

REDACTED

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 22-035-01
IN THE MATTER OF THE)	Exhibit DPU 2.0 R
APPLICATION OF ROCKY MOUNTAIN)	Rebuttal Testimony of
POWER TO INCREASE THE)	Philip DiDomenico
DEFERRED EBA RATE THROUGH)	and
THE ENERGY BALANCING ACCOUNT)	Dan F. Koehler
MECHANISM)	

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

Redacted Rebuttal Testimony of

**Philip DiDomenico
and
Dan F. Koehler**

November 18, 2022

REDACTED

Docket No. 22-035-01
Exhibit DPU 2.0 R

Redacted Rebuttal Testimony of Philip DiDomenico and Dan F. Koehler

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1 **I. Introduction**

2 **Q: Please state your names, business address, and titles.**

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

6 My name is Dan F. Koehler. I am employed by Daymark as a Managing Consultant.
7 My business address is 370 Main Street, Suite 325, Worcester, Massachusetts,
8 01608.

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

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

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

13 A: Yes. Our direct testimony in this proceeding was filed on September 21, 2022.

14 **Q: What is the purpose of your response testimony?**

15 A: The purpose of our rebuttal testimony is to respond to the response testimony of
16 Rocky Mountain Power (“RMP”), a business unit of PacifiCorp (“PacifiCorp” or the
17 “Company”), witnesses Mr. Brad Richards and Mr. Craig M. Eller. We respond to
18 certain issues raised by Mr. Richards regarding the proposed generation plant
19 outages featured in the Technical Report of the Energy Balancing Account Audit for
20 Rocky Mountain Power for Calendar Year 2021 (“Audit Report”) provided by
21 Daymark. We respond to Mr. Eller’s discussion of the wind plant outages. However,

22 the lack of response to any issue raised by the RMP witnesses should not be
23 construed as agreement on that issue.

24

25 **Q: Are there any general matters you would like to address?**

26 A: Yes. Daymark is concerned that we raised various process-related matters in our
27 Audit Report that the Company did not address in its response testimony. As an
28 example, thermal outage details provided by the Company for the yearly audits are
29 often robust; however, the same cannot be said for the wind and hydro outages. We
30 would like to reemphasize the point we made in our report that as renewables
31 continue to expand, additional efforts should be made to standardize reporting
32 across technologies. This would enhance stakeholders' ability to analyze information
33 more efficiently and consistently. Daymark raised additional concerns in the Audit
34 Report on pages 26 and 27 in greater detail and would welcome feedback from the
35 Company on these issues.

36

37 **II. Richards' Response Testimony**

38 **Q: To what issues raised in Mr. Richards' response testimony do you wish to**
39 **respond?**

40 A: In our direct testimony, we recommended \$2,109,259 in net replacement power
41 costs related to six imprudent thermal outages be removed from Company-wide
42 actual NPC, resulting in a reduction of the EBA deferral amount by \$945,011. Mr.
43 Richards' response testimony disputes our findings that the Company acted

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44 imprudently in all instances and that the adjustment to the EBA deferral amount
45 should be rejected.

46

47 *Blundell Unit 1 Outage (September 15, 2021)*

48 **Q: How do you respond to Mr. Richards' testimony on the Blundell Unit 1 outage**
49 **beginning September 15, 2021?**

50 A: Mr. Richards' testimony asserts that the Company [REDACTED]
51 [REDACTED]¹ Additionally,
52 Mr. Richards discusses that [REDACTED]
53 [REDACTED]. However, the Company
54 has not provided any analysis that supports the notion that [REDACTED]
55 [REDACTED]. Mr. Richards' testimony
56 indicates that [REDACTED]
57 [REDACTED]
58 [REDACTED]; if the contractor was
59 clearly at fault, [REDACTED]. The
60 bare assertion that it [REDACTED]
61 [REDACTED]
62 [REDACTED]. The Commission's March
63 2019 Order supports the principle that the Company is responsible for imprudent
64 actions whether by the Company directly or by its qualified contractor, as was the

¹ Docket No. 22-035-01, Response Testimony of Brad Richards, Page 5, Lines 95-99.

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65 case in this instance.² The 2019 Order states "We make the following conclusions of
66 law that are generally applicable to any EBA filing by PacifiCorp," and that "when
67 evaluating the prudence of an expense caused by human error: a. human error is a
68 relevant factor; and b. PacifiCorp bears the burden to establish, by substantial
69 evidence, that the expense was prudent notwithstanding the human error." We
70 continue to believe this outage was imprudent and avoidable. We recommend an
71 adjustment of EBA cost for the replacement power costs incurred.

72

73 *Craig Unit 1 Outage (July 25, 2021)*

74 **Q: How do you respond to Mr. Richards' testimony on the Craig Unit 1 outage**
75 **beginning July 25, 2021?**

76 A: Mr. Richards in his response testimony points to the Root Cause Analysis ("RCA") of
77 this outage outlining two possible contributing factors of the failed bellows, and that
78 we ignored that the event could have been caused by increased load cycling.³ To
79 this, we point to the outage RCA which outlined the following as a causal relationship
80 with the defined problem: "In 2014, the E extraction horizontal bellows were
81 replaced. The bellows were not the correct design" and "During the 2014 outage,
82 replacing the bellows with the correct design would have increased the life span of
83 the bellows."⁴ We note that as Mr. Richards states in his testimony, the increased
84 load cycling was also mentioned as a potential cause associated with the defined

² Docket No. 18-035-01, Commission Order, *Application of Rocky Mountain power to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism*, Page 3, Item 5. Issued on March 12, 2019.

³ Docket No. 22-035-01, Response Testimony of Brad Richards, Page 6, Lines 18-22 and 132-134.

⁴ Docket No. 22-035-01, Confidential Attachment AFR 10, "Craig RCA_1273538".

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85 problem in the RCA. However, because the outage RCA itself states the bellows
86 were the wrong bellows and the correct design would have increased the life span,
87 we believe that if the correct bellows were installed, this outage would have been
88 avoided. The Company assertion that increased load cycling may have also
89 contributed to the failure is highly speculative and does not excuse the installation of
90 an improperly designed bellows. We continue to believe this outage was imprudent
91 and avoidable. We recommend an adjustment of EBA cost for the replacement
92 power costs incurred.

93

94 *Dave Johnston Unit 1 Outage (November 27, 2021)*

95 **Q: How do you respond to Mr. Richards' testimony on the Dave Johnston Unit 1**
96 **outage beginning November 27, 2021?**

97 A: Mr. Richards references our suggestion from the Audit Report that the addition of
98 cable trays would have avoided the event. We mistakenly omitted the word "covers"
99 in our report and recognize that this omission led to confusion in Mr. Richards'
100 response testimony. In our report, it should instead read: "The simple solution of
101 adding cable tray **covers** highlights the readily avoidable nature of this event."⁵ Mr.
102 Richards even points to the addition of cable tray covers as the identified solution to
103 mitigate dust buildup, and cable tray covers have since been installed due to this
104 event.⁶ We believe that the event could have been avoided if the Company had
105 proactively installed the cable tray covers, and as such, we continue to believe this

⁵ Docket No. 22-035-01, Exhibit 2.3 EBA Audit Report (CONF), Page 29.

⁶ Docket No. 22-035-01, Response Testimony of Brad Richards, Page 8, Lines 162-163.

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106 outage was imprudent and avoidable. We recommend an adjustment of EBA cost for
107 the replacement power costs incurred.

108

109 *Dave Johnston Unit 2 Outage (April 12, 2021)*

110 **Q: How do you respond to Mr. Richards' testimony on the Dave Johnston Unit 2**
111 **outage beginning April 12, 2021?**

112 A: Mr. Richards points to the various corrective actions taken by Dave Johnston plant
113 personnel to resolve the issue that led to this outage, including increasing suction of
114 the turbine oil tank, connecting seal air to the bearing, modifications to the bearing oil
115 porting, etc.⁷ Daymark does not dismiss these actions taken to address the oil
116 leakage, and we do not think those efforts are irrelevant and recognize that
117 troubleshooting is an iterative process. However, the actions taken were insufficient
118 to prevent the outage and fire, and it is unclear to us why the Company waited until
119 there was a fire to consult with a third-party engineering firm with expertise in
120 bearings. The Company's reactive rather than proactive approach to prevent this
121 event is concerning and we continue to believe this outage was imprudent and
122 avoidable. We recommend an adjustment of EBA cost for the replacement power
123 costs incurred.

124

125 *Dave Johnston Unit 3 Outage (May 17, 2021)*

126 **Q: How do you respond to Mr. Richards' testimony on the Dave Johnston Unit 3**
127 **outage beginning May 17, 2021?**

⁷ Docket No. 22-035-01, Response Testimony of Brad Richards, Page 9, Lines 190-194.

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128 A: In his testimony, Mr. Richards criticizes our use of “service life” vs. “useful life”;
129 however, the Company’s operations seem to point to a “run to failure” approach,
130 resulting in what we believe to be avoidable outage events. The feedwater heater in
131 question was installed in 1983, putting the age of this component to be 38 years old
132 at the time of the outage. Additionally, the Significant Event Report (“SER”)
133 specifically states, “With aging feedwater heaters operating past their designed
134 service life, more and more tube leaks will occur.”⁸ The Company acknowledges that
135 outage events similar to this are more likely to occur due to the age of the feedwater
136 heater, even if it is able to be reliably repaired. The Company has provided no
137 meaningful analysis of the costs and benefits of running this equipment past its
138 service life. As such, we continue to believe this outage as imprudent and avoidable
139 with the proactive replacement of the feedwater heater. We recommend an
140 adjustment of EBA cost for the replacement power costs incurred.

141

142 *Lake Side Block 1 Outage (November 15, 2021)*

143 **Q: How do you respond to Mr. Richards’ testimony on the Lake Side Block 1**
144 **outage beginning November 15, 2021?**

145 A: Mr. Richards states in his testimony that Daymark is holding the Company to an
146 unrealistic standard, and that “it is unrealistic to expect formal documentation to
147 accompany every instance of manager communication and employee interaction.”⁹
148 Respectfully, we disagree that we have held the Company to an unrealistic standard.

⁸ Docket No. 22-035-01, Confidential Attachment to Discovery Question 5.16, “DJ_SER_1269575 CONF”, Page 3.

⁹ Docket No. 22-035-01, Response Testimony of Brad Richards, Page 12, Lines 255-259.

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149 The total number of MWh lost in 2021 across all thermal plants for unplanned
 150 outages greater than 72 hours is 1,892,961; of those, Daymark focused on just
 151 56,752 MWh, a small fraction (approximately 3%) of the overall thermal outages.
 152 Additionally, we do not disagree with Mr. Richards' point on it being unrealistic to
 153 expect formal documentation for every instance of manager-employee
 154 communication, however, we also did not imply that this was our position. Rather,
 155 we want information regarding major communications, not necessarily every and all
 156 communication.

157 We agree that mistakes happen, but customers should not be held responsible for
 158 the Company's human errors. There should have been better oversight, as well as
 159 checks and balances in place that would have prevented this type of error from
 160 occurring, especially due to the critical nature of switching an operational unit to a
 161 nonoperational backup system. Employees should not be able to switch systems
 162 without first verifying that the substituted system it is operational, and we are
 163 concerned that the Company doesn't see this as a problem that needs to be
 164 addressed. A competitive firm subject to financial losses in similar circumstances
 165 would likely have had better procedures in place, or at least made this change
 166 immediately upon Lake Side's failure. We continue to believe this outage was
 167 imprudent and avoidable. We recommend an adjustment of EBA cost for the
 168 replacement power costs incurred.

169 **Q: Please summarize your recommended thermal outage-related reductions in**
 170 **Company-wide NPC.**

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171 A: After considering new information provided by the Company in Response Testimony,
172 we determined that nothing in the Company's response testimony changes our
173 conclusion that the identified six outages demonstrated sufficient imprudence that
174 we recommend reducing EBA costs to reflect net replacement power costs related to
175 the outages. The total reduction in PacifiCorp-wide NPC for these outages is
176 \$2,109,259 resulting in a Utah-allocated EBA deferral adjustment of \$945,011.
177

178 **III. Eller Response Testimony**

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

181 A: In our direct testimony, we recommended \$ [REDACTED] in net replacement power costs
182 related to two TB Flats outage events be removed from Company-wide actual NPC,
183 resulting in a reduction of the Utah-allocated EBA deferral amount by \$ [REDACTED]. Mr.
184 Eller's response testimony recommends rejection of the calculated disallowances for
185 these outages based on the "best information available to RMP" that indicates the
186 outage was caused by a [REDACTED].¹⁰

187 **Q: How do you respond to Mr. Eller's testimony on the [REDACTED]**
188 **[REDACTED] outage that occurred between [REDACTED]**
189 **[REDACTED]?**

190 A: Daymark's major concern with the [REDACTED] outages remains
191 to be that insufficient evidence has been offered to determine if the Company's
192 actions were prudent. The Company has offered helpful insight into the outage that

¹⁰ Docket No. 22-035-01, Response Testimony of Craig M. Eller, Page 5, Lines 97-99.

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193 occurred in this event; however, they have yet to share an RCA with stakeholders.

194 Mr. Eller points to the [REDACTED], which

195 is understandable, but we are still left to take the Company at its word with the

196 information currently available to us. The Company has still not demonstrated

197 prudence, and [REDACTED]

198 [REDACTED]. As such, we take a similar stance offered by Philip Hayet in

199 OCS's testimony with slight differentiations. In addition to [REDACTED], the

200 replacement power costs and production tax credits ("PTCs") of the [REDACTED]

201 [REDACTED] that were also affected by this outage event should also

202 be included in the deferral adjustment. Daymark has utilized the Company's

203 calculation of curtailed and backed-down generation provided in response to Data

204 Request UAE 5.1.

205 **Q: Do you agree with the Company's estimate of replacement power costs**

206 **associated with the [REDACTED] outages?**

207 **A:** No. The Company estimates replacement power costs associated with the lost

208 generation either to Wyoming Central (PacifiCorp East) or Jim Bridger (PacifiCorp

209 West) totaling [REDACTED]. The source for the

210 Company's \$/MWh cost estimate is unclear. We calculated replacement power costs

211 using the methodology for baseload and wind units that was described in our direct

212 testimony, which has been generally accepted by the Company in the context of

213 other wind and coal plant outages. For [REDACTED], generation

214 costs were taken from monthly average cost of fuel in adjusted Actual NPC.

215 Generation cost for wind plants was assumed to be zero. The cost of assumed

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216 market purchases for replacement energy was taken from monthly historical prices
217 reported by Intercontinental Exchange, Inc. ("ICE"). On a PacifiCorp-wide basis,
218 replacement power costs for the [REDACTED] outages totaled [REDACTED]

219 [REDACTED]

220 [REDACTED]

221 **Q: What is your estimate of PTC value associated with the [REDACTED]**
222 **outages?**

223 A: We accept the Company's calculation of non-tax affected PTCs provided in the
224 response to Data Request UAE 5.1. As noted in Mr. Hayet's Response Testimony,
225 when grossed up for taxes the total PacifiCorp-wide value of the lost PTCs is \$ [REDACTED]
226 [REDACTED].

227 **Q: How do the replacement power costs and PTCs for these outages relate to**
228 **disallowance recommendations in your direct testimony and Audit Report?**

229 A: In our report, we recommended disallowance for \$ [REDACTED] in replacement power
230 costs and \$ [REDACTED] in lost PTC value (PacifiCorp-wide basis) related to outages at
231 [REDACTED]. Those outages are a subset of the [REDACTED] outages described
232 here. The updated estimate of all [REDACTED] outage replacement power costs
233 and lost PTC value wholly replaces our estimate of the same for the [REDACTED]
234 outages. We agree with the Company's suggested correction of capacity factor
235 calculation in the Response testimony of Jack Painter but note that the issue is moot
236 because the calculation is no longer used to determine lost generation from the wind
237 outages. As noted above, we rely on the Company's own estimate as provided in
238 response to Data Request UAE 5.1.

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239 **Q: What is your recommendation with respect to the [REDACTED] outages?**

240 A: We recommend that PacifiCorp be held responsible to pay for the replacement
241 power costs and PTC [REDACTED]

242 [REDACTED]
243 [REDACTED]. At that time, if appropriate, the Company can
244 pursue recovery of these costs through the EBA.

245 **Q: Please summarize your recommended [REDACTED] reductions in Company-
246 wide NPC and PTC.**

247 A: The total reduction in PacifiCorp-wide NPC for these outages is \$ [REDACTED]
248 resulting in a Utah-allocated EBA deferral adjustment of \$ [REDACTED]. EBA costs
249 should also be adjusted downward for the loss of \$ [REDACTED] in PTC value on a
250 PacifiCorp-wide basis [REDACTED] tax affected), or \$ [REDACTED] of Utah-allocated tax
251 affected PTC. These recommendations supersede and replace our recommended
252 disallowances related to October outages at [REDACTED].

253 **Q: Does this conclude your rebuttal testimony?**

254 A: Yes.