BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Rocky Mountain Power's Application for)	Docket No. 20-035-01
Approval of the 2020 Energy Balancing)	
Account)	Response Testimony
)	of Philip Hayet
)	For the Office of
)	Consumer Services

REDACTED VERSION

CONFIDENTIAL INFORMATION INCLUDED

Subject to Utah Public Service Commission Rule 746-1-602 and 603

December 10, 2020

REDACTED VERSION

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1		I. INTRODUCTION AND SUMMARY OF POSITIONS
2	Q.	WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?
3	A.	My name is Philip Hayet and I am a Vice President and Principal of J. Kennedy
4		and Associates, Inc. ("Kennedy and Associates"). My business address is 570
5		Colonial Park Drive, Suite 305, Roswell, Georgia, 30075.
6	Q.	PLEASE PROVIDE A SUMMARY OF YOUR QUALIFICATIONS AND
7		EXPERIENCE?
8	A.	I have included a summary of my education, experience, and expert testimony
9		appearances in OCS Exhibit 1.1.
10	Q.	ON WHOSE BEHALF ARE YOU APPEARING?
11	A.	I am appearing on behalf of the Utah Office of Consumer Services ("OCS").
12	Q.	WHAT IS THE PURPOSE OF THIS TESTIMONY?
13	A.	OCS has asked me to review Rocky Mountain Power's ("RMP") Energy Balancing
14		Account ("EBA") filing for the period of January 1, 2019 through December 31,
15		2019, and to review the recommended adjustments proposed by the Utah Division
16		of Public Utilities ("DPU") in its direct testimony and the accompanying audit
17		report that was filed on November 6, 2020.
18	Q.	DO YOU HAVE ANY GENERAL COMMENTS REGARDING THE DPU
19		AUDIT AND SUPPORTING DOCUMENTATION?
20	A.	Yes. The DPU presents the results of what appears to be a detailed audit of the

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RMP EBA filing and deferral balance. As a general matter, I believe the DPU

recommendations are well supported by the information provided. Consequently,

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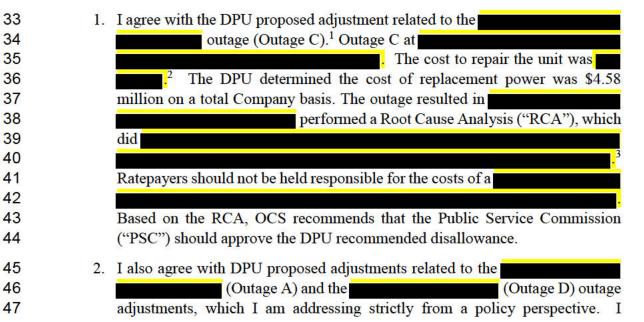
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OCS does not address all of the issues raised in the report in detail, except for certain thermal plant outage adjustments. I also addressed the most significant of these outages in my testimony in the currently pending RMP General Rate Case ("GRC" in Docket No. 20-035-04). Finally, the fact that I did not address all four of the DPU outage disallowances should not be interpreted as disagreement with the DPU recommendations, as I have not at this point independently verified and analyzed all of the disallowances the DPU identified.

Q. PLEASE PROVIDE A SUMMARY OF YOUR CONCLUSIONS AND RECOMMENDATIONS.

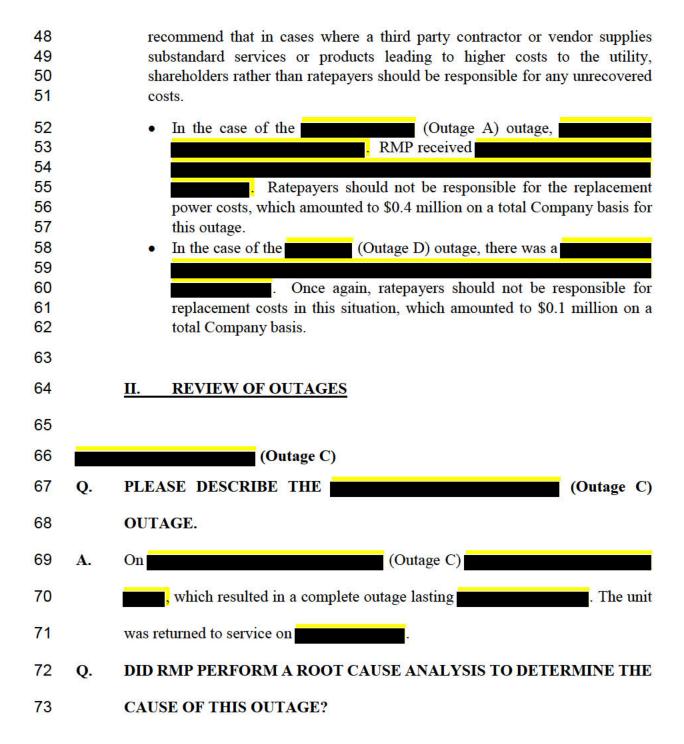
A. My conclusions and recommended adjustments are as follows:

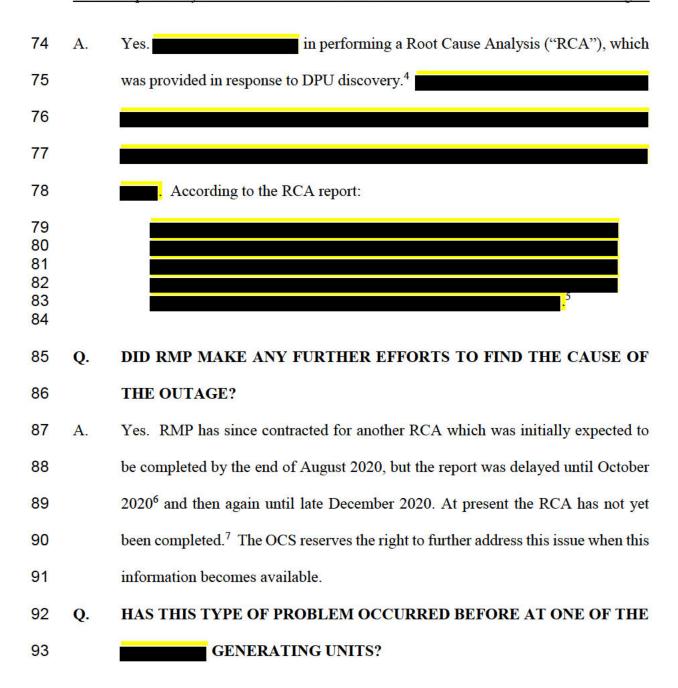


¹ Since details regarding the outages are confidential, I will distinguish the outages using the same notation that the DPU Consultant Daymark Energy Advisors, Inc. ("Daymark") relied on in referring to the outages in the Executive Summary of its audit report (see DPU Exhibit 2.3, pg. 5).

² DPU Audit Report, DPU Exhibit 2.3, at pg. 30.

³ RCA Report, DPU 1.6 1st Supplemental, at pg. 4.



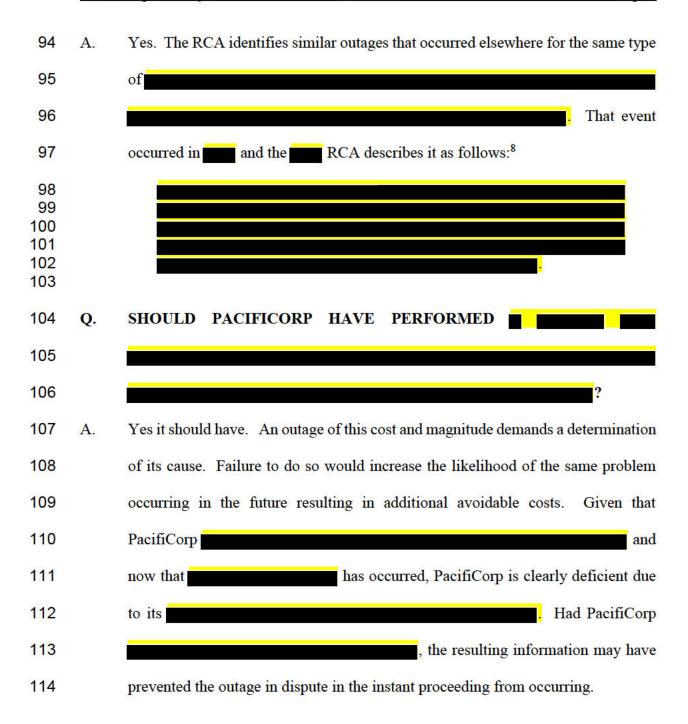


⁴ RCA Report, DPU 1.6 1st Supplemental.

³ Id. at pg. 4.

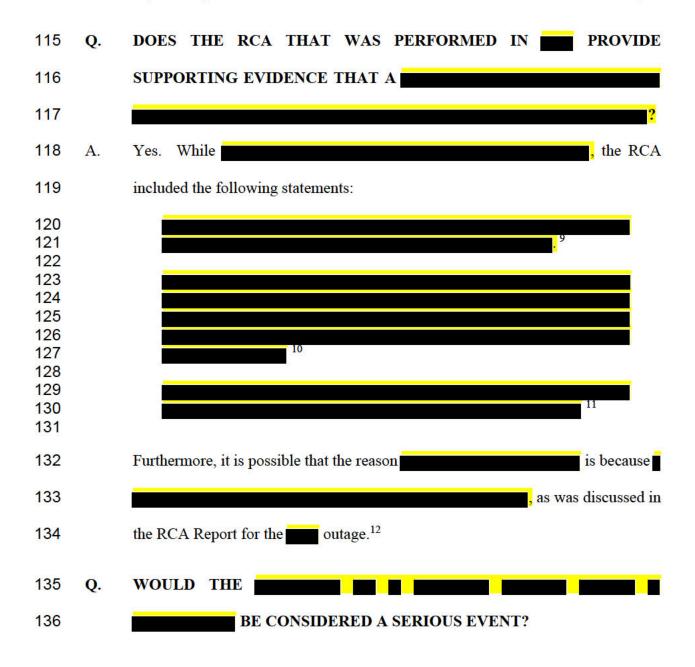
⁶ Email from Jana Saba with PacifiCorp on August 19, 2020.

⁷ When completed, the report is expected to be provided to parties pursuant to Data Request DPU 1.6.



20-035-01

⁸ RCA Report, DPU 1.6 1st Supplemental, at pg. 4.



⁹ Id. at pg. 28.

¹⁰ Id. at pg. 12.

¹¹ Id. at pg. 12.

¹² Confidential OCS Exhibit 1.2 contains the RCA. See pdf page 145.

137	A.	Yes. The RCA report indicates that there have been
138		(Outage C) events,
139		.13 Given the extremely high cost and other grave consequences.
140		utilities typically go to great lengths to ensure that such situations do not occur, and
141		it does not appear that PacifiCorp took sufficient precautions to ensure that it did
142		not occur for a at one of its (Outage C) units.
143	Q.	WHAT IS YOUR RECOMMENDATION ON THE OUTAGE
144		(OUTAGE C)?
145	A.	Given that RMP
146	30.000	, this outage
147		should result in a disallowance of the resulting replacement power costs
148		Ratepayers should not be held responsible for the costs of a
149		. RMP may still be able to
150		offset some or all of the costs that it had hoped to collect from ratepayers by
151		receiving an insurance payout or by pursuing litigation with the manufacturer
152		Even if there is no avenue for recovery via insurance or litigation, ratepayers should
153		not be held responsible for paying the costs of the outage that resulted from
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¹³ RCA Report, DPU 1.6 1st Supplemental, at pg. 4. Also, page 5

156 (Outage A) and (Outage D) Outages 157 PLEASE DISCUSS THE POLICY Q. BASIS **SUPPORTING** 158 DISALLOWANCES FOR THE (OUTAGE A) AND 159 (OUTAGE D) OUTAGES. 160 These two outages were not as costly as Outage C, however, there is an important A. 161 principle at stake here. Proper regulatory practice should require shareholders, 162 not customers, to bear the costs in cases involving substandard performance by 163 vendors or contractors, whether the utility is only partially to blame or even 164 entirely blameless. The reason for this is quite simple: the utility hires (and can 165 fire) contractors and vendors, it manages their work, it has leverage over them and 166 can seek repayment in cases where the vendor or contractors fail to properly deliver 167 the product or service. None of this is under the control of ratepayers. Customers 168 cannot sue a vendor who fails to produce satisfactory results for the utility. 169 Customers cannot tell the utility who to hire or fire, nor can they oversee the work 170 third parties perform for the utility. If utilities are allowed to pass on the costs of 171 poor quality work or service from third parties they will have little incentive to 172 demand excellence. Forcing customers to pay for these outages would send RMP 173 the message that it can use ratepayers as the financial backstop for any costs the 174 utility suffers from third party providers. Indeed it could even serve as a precedent 175 for far more costly outages in the future. 176 Q. PLEASE DISCUSS THE (OUTAGE A) OUTAGE 177 EVENT.

178	A.	The circumstances associated with this outage are documented in the DPU Audit
179		Report, therefore, I will only briefly discuss the outage. 14 This outage occurred on
180		and was caused by a
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185		. The DPU
186		estimated the cost of replacement power to be \$0.4 million and this cost should be
187		disallowed.
188	Q.	PLEASE DISCUSS (OUTAGE D) OUTAGE EVENT.
189	A.	The circumstances associated with this outage are also documented in the DPU
190		Audit Report, and will only be discussed briefly. 15 This event was associated with
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<sup>DPU Audit Report, DPU Exhibit 2.3, at pg. 29.
DPU Audit Report, DPU Exhibit 2.3, at pg. 30.</sup>

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198		. PacifiCorp cannot be
199		considered blameless as it has the responsibility for overseeing the work that its
200		contractors perform. Furthermore, the RCA associated with this outage, noted that
201		there had
202		.16 The DPU estimated the cost of
203		replacement power during the outage extension period to be \$0.1 million and this
204		cost should be disallowed.
205	Q.	IS THERE A COMMON THREAD IN THESE TWO EVENTS - OUTAGE
206		A AND OUTAGE D?
207	A.	Yes. In both cases, contractors made mistakes which resulted in the company
208		experiencing additional costs. While the Company may or may not have been
209		partly to blame, it is quite clear that ratepayers bear no responsibility and should
210		not have to pay the extra costs that were incurred as a result of substandard
211		performance by the Company's contractors.
212	Q.	DOES THIS COMPLETE YOUR TESTIMONY?
213	Α.	Yes, it does.

¹⁶ Response to DPU 1.6, RCA at page 2.