed and built?

A. Yes.

Q. Okay.

A. That's why it's nonconforming.

Q. Yeah. But -- but -- but -- but it's -- but the company believes -- or the company is -- let me go back on this one.

This is a paperwork one, right? Pacific -- Pacific Power had the paperwork?

A. I -- I believe so. I can't prove anything. But that's the most logical answer. I mean, you don't know when it was put in. You don't know why it was put in. You don't know the -- the -- the specifics of the outage because it was over 20 years ago, and we don't have the documents for that.

Q. Did -- did Utah Power when they built their plants keep those types of records?

A. I -- if we went back 40 years ago, I don't know if we would be able to have that information either. I doubt it. Because again, when everything was in file cabinets and that, at some point in time people just, after you find a 30-year-old document, you probably don't keep it, because it's probably not relevant any more.

Q. Is -- is that typically considered, you know -- you know, utility standards to -- to -- in terms of recordkeeping, is there a standard that the company now adheres to or --

A. I think we have a records retention policy,

but I don't remember exactly what it is. I would have to look it up. We do keep a lot of information, but it's not everything.

To give you an example is, when this happened, if it would have happened to me and it had been 95 degrees out and power prices were really high and I didn't have the material, I would have put that other material in in half a heartbeat to get the plant on so that it weren't -- we weren't having to buy expensive power off the market. Okay. That -- that's -- that's triage at that time.

Why it didn't get switched out at some period of time, I can't answer that because I don't have any details and facts. I can just guess.

Q. Okay. In terms of the deslagging practice on -- on -- on DJ 3, I just want to make sure I understood your earlier testimony. But help me understand that the logic or the thinking at the time in terms of like, was -- was this a decision that the company made that was based upon safety practices?

In other words, that the, the -- that the one -- one way is potentially better for the, the wear and tear of the plant, but one way is -- is safer and the company chose the safer route? Did I misunderstand that?

A. Well, part of it, it -- it was developed in the entire industry. I mean, we're not the only utility that uses explosive blasting. There's companies that go out all over the country and do this.

It became a practice for mainly two reasons. One is safety, but the other thing is, it was much faster, so you get the unit back on, you know, and -- and have less outage time. If you do it manually, it takes a long time.

Q. So -- so would I be incorrect in saying that the -- that the decision at the time to switch to this new method was based upon a combination of, I guess, opportunity cost or -- or -- and safety?

A. Safety, yes.

Q. Okay. And that was done at the time that -- remind me again the year that was done?

A. Well, we -- we switched to the lowest velocity in 2011, but we were doing this long before then. And I'm -- I'm saying explosive blasting has probably been a practice for 20, 30 years at least.

Q. And let me move on to Huntington, Huntington 1. Similar question, I guess, help -- help me understand. I think you have already through bits and pieces of different questions, testified to this, but you know, put me -- put me in your decision making mode

of the decision when you knew that there were issues with this type of weld, to not just again -- I think what you said is that it was an economic decision based upon -- walk me through that again.

A. Okay. So if I -- if I -- if I have one or two failures, and I have a general idea that I -- to -- to -- I know at some point in time I am going to have to replace all these, but I want to try to get the maximum value out of them and not just cut them out prematurely.

And if -- if I put it into a model on replacement power costs, and I made an assumption that I would have one or two, three breaks a year and that, I am not sure it would pay for itself. So, I mean, we then generally when we do capital projects, run them through some type of model that says, if you don't to it, here is the problem, and if you do do it, here it is.

And then it runs it through a model and say, does it pay off or not? And four leaks in 11 years and $2 million is not going to pay off very well.

Q. Okay. Jim Bridger 2. Is -- we have had a lot of talk about this. This employee, I guess -- let me ask you this. Her function of what -- whatever she did, he or she did, in performing this, which was to document, I guess, but not to report up, was that

industry standard? Or was that something that was -- was inconsistent with what was good utility practice?

A. I can't really comment on that. I would say it was not a best practice. I -- I was -- I had not been that happy with that employee.

Q. Is it safe to say that having a procedure that prescriptive was probably not that necessary; it was more of just that the employee was missing a common sense element?

A. Yeah, that -- that's fair. I mean, I don't know if he thought somebody else was going to catch it, whether -- I mean, we have kind of a saying is, if you see it, you own it. Okay. And -- and that's what we have to drive is, not thinking somebody else is going to address the problem for you.

Q. I'll try to speed up a little bit. On -- on -- on -- on Jim Bridger 3, this was the cable pull issue. I think I heard you earlier say that it was, you know, it's -- there were -- it is true that there would be no way of knowing about this damage?

A. Physically?

Q. Physically.

A. I mean, the only way you could do it is do an electrical test on the cable, and if it passed the electrical test, you drive on.

Q. Yeah. What is the -- is there industry standard or a best practices for during plant construction to -- I mean, you know, and tell me if -- if -- you feel free to include your assumptions or in terms of cost benefit analysis, what is the typical practice of when you are building a plant of, I guess, checking and double-checking things of this nature?

A. Normally they pull the cables in, clear everybody out of the way, and then they -- they megger or Hipot --

THE REPORTER: I'm sorry, sir. Would you say that again?

A. Megger or Hipot. They're -- they're -- they're just tools that you can use, and what you do is you put -- it's like have you a wire here, and it's open-ended at both ends. You put a potential on the one and it energizes the whole wire, and then you measure the leakage current. How much is going to ground when you crank the voltage up and down?

And there's acceptable standards for cables. 15 KV has a different standard than 5 KV and everything. And -- and if it passes, that's about all you can do. And -- and generally every place I have been involved in when they have installed cables like that, they do that test prior to turning it over and terminating it, you

know, connecting it up to the equipment.

Q. (By Commissioner White) So we should assume that that test was performed prior to --

A. Right. But we wouldn't have the records, because my guess is, the contractor who built that, the Black and Veatch, they probably had the records and they probably said they passed. And then when the plant was built, they probably just got rid of them because they turned the plant over to us.

Q. And from an engineering perspective, there is still no way of knowing -- even though the company knew that the cable had been damaged, there's no way of knowing that the ultimate causation was as a result of the damage or just wear and tear?

A. Well, we -- we didn't know the cable was damaged --

Q. Yeah.

A. -- until we pulled it out. Okay. And we didn't send the cable in and said ultimately, why did this fail? Was it an age-related thing or an age and damage? I would be willing to bet real money that they would have said that it was a combination of the two, because it's too difficult to tell one over the other.

COMMISSIONER WHITE: That's all I have got, questions. I appreciate it. I don't know if

Mr. Wilding wants to respond to that question about how the liquidated damages are --

MR. WILDING: Okay. Do you mind asking the question just one more time?

COMMISSIONER WHITE: Yeah. Yeah. The question was, I think I heard at some point, whether it was a comment made by Mr. Moscon or testimony by Mr. Ralston, that liquidated damages are somehow flowed back to the customers.

And I guess my question is, is how is that accomplished? Is that something that's, you know, reduced in terms of, you know, capital expenses in terms of the plant? Does it somehow flow through EBA? I am just trying to learn where that money goes and is it a pertinent to this proceeding or where -- where -- where is that money.

MR. WILDING: Okay. Yes, the -- so I'll step back. Per -- and -- and explain on -- or how we account for those liquidated damages. So per U.S. GAP or generally accepted accounting principles, that -- those liquidated damages from a vendor or contractor are an offset to the project that they are associated with.

So in this instance, it was a capital addition to the plant, and so that capital -- those capital costs were reduced by the liquidated damages. And so it would

be a reduction in rate basing our assets and also in depreciation expense because you are depreciating less.

COMMISSIONER WHITE: So it's ultimately a reduction of the return off and on, right?

MR. WILDING: Yes. Yes. And -- and they are not booked in net power costs, so they are not in this proceeding.

COMMISSIONER WHITE: Thank you. That's all the questions I have. Thank you.

CHAIRMAN LEVAR: Commissioner Clark?

COMMISSIONER CLARK: Thank you. I apologize, I have been rustling a lot of papers up here because I am trying to eliminate questions that would be redundant. I appreciate all the efforts of my colleagues on the commission and also counsel today for efforts to illuminate the issues in front of us.

EXAMINATION

BY COMMISSIONER CLARK:

Q. So I am going to just step back through a couple of these to fine tune my own understanding.

Regarding the plug, and so we're talking about Craig Unit 2, are you telling us that GE did not have a standard, or you don't know whether GE had a standard for how the plug should be tightened? Because I understand it was within GE's control, right?

A. Their procedures said basically said retighten the plug. Okay. And you have a craftsman there, a millwright, and he tightens the plug up to what he thinks is appropriate based on his training and experience.

Q. Okay.

A. They don't -- they don't have a specific torque setting and use a torque wrench to do that.

Q. Yeah, that I -- that I, I, I understood. But I wondered whether there was any other kind of instruction and whether you were aware of it.

A. Not that I am aware of.

Q. Thank you. And have you had -- or has the company had any experience with a plug issue of this type before this one?

A. Not vibrating out. I know we have -- I have experienced in the process of putting that material in, it can be challenging at times. Okay. But not like this failure rate.

Q. So would those be issues with the sealing that was supposed to be accomplished, as opposed to -- things that you discovered during the pressure test?

A. Well, no, more of pumping the material in.

Q. Oh, sure.

A. It's -- it sounds easy, but sometimes it's a

little challenging.

Q. But nothing where a plug was --

A. No.

Q. -- suddenly not there when it was supposed to be there?

A. No.

Q. Okay. So this is first instance?

A. Yeah, I am afraid so.

Q. And the -- so now, the -- the Dave Johnson Unit 3 of April 25th. The tubing that was installed could not be visually distinguished from the spec tubing, I think you said, and so I am wondering how -- what process led to us understanding that a different tube was used?

A. When -- we have a standard kind of process when we have a tube failure, and if it's not intuitively obvious why, we cut that failure out. And we send it to a metallurgist and say, dissect this thing and tell us everything about this tube, because we want to understand our failure mode so we can figure out if we can prevent them somehow.

So when this tube failed, we cut it out and sent it to them, and he looked at the metallurgy of it and said, well, you are supposed to have this in it, and you have this in it.

Q. And would that have been IEC, or is that different?

A. Yeah. IEC is the metallurgist.

Q. Okay. So now relative to Dave Johnston Unit 3 on September 19th, did IEC rec -- ever recommend to you to use manual deslagging to avoid --

A. No. The --

Q. -- the -- the issues that -- that the deslagging process, if it's aggressive can create?

A. No. They -- the statement in there was, use -- the lowest velocity detonation cord should be used.

Q. Commissioner White asked you some questions about industry standards, and, you know, we have intense interest in understanding what they are and how they would apply to the questions in front of us. It's a challenging thing to ascertain them apparently, or at least to identify a, a, a standard industry practice.

Relative to dissimilar metal welds, and so I guess this will be in the context of Huntington Unit 1, I think that you have said that you -- that was a known potential problem area --

A. That's correct.

Q. -- right? And so just to try to get a little better understanding of how industry practices are developed and how you become aware of them and -- was --

was that knowledge from experience exclusively within the PacifiCorp system, or -- or were there -- was GE sending out like a note -- notices -- almost like recall notices or other kinds of notifications that -- that would have made you aware of this part -- particular vulnerability in your plant?

A. There's an organization called EPRI, Electric Power Research Institute, and it's kind of funded by utilities and that. And they do a bunch of research. And they have developed volumes on tube materials, tube failures. To some degree, it's kind of the bible of -- of tube failures and that.

And as -- as utilities had problems, they would share this information and also give it to EPRI, and EPRI would publish stuff. And it was kind of through -- what do I want to call them? Trade meetings or -- or meetings or through EPRI and that, that that information came out.

Manufacturers didn't really come out with that on dissimilar metal welds. It was the industry was starting to see failures and was sharing the information, and then kind of EPRI put it all together in books.

Q. Thank you. Now, regarding Jim Bridger Unit 2, when would the -- this was -- is it right to think of

this as a preventative maintenance test that was performed?

A. Yes.

Q. When would it have been performed in relation to the work that was being done at that location on -- in the --

A. I believe the PM test was done either September or October, somewhere around there. We start on them near the end of the summer in that, we have several -- several of these to do so it takes quite a while. So -- but I think this one was actually done in the October time frame. And you try to do them in the -- the early fall so that you can determine if you have a problem.

Q. And -- and obviously before the winter season?

A. Yep.

Q. And the heat is needed?

A. Is needed.

Q. Right. So what's the company's procedure for reviewing the report of the preventive maintenance? I think you said that it was identified on the report that -- that there was no current but there was voltage so, I am thinking -- I am wondering if that wasn't significant apparently to the person doing the inspection.

But I -- I presume that person's work is reviewed by supervisors, other management people, that there's some process for that to happen, and -- and that other people overlooked the significance of that report as well?

A. And I can't tell you if the specific report was reviewed or not. It specifically stated that not only will the technician, if he finds a problem, write it, but also that a supervisor or planner will review the report -- the report for adequacy too.

Q. So --

A. I mean, it's just clarifying expectations.

Q. So prior to this incident, there wasn't an expectation that anyone would review the findings of the inspector?

A. I believe it was an unwritten expectation. You know, I mean, it's just, this is part of your job.

Q. "Your" would be who in that sentence?

A. As in the supervisors, the planners, the maintenance department.

Q. Thank you. That concludes my questions. Thank you very much.

A. Okay.

CHAIRMAN LEVAR: Okay. Thank you for your testimony today, Mr. Ralston. I think it's probably a

good time to take a short break. Do you have anything further from Rocky Mountain Power when we come back from break?

MS. HOGLE: Possibly.

CHAIRMAN LEVAR: Okay. Why don't we take 15 minutes and we'll come back at 2:25.

(Recess from 2:08 p.m. to 2:24 p.m.)

CHAIRMAN LEVAR: Okay. I think we're ready to go back on the record. Anything further from Rocky Mountain Power?

MR. MOSCON: Nothing further. Thank you.

CHAIRMAN LEVAR: Okay. Thank you.

Mr. Jetter?

MR. JETTER: Thank you, Mr. Chair. The division would like to call and have sworn in division's first witness, Dave Thompson.

CHAIRMAN LEVAR: Good afternoon, Mr. Thompson. Do you swear to tell the truth?

THE WITNESS: I do.

CHAIRMAN LEVAR: Thank you.

DAVID T. THOMPSON,

was called as a witness, and having been first duly sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. JETTER:

Q. Mr. Thompson, would you please state your name and occupation for the record.

A. My name is David T. Thompson. I am a utility consultant for the division of public utility.

Q. Thank you. And in the course of your employment with the division, did you have the opportunity to review the EBA application materials filed by the company?

A. I did.

Q. And did you create and cause to be filed with the commission prefiled direct testimony dated November 15th, 2018?

A. Yes.

Q. And that was filed along with eight exhibits, 1.1 through 1.8?

A. The testimony was 1.1, and 1.2 through 1.8 the other exhibits.

Q. Thank you. Do you have any corrections or changes you would like to make to that prefiled direct testimony?

A. I don't.

Q. If you were asked the same questions that are in that testimony today, would your answers remain the same?

A. They would.

MR. JETTER: I'd like to move to enter the direct testimony along with Exhibits through 1.8, all of the exhibits to that testimony into the record.

CHAIRMAN LEVAR: Okay. Thank you. If any party objects to that motion, indicate to me. I am not seeing any objection, so it's granted.

Q. (By Mr. Jetter) Have you prepared a brief summary of your testimony?

A. I have.

Q. Please go ahead.

A. Good afternoon, Commissioners. Thank you for the opportunity to address the current status of the -- on the reported adjustments and recommendations from the division and its consultant, Daymark Energy Advisors. I will also be introducing division's witness from Daymark in conjunction with this hearing.

The division recommends the commission allow the company to recover in its energy balance account an amount of approximately $1.8 million for the calendar year 2017. This is $912,007 less than the recovery amount originally requested by the company, and consists of an error adjustment of $25,742 and an outage adjustment of $886,265.

In its review of electrical natural gas transactions, Daymark discovered a policy and procedure

finding. Daymark recommended appropriate policy changes to remedy this finding. In response testimony, the company accepted the division's error correction.

The company also agreed in response testimony with the Daymark proposed policy changes. In its response testimony, the company stated that it will work with the DPU and Daymark to adopt energy risk management policy language similar to what Daymark proposed in its audit report.

In its audit report, the division's consultants, Daymark, made an adjustment for outages. Daymark recommended this allowing replacement power costs resulting from seven outages. These outages demonstrate a sufficient imprudence that EBA costs should be reduced by the amount of replacement power cost related to the outages. Utah allocated amount for this adjustment is $840,267. This adjustment impacted interest computations in the amount of $45,998. The total adjustment is $886,265, after the interest adjustment.

The company in its response testimony -- excuse me, in surrebuttal testimony to Daymark's audit report and rebuttal testimony, did not agree that the replacement power for plant outages should be disallowed. The division's witness from Daymark,

Mr. Phil DiDomenico, will testify to Daymark's EBA review, and specifically to Daymark's outage adjustments and why replacement power for the seven outages should be disallowed. And that concludes my summary.

MR. JETTER: Thank you. I have no further questions, and Mr. Thompson is available for cross or questions from the commission.

CHAIRMAN LEVAR: Okay. Thank you. Mr. Russell, do you have any questions for Mr. Thompson?

MR. RUSSELL: I don't. Thank you.

CHAIRMAN LEVAR: Okay. Thank you. Mr. Moscon, Ms. Hogle?

MR. MOSCON: No questions.

CHAIRMAN LEVAR: Okay. Commissioner White?

COMMISSIONER WHITE: No questions. Thank you.

CHAIRMAN LEVAR: Commissioner Clark?

COMMISSIONER CLARK: No questions. Thank you, Mr. Thompson.

CHAIRMAN LEVAR: And none from me. Thank you for your testimony today.

MR. MOSCON: The division would like to next call and have sworn in Phil DiDomenico.

CHAIRMAN LEVAR: Good afternoon, Mr. DiDomenico. Do you swear to tell the truth?

THE WITNESS: I do.

CHAIRMAN LEVAR: Thank you.

PHILIP DIDOMENICO,

was called as a witness, and having been first duly sworn to tell the truth, testified as follows:

DIRECT EXAMINATION

BY MR. JETTER:

Q. Mr. DiDomenico, would you please start by stating your name, and maybe let's have you spell your last name so you get it correct on the record, and your occupation.

A. Certainly. It's DiDomenico. It's capital D-I, capital D-O-M-E-N-I-C-O.

Q. Thank you. And what is your occupation?

A. I am a management consultant for Daymark Energy Advisors.

Q. And were you retained to review certain transactions and essentially an audit in this case?

A. I was.

Q. And did you create, in the course of your employment and -- and consultant contract with the division, create and cause to be filed with the commission direct and rebuttal testimony, direct testimony filed November 15th, 2018, along with rebuttal testimony filed January 10th, 2019?

A. I did.

Q. And in both of those testimonies, it identified two witnesses, which is yourself and Dan Koehler; is that correct?

A. Dan Koehler, yes.

Q. Koehler, excuse me. And do you intend to adopt both of those testimonies today in full?

A. I do.

Q. If you are asked the same questions in both the direct and rebuttal testimonies that were filed, would your answers remain the same?

A. With one correction.

Q. Okay. And please go ahead.

A. Looking at my direct testimony, of myself and Dan, page 8 if I would, under findings and recommendations, starting with line 89, what I would drop is the sentence that appears after outages. I would replace, "that appeared to be avoidable and resulted in unnecessary increases to the company-wide NPC," replace that with the phrase, "for further investigation," period.

Q. Thank you. And do you have any other corrections or changes you would like to make?

A. I do not.

Q. Okay.

MR. MOSCON: I'm sorry. Can I have you -- I

was slow here.

THE WITNESS: Sure.

MR. MOSCON: Line 93, will you just tell me again what I am crossing out where?

THE WITNESS: It was line 89.

MR. MOSCON: Sorry, 89.

THE WITNESS: We are crossing out the words that start after the word outages.

MR. MOSCON: Got it.

THE WITNESS: Crossing out basically to the end of that sentence on the next line, and replacing that with simply, for further investigation.

By way of clarification, those 29 outages were selected because of their duration, not because of any particular concern over their impact.

MR. JETTER: With that I'd like to move for the introduction of -- or entry of the direct and rebuttal testimony I have identified earlier, along with all of the attached exhibits to both of those, which was direct through 2.3 and, I believe there was no exhibits attached in addition to the testimony on the rebuttal testimony.

CHAIRMAN LEVAR: Okay. If anyone objects to that motion, please let me know. I am not seeing any objection, so the motion is granted.

MR. JETTER: Thank you.

Q. (By Mr. Jetter) And have you prepared a brief statement summarizing your testimony?

A. I have.

Q. Please go ahead.

A. Okay. Daymark was retained by the division to review the application of Rocky Mountain Power regarding adjustment of electric rates. The company had filed a request on March 15th, 2018 to recover 2.8 --

Q. Mr. DiDomenico, I am going to interrupt just very briefly. If you wouldn't mind reading just a little bit slower for our court reporter.

A. I'm sorry. Too fast for you. It's Italian heritage.

Okay. Daymark was retained by the division to review the application of Rocky Mountain Power regarding adjustment of electric rates. The company had filed a request on March 15th, 2018, to recover 2.8 million for excess energy balancing account associated costs incurred throughout the 12 month deferral period from January 1st, 2017, through December 31st, 2017.

Daymark's role was to determine whether the actual costs featured in the calendar year 2017 EBA filing were incurred in accordance with an in place policy or plan, were prudent and were in the public

interest.

Our review included four main assignments, as established in consultation with the division. First, evaluate a sample of electric and natural gas transaction for accuracy, completeness and prudence. Second, we reviewed particular issues pertaining to key drivers of EBA costs, specifically deviations in the actual wholesale sales revenue and purchased power expense in relation to levels forecasted for the general rate case and established in base NBC.

Third, we reviewed the impact of PacifiCorp's third full calendar year of participation in the California ISO, energy imbalance market. Lastly, we reviewed and evaluated actual plant outages to ensure that these outages and the cost impacts on the EBA charge were appropriate.

Transactions. Relative to transactions our findings were as follows. PacifiCorp settled tens of thousands of natural gas financial, natural gas physical and electric power physical transactions in 2017. We assembled and analyzed a sample of 46 representative transactions and accounting entry groupings. After reviewing these transactions, we did not find or -- we did not suggest, excuse me, any adjustments to the calendar year 2017 EBA costs for the evaluated

transactions.

However, our review of a particular transaction revealed a deficiency in PacifiCorp's policies and practices pertaining to monitoring and reporting potential breaches in individual trader limits.

The company has taken some corrective steps to address this issue since becoming aware of it, but we recommend that the company formally adopt governance control requirements in their risk management policy -- energy risk management policy. The company has indicated in response testimony that it is amenable to working with the division to adopt such changes.

Regarding the EBA cost drivers, we found that the deviations in actual wholesale sales revenue and purchased power expense were generally explainable by market condition changes between the base NPC forecasts for the 2014, '15 test period, and actual conditions during the 2017 deferral period, as well as changes in long-term contracts in effect for the respective periods.

Regarding the California ISO, energy imbalance market, our findings regarding -- regarding our high level review of PacifiCorp's participation in the -- in the ISO EMI, we found no reason to challenge the ISO or

the company's methodology for estimating benefits from participating in the real-time imbalance trading through the EIN, nor do we have reason to believe that the estimates substantially overstate the benefits.

Regarding outages, our review of generator outages at the company's thermal plants during the EBA period, deferral period, identified 25 significant outages; that is, outages that are forced outages or planned outage extensions of greater than 72 hours in duration.

Of these 29 outages, seven outages demonstrated sufficient imprudence that we recommend reducing EBA costs to reflect replacement power costs related to the outages. The total reduction in company-wide NPC for these outages was 1,954,826. The Utah allocated EBA deferral adjustment related to imprudent outage replacement power costs is 840,267.

The quantification replacement power costs is not in dispute. The company has agreed with our methodology for estimating the additional net power costs that are incurred as a result of specific plant outages.

The company submitted response testimony of Mr. Dana Ralston to address the seven generation plant outages we identified as demonstrating sufficient

imprudence to warrant EBA cost adjustment. Mr. Ralston's response testimony disputed our claims that the company acted imprudently in regard to those seven outages, and therefore, no adjustment to the EBA amounts was needed. We disagree with Mr. Ralston's arguments and we stand by our original recommendation.

Mr. Ralston asserted that the Craig Unit 2 outage was the result of GE's subcontractor's failure to correctly tighten specific plugs and not the lack of established procedures and practices.

Though the company's partner GE admitted fault, the company should still be held accountable since they are responsible for ensuring risk mitigation measures are established and followed by their partners. Additionally, the company should work with their third party operators to use similar outage-related documentation procedures as utilized by PacifiCorp.

Regarding the April 2017 outage at Dave Johnson Unit 3, the company believes that the use of improper tubing that contributed to the outage was an anomaly that was still -- was still provided over 20 years of acceptable service. In our opinion, the use of incorrect tubing material is a procedural failure that necessitates an adjustment to the company-wide EBA costs for the replacement power costs. The length of time

before failure is secondary to the issue of prudence.

The September 2017 outage occurring at Dave Johnson Unit 3 was caused by tube failures associated with the reheat super heater. Although the company's metallurgical expert recommended modifying blasting practice after analyzing the failures, the company maintains that the failures could not be attributed to any particular explosive deslagging result.

Since the company's metallurgical experts have repeatedly identified the company's blasting practices related to deslagging as a contributing factor to tube failure, we believe the company acted imprudently by not modifying its deslagging practices.

The Huntington Unit 1 outage was due to a reheater tube leak located at a dissimilar metal weld. The company argues that due to the number of welds in the outlet of the reheater, the cost to evaluate each weld would significantly outweigh the benefits. We believe that the company's lack of attention to such a well known industry issue is indefensible and therefore imprudent.

An outage at Jim Bridger Unit 2 caused by the failure of heat tracing equipment was a result of gap in testing procedures established by the company. Even though the company argues that it acted prudently, since

it had testing procedures already in place, we assert that the company acted imprudently since it should have known the heat tracing equipment was inoperable.

Regarding the Jim Bridger Unit 3 outage, the failure of cables leading to the outage was due to age and damage received during the cable's initial cable pull in the seventies. The company argues that the cables have functioned successfully over 40 years they have -- that they have been in place, without any indications of damage.

We believe that the cable damage due to incorrect installation practices during the initial installation warrants disallowance. The length of time before failure is secondary to the use -- to the issue of prudency.

The Dave Johnson Unit 4 extended outage was the result of the wrong impeller of -- of a wrong impeller being installed during a planned outage resulting in an outage extension. The error was the admitted fault of a contractor who accepted work that it wasn't properly staffed to complete.

It is incumbent upon the company to ensure that the contractors it chooses to work with follow prudent practices. We therefore believe the company should be held responsible for the imprudent actions of

the contractor.

Lastly, Mr. Ralston's response and surrebuttal testimony assert that our recommendations assume a unrealistic standard of perfection based on 20/20 hindsight and not a standard of prudence applied to these outages. We disagree.

Many outages are avoidable with perfect hindsight, and many outages are caused by human error. We do not argue for a disallowance for all such outages. We are arguing for adjustment of only a handful of cases when the action or inaction at the root cause of the outage was clearly imprudent based on the information known or knowable at the time.

The company argues that it cannot be held liable for imprudent actions taken by third party operators or subcontractors so long as the underlying contract was reasonable. We disagree. As an owner or co-owner, a company is responsible for the performance of that asset and cannot absolve itself of that responsibility simply because it has desig -- delegated the operation or repair of that asset to another entity.

Certainly, as between the company and its rate payers, the company is in a much better position to influence the operation of plants where it is not the operator. If a company operated in a regulatory system

without the EBA, the company would likely not recover any of the power replacement costs related to a forced outage. Thank you.

MR. JETTER: Thank you for that review of your testimony. I have no further questions, and Mr. DiDomenico is available for cross and questions from the commission.

CHAIRMAN LEVAR: Thank you. Mr. Russell, do you have any questions?

MR. RUSSELL: I do. Thank you.

CROSS-EXAMINATION

BY MR. RUSSELL:

Q. Mr. DiDomenico, you mentioned that you reviewed -- you narrowed it down to 29 outages, and as I understand your summary, that -- that you narrowed it down to 29 based on the length of those 29 rather than on any particular actions taken by the company during those 29 outages. Is that correct?

A. That's correct.

Q. Okay. And ultimately you flag seven outages, the seven that we have been discussing at length today. Can you tell me what it was about those seven, and I -- I -- I know that there are differences among those seven, but at a high level, can you tell me what it was about those seven that you -- you thought required a

different result than the other 22?

A. Well, fundamentally, in looking at the available information -- and I do need to underscore the available information, because again, in this instance where we are 100 percent dependent on the information provided by the company, we did not provide any independent review. This is not our review. We are reviewing information that was provided to us.

Just with that context, with that in mind, the information that we were provided basically just led us from a reasonable perspective, would a reasonable utility have operated in a different manner? It kind of flagged us from that perspective, and that's what drew our attention to those seven outages.

Q. Okay. And there's been a lot of talk today and in the prefiled testimony about the -- the cost to mitigate or to prevent the type of replacement power costs, or the mistake that -- that occurred or -- or that was identified.

In your review of the 29 that ultimately led to the seven, did you -- did you consider the costs to prevent the issue that led to the outage as part of your review?

A. Not explicitly, no.

Q. Okay. And is that in your view a relevant

issue to -- to consider in determining whether the company acted prudently?

A. Ultimately, certainly the cost of whatever mitigation practices is a factor, certainly.

Q. And just, I think we probably all understand this, but -- and tell me the reason why the cost to mitigate the issue or cost to prevent the issue is a relevant factor?

A. Well, I think as in any business decision from an asset management perspective, you are juggling a lot of priorities, and in terms of making decisions about which priority to address first, you tend to go with -- not tend to go, but you go with the ones that have a higher cost benefit expectation. That along with risk -- and the risk associated with them are major factors associated with any decision.

Q. And perhaps I'll -- I'll put it in a slightly different way. If the -- if the cost to solve the problem is greater than the cost to just let the problem be a problem, you just let the problem be a problem, don't you?

A. To a degree. The problem what we have here is that this is a very dynamic situation, that the cost and the benefit is very fluid. Now, it depends on changing market conditions. It depends on a lot of things, but

at the end of the day you need to make a judgment call as to what the priorities are.

Q. Okay. What I'd like to do now is very briefly walk through each of the seven outages and ask you just a couple of questions about each. And we'll start with the Craig Unit 2 outage, which is -- is the one related to the 50 bolts and the one that may have come loose when the -- when the plant was started back up.

Can you explain to me what it is that in Daymark's view was imprudent about this particular outage?

A. Fundamentally, I ask myself the question, is it prudent to assemble a unit when you haven't followed the procedures properly? When you read the information on this event, it speaks to, potentially, the unit that the bolt wasn't tightened properly.

And I say potentially because one of the problems is that on that event, Tri-State fundamentally didn't do a root cause analysis, nor is it their practice to do a root cause analysis.

The information that we have received is essentially three e-mails. We have three e-mails where they say, good news, we figured out that a plug fell out. That's the extent of the information that we have on that outage. So I look at that, and I am saying,

this -- this doesn't sound right, something wrong with this. We need to dig further. But the fact of the matter is, they didn't dig further. So we don't know what actually caused the event.

But I do know this, when you talk -- when you're dealing with the hydrogen cooling system of a major generator, we are not -- this is a significant element in the system. You don't do it casually, right? Hydrogen leaks are taken very serious by the industry, as I am sure the company is taking it very seriously.

So as you are going through the procedures that say tighten whatever and fill in silicone, whatever you are trying to do, I am virtually certain, although I don't -- I haven't seen the procedure, because it hasn't been provided, but I am virtually certain that it mandates a very specific manner in which you need to do your job.

In this case bolts don't fall out for no reason. They fall out because somebody didn't do what they needed to do. It's a summation. I don't have facts to support that, but all I know is that the bolt was not there, and that -- and that is a cause for concern.

Q. And I guess one of the issues that -- that I think the commission may have to grapple with here is,

if the bolt did come out, and in your view if it came out and somebody did something wrong, if it -- if the -- the somebody that did something wrong is with a mill worker hired by General Electric who in turn was hired by Tri-State Generation, who is the operator of this plant, but is not the company here asking for, you know, a specific rate treatment, how -- how does the commission address all of that?

A. I think it starts with the accountability of the company to its third party vendors. I agree that it's very expensive to get that kind of coverage, replacement power coverage. Replacement power is the hot potato that nobody wants, because it's open-ended. It's an undefined liability. Nobody wants to cover that. And -- and we get that, we understand that.

But if you look at the chain in terms of who was involved, the company is in the best pos -- position of everyone to be able to manage that risk, understand that risk and provide for that risk. So from our perspective, it's incumbent upon them to make sure that their third party, whoever they are working with, are following prudent practices.

Q. Okay. And -- and how would -- how should the company have managed the risk in this -- in this case in your view?

A. Well, you know, unfortunately in this -- in this case, to do a proper root cause investigation would require you being on-site and interviewing the principals involved.

Right now, the information I have available to me doesn't really allow me to make any specific recommendations, other than a general recommendation that greater oversight needs to be provided. That's not terribly helpful, but it -- but it requires more intervention, more active involvement in what's going on.

Q. And how do we know how much that active involvement might cost?

A. The only way you know is by asking for it when you are working with your various vendors.

Q. Okay. In -- in a --

A. And it's very situational. It would depend on the specific event and who you're dealing with. It's not -- it's not something that you can just pull out and say, every time we do this it's going to cost whatever. It varies significantly.

As a general statement, sure, it's going to cost you money, but I don't know what -- I don't know how you ignore the fact that it's problematic, because the only one that shares replacement cost responsibility

right now is ultimately the customer.

Q. Right. And -- and I guess the -- the customer would also bear some responsibility for the cost to prevent that replacement power cost, right?

A. Certainly.

Q. Yeah. And -- and I guess the question that I have is, how does the commission address these issues when it's -- when it's trying to figure out, well, there's this cost to prevent these risks, and, you know, somebody is going to have to pay for that cost, and almost always we end up in the same place.

Had -- had -- I am formulating a poorly question here, or poorly formulating a question here. But there's -- there's this balance between the cost and the risk, and I am wondering how the commission should handle that.

A. I think it's -- it's a difficult question. I think it's very situational. I think some sort of a shared savings or shared cost approach is probably the most appropriate. But it's very situational. It's -- it's not something that we can sit here and just say, on a blanket policy, this is how we should approach that. I think that would be very difficult.

Q. Okay. Thank you. I'm -- I'm going to walk through the other six, but the -- the -- the list of

questions will be a little bit shorter, because I think some of the principles that we just discussed can apply as well.

Looking at the Dave Johnson Unit 3, the April 25 outage, and this was the one that we -- we spent a little bit of time talking about the nonconforming material in boiler tube, right? So if you could, tell me quickly what you understand -- or what -- what facts you understand to be the -- the imprudent or to constitute the imprudent action by the utility here.

A. Well, fundamentally the imprudent action is installing nonconforming material, not keeping an accurate record, and not going back and replacing it when the time was appropriate.

There is nothing wrong -- I am agreeing with the company witness when he says that in a pinch you do what you need to do to bring the unit on line. That's standard practice. I am not going to disagree with that. But not being able to have proper records so that you can go back and then correct that situation before it turns into an outage situation is where the problem lies.

Q. And if we were to talk about the cost to potentially mitigate that, I suppose what you'd say is that you mitigate it by having proper -- by having

proper recordkeeping procedures; is that right?

A. Exactly.

Q. Okay. Moving on to the September outage at Dave Johnson Unit 3, this is the outage related to the boiler tube failure that, I guess, the metallurgical reports point to the explosive deslagging efforts. Tell me what you -- what you understand to be the facts that constitute the imprudent action here.

A. The problem I have as -- as an outside third-party consultant trying to evaluate what I am seeing, I am dealing with the information that I have in front of me. And the picture that I am seeing is that I have a metallurgist who is admittedly an expert in their field, someone that the company relies upon, and I see them repeatedly making recommendations about changing the company's blasting practices.

And on the other hand, I -- I hear the company telling me, well, they did that and they did it back in 2011, and that whatever they are reporting isn't necessarily pertinent to the current situation.

In my own experience, the partnership between the metallurgist and the company is not a very distant relationship. I find it hard to believe that the metallurgist that the company uses on a regular basis, and has been using for years, is not aware of the

company's current blasting practices.

That -- that just brings questions into my mind. Why is that? So I'm -- I'm left with a dilemma. I have two stories. Which one do I believe? I am not sure.

I have heard a little bit more information today that would tend to lean towards the company's position, but again, I don't know why the metallurgist would continue to make the same recommendation over and over again, when it's not pertinent to the issue at hand.

Q. Okay. Thank you. Let's move on to Huntington Unit 1. As I understand it, the issue there leading to the outage was the issue of dissimilar welds, correct?

A. Yes.

Q. Okay. And with -- again, with this one, tell me what facts you understand to be the issue that -- that leads to the -- your conclusion that there was imprudent action by the utility.

A. Sure. Dissimilar metal welds, DMWs, is not a new issue. I think we heard testimony to that effect. It's been around for a long time. I mean, at least the mid eighties, if not sooner than that, it was identified as a -- as a cause of outages.

And not only a cause, it's not a matter of if

there's going to be an outage. It's just a matter of when, because they are going to fail. It's a problem. It's a problem that was discovered with the help of EPRI and others, and there are utilities that went -- went ahead and removed them before they failed, rather than waiting for failures in my experience.

However, in this particular scenario we have been talking a great deal, about, well, three outages, you know, less than 1 percent. You are not going to go out and spend $2 million in mitigation. I understand that.

My problem or my concern rests in the fact that, follow the timeline with me for a minute. Known problem since the mid eighties. The unit's been in service since whenever, and they know that the reheater has lots of dissimilar metal welds, 600 I think was the number that was said. They know this. I mean, that's the way it was built.

The first outage doesn't occur until 2000 -- I am going to get one of these years wrong, 2008 I believe or seven, I can't remember which. After that happens, no action is taken. So a second outage occurs, no action is taken. A third outage occurs, no outage is taken. We get to the fourth outage, and all of a sudden, the difference between three outages and four

outages launches the company to an action plan to address the problem.

Now, we have heard a lot about, well, three is an insignificant number. Four is -- well, the difference between three and four is the same percentage as far as I am concerned. I think the company realizes that this is a problem and they need to address it, and it has nothing to do with how many outage events occur.

You know this is a problem. It's just a ticking time bomb waiting to keep happening, and as I think there was reference to the hockey stick effect, where all of a sudden you've got to just start accelerating rapidly, absolutely, it's a very real risk. It's very prevalent in our industry.

So my problem is not so much that they didn't jump to replacing everything and spend $2 million. My problem is that they waited until a fourth outage, I am trying to think the number of years after the first outage, and 9 or 10 years after the first outage, before they took steps to determine the extent of the problem. Right.

We heard a lot about how testing this would be a problem with -- got too expensive to do 600 welds whatever. After the fourth outage, they proceeded immediately to doing that testing. And in 2018, I

guess, I am surmising that they identified a significant enough problem to warrant a full replacement at the next available major overall, 2022.

My point here is that this could have been done sooner, exposing the customers to less outage and replacement power risk.

Q. Okay. I think that actually addresses my follow-up questions with respect to that one, although I do have -- do have one other. And I am looking at the, I think it's Exhibit 2.3 that was attached to your responsive testimony.

A. It's the report. Is that our report?

Q. It is, yeah. It's the -- the confidential report. I don't know what information in this is confidential, if it's the figures or if it's the descriptions.

A. I am not a hundred percent sure either. Jason?

MR. JETTER: It's probably a mix.

MR. RUSSELL: Okay.

MR. JETTER: Is there something specific?

MR. RUSSELL: With each of -- with each -- with each of the outages that are discussed, there is a repair cost identified, as well as a cost associated with the replacement power. And I am just wondering

whether any of that is confidential. I don't even need to use the number.

MS. HOGLE: Confidential.

Q. (By Mr. Russell) Okay. All right. Do you have that report in front of you?

A. I do.

Q. Okay. Maybe we can do this without -- I'm -- I am not going -- I'm not going to identify any of the numbers. Do you see the -- the next to last paragraph of --

A. Excuse me. Page reference please.

Q. Yeah. Sorry. Page 26, it's the Huntington Unit 1 outage, the discussion there.

A. Yes.

Q. Okay. The next to last paragraph of that discussion identifies the repair costs, and maybe I am just misunderstanding what repairs were done, but can you -- can you tell me what repairs were done that adds up to this number that I am not going to say?

A. No. These repair costs were provided by the company.

Q. Yeah.

A. So I don't know -- I don't know exactly what repairs took place. That's simply the costs of bringing -- bringing the unit back to service from the

outage. Not including, you know, replacement power, anything like that.

Q. Yeah. And I know we have been throwing around this $2 million number to replace the dissimilar welds, and that's not this number?

A. It is not.

Q. Okay. Do you know -- you don't know what -- what is included with this number here?

A. No.

Q. Okay. All right. Fair enough. Let's move on to Jim Bridger Unit 2, which is the next one in your -- in the report. And this is the -- the one that we have spent a fair bit of time talking about with the water freezing and the water spacer tubing. Can you tell me, what was -- what was the -- what was the imprudent action by the -- by the company here?

A. Well, fundamentally, when you are talking about a system that is explicitly designed to prevent freezing, not functioning at a time when you need it, and the reason given is that there was quote, unquote, a gap in the procedures, that just doesn't ring true -- not true, but it doesn't make sense to me in the context of my experience.

I could see gaps in procedures if this was a new system or a new unit. This is a unit that's been in

operation for, you know, decades. By now any bugs or shake-down associated learnings, if you will, should have been covered. And I think we heard earlier that this was simply a problem where a technician didn't do his job properly. I don't know how else to say it.

Q. And -- and in your view, is it, what -- what would be the cost of mitigating against that? If there --

A. Very little. I mean, that's nothing more than the direction that this is what you need to do. You need to report things of this nature. It's -- it's somewhat, you know, it's puzzling that -- that an individual with that title, that -- that -- namely the technician that we're talking about, wouldn't have taken that next step to make sure people were aware of it. When I say people, upper -- his manager or other folks in the management chain.

Q. Okay. Thank you. Let's move on to Jim Bridger Unit 3, and this is the one where we have discussed a fair bit with the electrical wiring that was underground, but because of a -- of a water pump that tripped off, water got into the -- the conduit with the that -- that the electrical wiring was in.

And there's been some discussion about when this wiring may have been damaged. Why don't you tell

me what -- what you view as the imprudent action here?

A. Well, fundamentally, is it prudent to damage a cable upon installation? Here the record shows that the cable, along with age, was a mitigating -- was one of the causes of what went -- what happened -- excuse me.

And you know, we have heard a lot about, well, the cable was in operation for 40 years, and while that may be true, and we also heard about testing that was done upon its initial installation. What we didn't hear anything about is how often this cable is tested. Is it tested on an annual basis? Semiannual basis? During major overhaul, or was it set it and forget it?

I have -- I've heard no discussion about it. So the idea that this installation wasn't degrading that whole time, I am not sure there's any information on the record to prove that that wasn't the case.

Q. So focusing on the length of time here, in your view, and I -- I think you say this in the report or in your testimony, that it's not important how long this -- this wiring was in place. It's, how did it get damaged?

A. Right.

Q. And I guess, I have -- if the company since that time didn't know about the damage, I mean, if -- if it was installed, and even the people who installed it

didn't know about the damage, and in the 40 years since there's been no indication that there is some damage here, is it -- can, can -- do -- was it imprudent for the company not to conduct an inspection? Or is your sole focus on the fact that it was damaged when it was installed?

A. Well, it's two elements. It's -- it's the damage upon installation, along with, I don't see any record of any testing that occurred after the initial installation. So -- so there's, other than the fact that it was operational, there's no way to determine the condition of the cable if it's not being tested on a regular basis.

Q. And I guess, if the issue is, if -- if even the people who installed this cable wouldn't have known about the damage, and we're going to hold the company responsible for that damage, would it be -- would it be imprudent for the company -- wouldn't it be prudent then for the company to -- to bear the costs of -- of conducting inspections that would -- that would reveal those types -- that type of damage?

A. If you are asking me whether I think it's prudent of a company to do testing on -- on this cable on a regular basis to determine its condition, is that what you are asking?

Q. Well, I guess what I am asking is the -- the -- the standard that we seem to be imposing on the company here is that there was damage -- we're all assuming there was damage upon installation here, but -- and maybe the company didn't know about it.

But if that's the case, I guess what I am worried about is a world in which we say, under those circumstances, the company bears the risk. And then the company responds by saying, okay, we're going to go examine and inspect every last square inch, every last cable of all of our plants, at enormous costs, because we don't want to have to bear those costs going forward. And the rate payers ultimately having to pay for that type of a mitigation procedure.

And -- and so I guess what I am wondering is, if we, you know, there's something of a ying and yang here. If we impose that sort of a standard on the company, are -- are we -- shouldn't we worry about the cost that the -- the rate payers will ultimately be asked to bear in response to that?

A. I can't answer your question directly, but what -- what I can say is that it merits attention. It merits a review of good practices in the industry and a change in practices to -- to align with those. I don't believe it is prudent to put a cable in the ground and

never touch it again for 40 years. I don't think -- I don't think that's a good -- that's a good idea on any level.

So now the question is, how often should it be tested. Again, without doing more research and understanding the exact situation, I can't give you an answer as to what is right. But you are right, carte blanche, no, you are not going to want everything tested every year, no. You're not trying to gold plate what's going on by no means.

But we are trying to reach reasonable level. Right now, no tests, installation with no testing, if that's true, and I don't know that that's even the case, but I -- I have seen nothing on the record that tells me that this isn't. So I am kind of left up in the air.

Q. Okay. Thank you. Let's move on to Dave -- Dave Johnson Unit 4. I think this is the last one. Excuse me. And this is the --

A. Excuse me.

Q. -- the -- the issue where we had a planned outage that ended up getting extended because the company's contractor, MD&A, had installed the wrong part in an impeller.

And I think we have talked about this enough, but -- but I think it would be useful because we've done

it with all the other ones to have you tell me what you think the -- the imprudent action here was.

A. Well, fundamentally, the company gave work to a firm that wasn't staffed to do the work properly. Not only wasn't it staffed, but it didn't have the QC controls in place to recognize fundamental errors. I mean, we are talking about a component that was shipped with the wrong impeller, and the -- and the MD&A admitting that they -- that they didn't have the proper quality control checks to make sure that that didn't happen. I mean, that's puzzling.

You know, I agree that MD&A, as the company says, they are not a fly by night type of outfit or anything like that. But by the same token, they took work that they weren't prepared to do, by their own admission, and they didn't have the proper procedures in place to make sure that the wrong component didn't go out the door.

At the end of the day, we heard a little bit about liquidated damages, and that was the first time I heard about liquidated damages associated with that event. And that's fine, that's a good thing, but it's still not the total exposure. The rest of the exposure is covered by the customers in replacement power cost.

Q. If it had been the company that performed this

work in the way MD&A had performed it, how does that change the analysis or does it in your view?

A. I don't think it changes it.

Q. Because it's MD&A, we -- we have spent a fair bit of time talking about ways that the company could have mitigated those losses, or -- or -- or planned against those losses as opposed to just eating the costs, I suppose. I don't know.

A. Sure.

Q. But -- but I think that raises an interesting question of, when the company hires outside contractors to perform certain work, does that insulate the company in a way from the negative effects of somebody making a mistake along the way?

A. I mean, that's the compelling concern, that if you take this to the extreme, then the company could simply outsource everything it does, and it's not responsible for anything.

Q. And we have, as I mentioned, spent a fair bit of time talking about the company's efforts or what -- what the company could have done or did do to mitigate the -- the potential risks here. I am interested in your views about consequential damages provisions or -- or provisions that waive consequential damages.

I think the company has indicated that -- that

including a provision that would allow the company to go after a contractor for, you know, replacement power costs in the event of -- of -- of a mistake would -- would be prohibitive. I am interested in your views about that.

A. I would agree that it's very costly. I mean, nobody wants the burden of replacement power costs, which is all the more reason to put greater focus on the company's responsibility in its oversight of any third-party vendor, be it through whatever contractual means possible.

Whether it's LDs, whether it's consequences, what -- whatever it might be, the company needs to do everything possible to make sure that the customer is getting the value they are expecting from their third party contractor or third party operator owner.

MR. RUSSELL: Okay. I think that's all the questions I have. Thank you for your time.

CHAIRMAN LEVAR: Okay. Thank you. Rocky Mountain Power, any questions for this witness?

MR. MOSCON: Yes.

CROSS-EXAMINATION

BY MR. MOSCON:

Q. Good afternoon, Mr. DiDomenico.

A. Good afternoon.

Q. I'll be honest that I don't relish taking you through what I count would be the sixth trip through all of these seven outages by my calculation that this group would have listened to today.

A. Lucky seven.

Q. So I -- I think I might have to go off script a little bit, just for all of our sakes. But before I begin, I want to -- I want to just touch a little bit on your background and your -- your frame of reference. If I understand correctly, you have been working as a consultant for 22 years now. Is that right?

A. That's about right. 22, 23.

Q. You haven't worked for a utility company since 1997; is that right?

A. Sounds about right.

Q. So when we are talking today about what is standard practice and how utilities do this or do that, any change since 1997 at least is something that you would have just kind of learned academically, for lack of a better word, rather than something where you can say, yes, I was there when we made that change in 2011?

A. Well, certainly just research is part of it, but you are neglecting the fact that in my career as a consultant, I have been essentially an advisor to those very same electric utility customers from an advisory

strategic perspective, whether it's in the care and feeding of their equipment, asset management related responsibilities, organizational responsibilities, reliability related questions.

I deal with clients, mainly utility clients, not as much with commissions, relative to issues related to performance and capital investment.

Q. And sure, and that's, I guess, what I mean about academically. You have been there. You have seen it. You have studied it. You haven't been working at a utility since the mid nineties; is that right?

A. True enough.

Q. All right. There's -- there's one area, and -- and I may just be -- just to make the point, belabor our very first outage that we have probably heard the most about, because again, it kind of makes a point that stays consistent with the other outages.

A. Sure.

Q. And just because I already have it open because Mr. Russell turned us to it, I am going to ask you, and any that care to follow, to turn to page 24 in your confidential report. It was attached to your first filed testimony.

A. 24, yes.

Q. Page 24. That's where the -- what you refer

to as avoidable outages begin, right?

A. Correct.

Q. Okay. Now, when you were answering some questions of Mr. Russell, I -- I wrote something down, and I -- I tried to write exactly what you were saying. But I could have missed a word or two, but it, it really struck me about something.

You -- you recall when you were asked, is cost something that you took into consideration? And I heard -- understood you to essentially say, not really. I just looked at should this have happened or that have happened. I wasn't considering costs, right?

A. That's correct.

Q. But you also agreed that a utility in the real world, when it needs to make decisions, has to balance cost with risk. Is that correct?

A. I would agree.

Q. And so the recommendations that you have made about prudence, of course, are not necessarily the same that a company would make, because while you are saying, I made these determinations without considering costs, of course, this utility or any utility must consider cost, correct?

A. Correct.

Q. You are not a lawyer, I understand. Are you

familiar with a phrase, strict liability?

A. Just generally.

Q. The thing that I wrote down is, when we were talking about the Craig Unit 2, this is, of course, is the famous bolt that came out, near -- near the end you had a statement. And you wrote -- or I tried to write what you said. The bolt wasn't there. I don't know why, so the company should be responsible.

I mean, you were summarizing a lot. Obviously, you had more to it than that.

A. Yeah, it went a little it deeper than that, but yes.

Q. You understand that. And to me as a lawyer, that is the essence of strict liability, which is, I don't know whether there's negligence or not, but something happened. I have to pick someone to blame, so I am going to hold the company responsible. And that's the point that I'd like to explore a little bit with our questions, okay?

A. But I don't think that's a fair characterization, but okay. Go ahead.

Q. But those -- I mean, in this case, you don't know, like we don't know, no one -- you don't know why the bolt came out, correct? Or the plug, I shouldn't say the bolt.

A. You're right. But do I have -- can I clarify?

Q. Sure.

A. The company's fundamental position is that there were procedures in place that were followed.

Q. Uh-huh, yes.

A. Right. That's on the record. I maintain that if there are procedures in place, and the bolt -- the bolt falls out, somebody didn't do their job right, right? There's a -- there's a problem there. That's not strict liability. That's somebody not following procedure. There is no procedure that says, loosely put in this bolt and hope it stays in there.

Q. So the logical conclusion is, if something goes wrong, anything goes wrong in a plant anywhere, somebody didn't do their job because bolts or cables or lines or things, things don't just happen, right?

A. Most of the time that is correct.

Q. And again, to me, I am saying, strict liability. Something goes wrong, I am going to surmise somebody must have done something wrong. I don't know what, but somebody must have done something wrong?

A. In this case -- I'm -- I'm not sure I am following your -- your line of thinking 100 percent. I get the gist of what you are saying, but I am not trying to imply that no matter what happens it's somebody's

fault.

What I am saying is, in this situation there were procedures in place that weren't followed. If you -- if you have procedures in place that -- that someone doesn't follow, that's a problem.

Q. Okay. Well, let's actually go through the procedures and see which ones weren't followed. Okay. For -- for Craig Unit 2, you agree with me, don't you, that the seal, the -- the whatever we call it, the silicone.

A. Silicone.

Q. That was put in place, right?

A. Yes.

Q. That procedure was followed, right?

A. You know, that's the problem with this particular outage, as I have already mentioned. There was no detailed, at least nothing that was provided to us, in terms of detailed root cause analysis as to what actually happened.

I'm -- I'm -- I'm dealing with a void of information, and I'm -- I'm picking up bits and pieces from testimony here today. But by and large, just my general background in -- in being in this industry, GE is not working on a generator without procedures for the proper installation of these bolts, right? These plugs,

excuse me. So I am surmising that. I have no evidence to that effect.

Q. I want to follow through then. Am I correct then that for this Craig Unit 2, I -- I thought you said earlier, procedures and policies were in place and they weren't followed. I now kind of understand you to say --

A. That's what the company told me.

Q. Yes. But are you able, as you sit here today, to articulate, here is the procedure that wasn't followed?

A. No.

Q. Okay. In fact, we know that the bolt got put back in, right?

A. Yes.

Q. We know that it got tightened to some -- the bolt, the plug, we know it got tightened to some degree, right?

A. Logically.

Q. We know that there was not just an assumption that they were put in, because we know that there was actually a test to make sure that this thing sealed up, right?

A. Yes.

Q. We know it was pressurized to 48 psi, right?

A. Yes.

Q. And maintained pressure for 24 hours, right?

A. Correct.

Q. And then someone went to see, is it leaking, right, and it was not leaking, right?

A. Yeah. I think it was within 24 hours it started leaking.

Q. Well, we know --

A. The second 24 hours.

Q. Okay. We know that for the test it didn't leak, there was no leaking at the pressurization test, right?

A. Correct.

Q. Okay. So we know that it was put on. It was tightened. There was a visual inspection. There was beyond a visual inspection. There was a pressurization inspection, followed by a visual inspection of looking for leaks, and all of those things passed, right?

A. I don't know that we know there was a visual inspection.

Q. How else would they determine whether it was leaking?

A. From the pressure test perspective. At the time of the test, yes, they did a pressure test, I agree.

Q. Okay.

A. But you are talking about at the onset before they put it back together again. Are you saying that someone looked at it to make sure that everything was the way it was supposed to be before it was reassembled?

Q. I know I am also surmising that when they pressurized it to see if it was leaking, someone walked up to it and said, I am looking at the plugs, and are they leaking, yes or no, right?

A. Yes.

Q. Okay.

A. The answer is yes.

Q. So we know that some eyes were put on this thing, right?

A. On the equipment.

Q. Yes.

A. I don't know about the plugs themselves.

Q. And so what I am saying is, you cannot, as you sit here, point to a point in that timeline and say, right there is where the utility, Rocky Mountain Power, messed up, right?

A. Agreed.

Q. Just for sake of time and brevity and because we have been through this a little bit, I am going to combine the Dave Johnston Unit 3 April and September

outages. I know they are different outages, but we have kind of been through this a little bit before.

One thing that you have said today on the stand is that one of your recommendations for a disallowance is because the company had been repeatedly warned by its metallurgist and ignored that, and I'd like to draw your attention to, if you are looking at page 25, the third from the bottom paragraph that begins "The repeat nature." Do you see that?

A. The -- the second paragraph.

Q. Well, I guess depending if you call the duration of this outage as a paragraph.

A. Okay. The repeat nature, I got it.

Q. Right. Okay. So will you just -- in fact I don't think there's anything in that paragraph that's confidential. I'll ask anybody to speak up if there is, but I was just going to ask you to just read that paragraph for us, the repeat nature.

A. "The repeat nature of the outage event combined with the company's lack of attention to modifying its deslagging practices, despite being forewarned that such practices were a precipitating cause of failures, is unacceptable, avoidable and a cause of disallowance recommendation."

Q. Okay. And the warning that you are referring

to that you quote actually up in the true second paragraph of this page is the IEC's June 16th, 2017, metallurgical report; is that correct?

A. Yes.

Q. Okay. So when you say that the company was ignoring the forewarning that it received from its metallurgist, you were mistaken, are you not, because Mr. Ralston has indicated that in fact they had already done what the metallurgist recommended in 2017, six years prior in 2011?

A. The only point I would make is that this report was produced before that information was available.

Q. This report. Oh, you mean your report --

A. Correct.

Q. -- we are looking at. Oh, what you are saying is the reason you wrote what we just read is because you didn't know that the company had already done that back in 2011?

A. Not in the supplemental -- this was supplemental information that was provided.

Q. Okay. I understand. So you would agree with me that the rationale that you put here in your report is incorrect?

A. It's -- it's incorrect if you take on face

value the testimony that Mr. Ralston gave.

Q. Okay. And not just what you have written here, but the times that you have said today here sitting in that chair about how the company was repeatedly warned by its metallurgist and didn't comply, that was also incorrect, wasn't it?

A. Yes. Based on the most recent testimony, it's true. But again, I want to -- I want to make sure we understand each other. I don't understand why the metallurgist in 2017 keeps harping on the company changing its practices that the company has said they changed back before 2011.

Q. So your recommendation to this commission is that they charge the company a lot of money because you don't understand why a metallurgist said that in his report in 2017?

A. I think you are trivializing what I am trying to say. It is very confusing to see that a metallurgist that is a partner in this with the company, for some reason has no idea what the company's blasting practices are.

Q. Is this a possibility, and I -- and I realize 00 because I don't want it to seem like I am trivializing. I realize I am going to ask you a question that neither you or I know the answer to.

Is it possible that simply a metallurgist, like a lot of hired professionals getting a piece of metal has almost a boilerplate report that kind of like sticks in a paragraph that says, I see this, it could be this. By the way if you are not doing it already, you should go to this route?

A. You know, I -- I hate is-it-possible questions, because I think pretty much anything is possible. But I would say this, that in my experience working with metallurgists, and I have in my career, it's not -- if -- if that's the way it's working, then you need to change the way the partnership is working.

There's no point in sending out and paying good money to have a metallurgist give you generic solutions to problems that you are not going to pay any attention to.

Q. As you sit here with your years of experience that you have described, you've provided no information in your report that using detonation cord to deslag to protect for the safety of workers is outside of industry standard, correct?

A. No, not -- not at all. It is industry standard.

Q. All right. Let's jump forward then to the Huntington 1, which is the May 3rd thing I've combined.

We did Greg 2, Dave Johnston 3, the two outages. The next one is the Huntington unit. In your report it's on page 26.

A. Yes.

Q. Again, there was a line of questioning about, by Mr. Russell about the cost associated, and when you would do this, and when you wouldn't do it. And if I understood you correctly, you said words to the effect -- this wasn't a quote -- look, something happened. There was one failure in around 2008, 2011, whenever, and then nothing really changes between No. 3 and No. 4. But then all of a sudden at No. 4, the company moves into action.

And I guess my question to you is, is that a mistake? Is that an error? Is there a reason why -- is there some industry standard that you can refer us to that says you should do it at incident No. 3 not incident No. 4?

A. There is no industry standard to that effect. But from a general experience perspective, the company knows full well the extent of the problem with dissimilar metal welds. It's an industry problem. It's not unique to any particular company.

You know you have the problem. You know you have that type of equipment. It starts to fail. Why

are we waiting until the fourth outage before we determine the extent of the problem? I am not saying replace it. I am saying determine the extent of the problem.

After outage No. 3, it was too expensive to do the testing. Outage 4, we do the testing, it's not a problem. I am saying you should do it sooner. You could have done it sooner.

Q. The testing, not the replacement?

A. Not the replacement. I am talking about the testing. The -- the imprudent part of this is that because we have delayed in testing, in determining the extent of the problem, we are now locked into 2022, 14 years after this problem first manifests itself, before we are actually going to implement a complete solution.

Q. You were here when Mr. Ralston testified about the 1 percent failure rate.

A. Sure.

Q. And about the approximate $2 million cost?

A. Understood.

Q. And you have agreed several times about a utility needing to balance what could happen with the cost to mitigate it, right?

A. Agreed.

Q. I just want to know, yes or no, because I

didn't see it in your report, but for this commission to consider, is it your opinion that it was imprudent for this utility, after only three incidents, to say, we are going to take something that is less than a 1 percent failure rate, that would cost more than $2 million to fix and not have it scheduled yet?

Is that imprudent to make that decision, to say we're -- we're going to delay a $2 million expense when we only have a 1 percent failure rate?

A. On the face of that, no. But that's not what I am talking about. I am talking about assessing the degree of the problem that you have. They -- they -- the company was well aware of the problem. Once the, the outages started to manifest themselves, they could have done the testing to determine the degree of the problem after the first outage, after the second outage, after the third outage.

But they waited until after the fourth outage before they were motivated to do the testing required to determine, to even determine the condition. Prior to 2018, they had nothing viable to tell them what the condition of that equipment was. The reheater, I believe.

Q. Well, let's actually look back. There was an outage in 2018, right?

A. There was.

Q. The one before that was in 2014, right?

A. Yep. Four -- every four years to my understanding.

Q. Which means at that outage, they had only had two weld failures, right?

A. Yes.

Q. And so at the last outage, you know, going back before this one, they had only had two times in their history where they had had a problem with this; is that right?

A. Yes. But again, it's a problem. It's -- it's -- you don't have to wait for a problem to materialize before you address the concern, right? That's -- that's what -- that's what we are talking about here. It's a matter of being prudent about the -- the investigation of the problem before it manifests itself.

We heard about hockey curves a little while ago. This is the type of problem that can overnight become a major concern, in rapid order, potentially. And this is not a secret. This is not my testimony. This is industry information, well known industry information.

So all I am suggesting is, they could have

determined the extent of the problem sooner, and if they had, potentially, they could have scheduled a replacement for 2018. Assuming -- a lot of assuming going on here, assuming that the condition that was found from their testing indicated it warranted that kind of replacement.

Apparently 2018 testing basically said you ought to do this because I understand it's scheduled for replacement in 2022.

Q. Would you agree with me, before we move on from this point, that even if the company had done that and had scheduled a 20 -- this to be part of the 2018 outage, none of that would have prevented the 2017 outage that occurred?

A. That's correct.

Q. All right. I apologize for the delay. I am trying to figure out which of these paths you have been drug down two or three times, or the commission has four or five times already. Let's -- let's talk for a minute about Jim Bridger Unit 3, and this, just so we're clear, is the -- the underground wire that gets flooded?

A. Yeah, the heat. I'm sorry. Okay, the underground wire.

Q. The conduit, that, you know, the pull that everybody's presuming something gets damaged in when

it's getting pulled and then it floods that way?

A. Yes.

Q. In questioning from Mr. Russell, you indicated that, okay, if I understood correctly, you conceded fair enough, I agree there's no visible way that this company, or a similar utility, would have known that conduit got damaged when it was -- or cable got damaged when it was being pulled through the conduit. So your suggestion is there ought to be regular tests.

I take it just like the -- the cost question that we covered at the beginning, you have not put any kind of pen to paper to consider how many cables and how many conduits this company has, and how much time or money it would take to run around and test every piece of electrical cable that goes through a conduit?

A. I haven't done that analysis, no.

Q. Are you able to cite for us today any industry standard that says, utilities should go and test their electric cables, even though they are operational, every X period of time, just in case something's going on that we can't see?

A. I can't point to anything specific, no.

Q. Let's move to the -- the last outage, which is the Dave Johnson Unit 4, March 17th. So we're all on it, this is the MD&A wrong impeller gets sent back.

Okay. And I don't think, again, the facts are in dispute, wrong impeller gets sent back.

Would you agree with me that the company was -- well, I guess, I may have to ask you whether you are aware of any evidence that would contradict this, because I don't know what's been provided to you, so I will ask and then you can fill in the blanks.

Are you aware of any evidence that would indicate that this company, Rocky Mountain Power, failed to administer the contract that it had with MD&A properly?

A. I, I have no information either way.

Q. Are you aware of any information that indicates that it failed to monitor the activities of its contractor?

A. Again, no information.

Q. Okay. Are you -- and you provide no evidence that they failed to provide oversight there at the job site where the contractor was performing the work, right?

A. I -- I have no evidence to that effect, no.

Q. In fact, when the piece of equipment actually shows up at the plant is when there is an inspection and it's discovered, we got the wrong piece of equipment, right?

A. Right. Yes, correct.

Q. And so the only way that the power company could have prevented this is literally if it had been back at MDA's factory watching the guy put which impeller in which box that he mailed out; is that right?

A. Yes, to a degree that's correct. The -- the notion, just -- just to be clear, the notion of the utility going to a factory site to check on the status of its work is not foreign. That -- that is done all the time.

Now, do I know whether the company did that or not? I don't. I don't know either way. But I am speculating that if they had, it would have seen problems.

Q. But if I represent to you that in fact -- but you are correct, the company does and did, you have no reason to dispute that, right?

A. (Witness shakes head.)

Q. And so you, again, cannot point to any specific process or procedure that Rocky Mountain Power did that did not meet industry standard?

A. I can't point to anything specific there, no.

Q. The next topic that you cover in your report that we have discussed here is the third-party operators, and you -- again, I am going to paraphrase,

but words to the effect that the participation agreement that the company has entered into with Tri-State is deficient because the customers are left kind of at risk because the company is unable to enforce certain things against Tri-State.

Again, I know you didn't state those exacts words, but I am just trying to make that point. Is that a general paraphrase?

A. The general notion that the customer is on the hook for everything that happens, that goes wrong from a replacement cost power perspective.

Q. And you didn't disagree when asked by others about whether shifting all of the risk to an operator would in fact increase the amount that an operator would want to charge for its services, right?

A. Yes. Potentially, yes.

Q. And are you aware of the fact that the specific participation agreement that you are referring to, the Tri-State agreement, was subject to review by your client, the DPU, and also later by this commission?

A. I am not aware of that.

Q. Can I take a one minute just to go through and see what I have skipped? I have been kind of bouncing around here. Hold on a minute.

That's it for now. That's all the questions.

Thank you, Mr. DiDomenico.

CHAIRMAN LEVAR: Okay. Thank you. Any redirect, Mr. Jetter?

MR. JETTER: I'll try to keep this very brief. A little bit of redirect.

REDIRECT EXAMINATION

BY MR. JETTER:

Q. I'd like to just reference back to the missing plug. Starting out my question, I understand that this is a -- I am trying to make this not a legal question.

Was your understanding of your task or your -- your -- your job as -- as it was outlined by the Division of Public Utilities, to bear the burden of proof that something was imprudent, or -- or was it asked of you to demonstrate that the company had failed to meet a burden of proof that it has?

A. It was my understanding that it wasn't my charge to prove -- prove the burden of proof. The burden of proof rests with the company.

Q. Thank you.

A. That's my understanding.

Q. And additionally, is it your understanding that GE, who installed the plugs, admitted fault?

A. Yes.

Q. And do you think that they would have done

that because they are nice people?

MR. MOSCON: Calls for speculation of course.

A. No, not likely.

Q. (By Mr. Jetter) Thank you. Sort of the same line of questions regarding the impeller. Was it your task, were you tasked by the division to seek out the reason that the impeller showed up, which was an incorrect impeller?

A. No.

Q. And is it -- is it your understanding from the data responses from the company that it was visually the incorrect part?

A. It was visually identified as the incorrect part once it got to the plant.

MR. JETTER: Okay. I don't think I have -- I don't have any further questions.

CHAIRMAN LEVAR: Okay. And maybe it's too late, but I am going to sustain the objection to the question about GE's motive.

MR. MOSCON: Thanks.

CHAIRMAN LEVAR: So that sustaining is on the record. You have nothing further?

MR. JETTER: Nothing.

CHAIRMAN LEVAR: Any -- any recross, Mr. Russell or Mr. Moscon?

MR. MOSCON: No, thank you.

CHAIRMAN LEVAR: Why don't we take a 10 minute break before commissioner questions for Mr. DiDomenico. So we'll come back at five minutes until four.

Yeah. Well, yeah, we probably won't take another break before we have our conversation about legal standards that we discussed earlier this morning, so we'll be in recess for 10 minutes.

(Recess from 3:45 p.m. to 3:55 p.m.)

CHAIRMAN LEVAR: Okay. We're back on the record. I think we are finished with all direct and cross and redirect for Mr. DiDomenico, and we're ready for commissioner questions. If I am mistaken about that, somebody let me know. Okay. Commissioner Clark, do you have any questions for him?

COMMISSIONER CLARK: I do have a question.

EXAMINATION

BY COMMISSIONER CLARK:

Q. I think it might boil down what I have heard you say about the Craig Unit 2 plug situation. I think what you have told us is that because there wasn't root cause analysis, you are left with no explanation, really, for why the plug came out. And is that -- is that --

A. I would agree. No detailed explanation as to

why it came out.

Q. Right. Right.

A. We're left with supposition.

Q. That it vibrated out?

A. Maybe. It was a defective plug, maybe.

Q. So that -- maybe you started to answer my question. My -- my question is, what -- what would a root cause analysis potentially have revealed that would be useful? Or in other words, could -- could we -- could we learn -- what could we learn from -- from -- from a root cause analysis?

I mean that's -- that's -- that's what I am asking. And as I am thinking about this, I am thinking, well, maybe the plug was defective, I guess, is something we might know.

A. I mean, fundamentally, we want to try to understand what drove, what occurred. We want to understand the true mechanism, not just, hey, we -- hey, look, we found a plug on the ground. That must have been it. I mean, because that's what we have right now. I mean, that's -- that's the full nature of it.

Would it be helpful to understand in detail what procedures were or weren't followed? Would it be helpful to understand what the boots on the ground, so to speak, actually did that day? How -- how was it

handled? What procedures were in place? Was there some workmanship issue beyond just the plug? What -- what -- we don't know, we are left to sheer speculation in that regard.

And -- and on top that of that, you talk about defective plugs. You know, one question I would love to ask GE is, what did you do differently the second time around to put the plug back that you didn't do the first time around? I don't have an answer for that.

Q. We know that there was a pressure test and that for 24 hours it --

A. It held, yeah.

Q. The -- the plug held?

A. And that is standard operating procedure. I'm -- I'm not denying that that's -- that's an indicator. But it's also very questionable when 24 hours later, when the unit has just started -- starts to ramp up to normal operation, that a plug falls out. That isn't normal. That's not what's supposed to happen.

And, again, keep in mind this is a critical system we're talking about. You know, leaking hydrogen is not something to be taken lightly. This is a system that gets paid attention to. So when they're doing the repair, what exactly went on? I don't know. Just left

with questions.

COMMISSIONER CLARK: Thank you.

THE WITNESS: Thank you.

CHAIRMAN LEVAR: Commissioner White?

COMMISSIONER WHITE: Yeah.

EXAMINATION

BY COMMISSIONER WHITE:

Q. Good afternoon. Just a couple quick questions. There was -- there was some dialogue between, I believe it was between yourself and Mr. Moscon about kind of a -- I believe that there was agreement on your part there was, from a prudent utility operator standpoint, a cost benefit analysis goes into play and that's --

A. Yes, I agree.

Q. I -- I was just intrigued by, I think you mentioned, maybe I misheard you, that there was -- you said there was -- in that context there was potential for a sharing type analysis. Is that what -- help me understand, or maybe give me a little bit more meat to the bone on that.

A. Well, I mean, fundamentally we are talking about risk, right? The risk of poor operation. The risk of power costs, just risk in general. So now, whether that risk gets shifted 100 percent from party A

to party B to party C, or is it split amongst the parties as a possibility?

Because I think it was in the context of what -- what could possibly we do. Sharing would be -- would be one possibility. Sharing that risk. See, I keep coming back to the fact that the company is best positioned to make whatever assessments need to be made. There's no doubt about that. Not their third-party contractor, not -- not anybody. The company -- the company itself is in the best position to look out for the best interests of its customers.

And yes, it costs a great deal. It costs more to ensure against those risks, but that isn't a reason to just de facto assume that you are not going to do -- that you shouldn't do it. There's no analysis. We just have the broad statement that it costs a lot of money, therefore we don't do it. There's no analysis that supports that, other than, you know, general experience.

So, yes, is there a possibility for cost sharing, maybe sharing between the customer and the company, maybe sharing between third party, all of them. You know, we heard earlier about all the players involved, right? With -- with the plug situation, we talk about, you know, Rocky Mountain or PacifiCorp followed by Tri-State followed by GE, followed by I

think it's APM, the millwright.

None of those parties are claiming replacement power costs concerns. It's all about the customer. So there needs to be a way to more formally integrate that into what's going on.

Because I'll tell you, nothing -- nothing affects the way the utility operates -- we talk about a cost benefit analysis. If part of their cost benefit analysis is the risk of incurring replacement power cost penalties, that factors into their decision making. If they have no risk of replacement power cost penalties, it's easier -- it's easier to defer doing something. Makes sense.

Q. So you -- you're suggesting like on an outage-by-outage basis we -- we could potentially look at the allocation of risk and potentially --

A. Potentially.

Q. I just want to ask you one more -- I just want to give you an opportunity, the same opportunity I gave Mr. Ralston, which is, you know, we are -- we're trying to put ourselves, I guess, in the shoes of a prudent utility operator and look at the facts at hand that were known and are available, I guess, at the time and then compare it against whatever the quote, unquote, prudent standard is.

Is there anything else we should be looking at beyond -- I mean, it sounds like from Mr. Ralston's testimony, that much of his operational expertise and experience came into play into making decisions. Is there something else we should be looking at, because -- EPRI, anything else beyond that?

A. Well, certainly, yeah. I mean, there are -- there is certainly industry information. There is other jurisdictions and how they are handling this. You know, unfortunately our industry has a lot of buzz words to cover things that are very gray, you know, best utility practices, you know, being one of them.

So there is no standard that you say -- the standard is what you make it as a commission. You make -- you're going to make the standard, whatever it is. And it might be useful to compare what other -- what other jurisdictions are doing from a commission perspective. There -- there are precedents out there.

COMMISSIONER WHITE: Okay. That's all the questions I have. Thank you.

CHAIRMAN LEVAR: And I don't have anything else. Thank you, Mr. DiDomenico.

THE WITNESS: Thank you.

CHAIRMAN LEVAR: Anything further from any party? I am not seeing anything. Well, Rocky Mountain

Power, do you want to go first on having an informal conversation about if you want to give us any of your thoughts on the legal standards we talked about in the beginning here?

MR. MOSCON: Yes. And let me represent that the parties have throughout the day talked about this and what would be useful, so let me -- I am going to make a proposal that is not mine. This is a joint proposal, but if the commission wants to reject it, of course, that's up to the commission.

Because every -- all the parties kind of want to not just say, well, here is what we think or here is what we would argue, but to actually provide useful information to the commission and to be correct.

What we would propose is as follows: The company pay to receive an expedited transcript of today's hearing. Let's assume that takes a week, to then give the parties essentially two to two and a half weeks to draft briefs that are 10 to 15 pages in length. We'll follow whatever the commission says. We want to put an end on it so parties aren't just going on and on.

So let's just call that March 1st is when those briefs would be due by the time you get the transcript and then the briefing, and then ask that the commission make a decision, using those briefs, by the

end of March.

We recognize that that is after the next EBA filing, and the company recognizes that it's possible that would require the company to file an adjustment, you know, one or two weeks later. The company is also willing to consider filing late, but that changes within -- I mean, that's kind of complicated so it's probably most likely that that the company files on time and then makes an adjustment if necessary.

Of course, the company is willing to have the commission make a decision before then, but we recognize it takes time to make a decision and get an order out. And I think, I would like them to respond, but there's consensus on this with -- with the other parties.

CHAIRMAN LEVAR: Okay. Anyone else have anything to add?

MR. JETTER: No. Just -- just to confirm our agreement. It's a single round all at the same time. Relatively short.

CHAIRMAN LEVAR: You want a page limit? Let me just make sure I am understanding that. A page limit is desired?

MR. JETTER: I -- I think we would prefer one.

MR. MOSCON: Save us from ourselves.

CHAIRMAN LEVAR: It is universally on 10 or

15, because that's really not -- not an issue to any of the three of us, but you tell us what you want it to be, and we'll say that.

MR. RUSSELL: I would prefer a 10 page limit, but I think the scope that UAE intends to -- of a brief that UAE intends to submit might be a little bit different than what the company or the division may intend to submit. I think we are just going to focus on what we think the standard is without looking at the transcript or submitting facts, but the others are free to do however they want to.

MR. MOSCON: I bill by the hour. I'm contractually obligated to ask for 15 over 10. But otherwise, I think it also makes sense just to have that if we need it.

CHAIRMAN LEVAR: Okay. And -- I, I think -- I think I can represent from the commission if we are talking about briefs filed by March 1st, hoping for a decision by the end of March, I think we can commit to that. And if it's sooner than that, great, but I think we can make as firm a commitment as we could ever make to end of March under that time frame.

Do we need a written scheduling order for this, or is doing this verbally here for the parties who are present? Does anybody see a need for a written

scheduling order?

MR. JETTER: I don't think so. The only question I have is -- is, I know that the Office of Consumer Services is a party by -- by statute, I believe. I don't -- and I think they have also participated at some level. I -- I would assume that they may have the opportunity, if they wanted.

CHAIRMAN LEVAR: Sure. Just to -- to -- to -- to -- to avoid any complicated issue, I think we'll just issue a written scheduling order to that effect. So I don't have my calendar in front of me, but are we -- are we talking March 1st? And what -- what day of the week is March 1st? Is that -- is that a weekday?

MR. JETTER: That's a Friday.

CHAIRMAN LEVAR: Okay. Is that our due date then for -- for 15 page maximum briefs?

MS. HOGLE: Yes.

CHAIRMAN LEVAR: Okay. Any other matters? Okay. We are adjourned, and we will issue a scheduling order in the next day or two.

MR. MOSCON: Thank you.

(The hearing concluded at 4:08 p.m.)

C E R T I F I C A T E

STATE OF UTAH)

COUNTY OF SALT LAKE)

THIS IS TO CERTIFY that the foregoing proceedings were taken before me, Teri Hansen Cronenwett, Certified Realtime Reporter, Registered Merit Reporter and Notary Public in and for the State of Utah.

That the proceedings were reported by me in Stenotype, and thereafter transcribed by computer under my supervision, and that a full, true, and correct transcription is set forth in the foregoing pages, numbered 5 through 210 inclusive.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Salt Lake City, Utah, this 12th day of February, 2019.

Teri Hansen Cronenwett

Teri Hansen Cronenwett, CRR, RMR
License No. 91-109812-7801

My commission expires:
January 19, 2023