

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 16-035-01
APPLICATION OF ROCKY)	Exhibit DPU 2.0 Dir
MOUNTAIN POWER TO DECREASE)	Testimony and Exhibits
THE DEFERRED EBA RATE)	Philip DiDomenico
THROUGH THE ENERGY)	and
BALANCING ACCOUNT)	Dan F. Koehler
MECHANISM.)	

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

Testimony of
Philip DiDomenico
and
Dan F. Koehler

July 15, 2016

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ATTACHMENTS

Exhibit DPU 2.1 Dir, Resumes of Philip DiDomenico and Dan F. Koehler

Exhibit DPU 2.2 Dir, Daymark Energy Advisors EBA Audit Report for Calendar Year
2015 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2015

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. Daymark Energy Advisors is the new name as
5 of November 9, 2015 of the firm formerly known as La Capra Associates. My business
6 address is One Washington Mall, Boston, Massachusetts, 02108.

7 My name is Dan F. Koehler. I am employed by Daymark as a Consultant. My business
8 address is One Washington Mall, 9th Floor, Boston, Massachusetts 02108

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 Utah
11 (the “Division”).

12 **Q: Mr. DiDomenico, please summarize your educational and professional experience.**

13 A: I have a Bachelor of Science in Electrical Engineering (“BSEE”) with a power systems
14 major and a Master in Business Administration (“MBA”) degree. I have worked in the
15 electric utility business for 40 years. From 1976 to 1980 I worked at Baltimore Gas &
16 Electric and from 1980 to 1999 I worked at NSTAR Electric & Gas (“NSTAR”). I have
17 held many technical and managerial positions covering many aspects of utility
18 engineering, planning, and operations. In 1999 I moved into consulting. Since then, I
19 have worked on projects related to power plant engineering and operations, asset
20 management, resource planning, power plant acquisitions, organizational effectiveness,
21 T&D planning and engineering, and litigation support. I provided outage related analysis

22 in support of Daymark’s 2014 EBA audit report submitted in Docket No. 15-035-03. My
23 resume is included in DPU Exhibit 2.1 Dir.

24 **Q: Mr. Koehler, please summarize your educational and professional experience.**

25 A: I received a Bachelor of Arts degree in Applied Mathematics with a focus in Economics
26 from Yale University and a Master of Public Policy and Management Degree from the
27 University of Southern Maine. I have worked at Daymark for six years, focusing on the
28 firm’s utility regulation and planning and market analytics practices. I have provided
29 assistance with analysis and expert testimony development in utility planning cases in
30 front of public utility commissions in North Dakota, Arkansas, Wisconsin, Vermont,
31 Utah, and Manitoba. I have served at one time as Daymark’s production cost model
32 operator using AURORAxmp, and have helped develop production cost models on behalf
33 of clients in New England, New York, Ontario, North Carolina and the Southern
34 Company Balancing Authority Area in the southeast. I have also assisted with rate
35 development or review in Wisconsin, Utah, Massachusetts, and Vermont. I have
36 previously testified before the Michigan Public Service Commission and the New
37 Hampshire Public Utilities Commission. I was actively involved in Daymark’s review of
38 the EBA for the last three months of 2011 and calendar years 2012, 2013 and 2014 My
39 resume is included in DPU Exhibit 2.1 Dir.

40 **Q: What is the purpose of your testimony?**

41 A: Daymark was retained by the Division to assist in reviewing the Application of Rocky
42 Mountain Power (“RMP”), a subsidiary or business unit of PacifiCorp (“PacifiCorp” or
43 the “Company”) seeking approval from the Public Service Commission of Utah

44 (“Commission”) to adjust electric rates. The scope of our assignment was to ascertain
45 whether the actual costs included in the Energy Balancing Account (“EBA”) filing for
46 calendar year 2015 were incurred pursuant to an in-place policy or plan, were prudent,
47 and were in the public interest. This direct testimony presents the results of and the
48 conclusions from that review.

49 **Q: Mr. DiDomenico, have you previously testified before the Public Service**
50 **Commission of Utah?**

51 A: No.

52 **Q: Mr. Koehler, have you previously testified before the Public Service Commission of**
53 **Utah?**

54 A: Yes. I testified in Docket No. 15-035-03 regarding an audit of EBA costs for calendar
55 year 2014.

56 **Q: What Exhibits are you sponsoring?**

57 A: We sponsor three Exhibits. **Exhibit DPU 2.1 Dir, Resumes of Philip DiDomenico and**
58 **Dan F. Koehler** provides copies of our resume. **Exhibit DPU 2.2 Dir, Daymark**
59 **Energy Advisors EBA Audit Report for Calendar Year 2015 – Public Executive**
60 **Summary** is a summary of our findings and recommendations. This Exhibit does not
61 contain any Confidential or Highly Confidential Information, and is publicly available.
62 **Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for**
63 **Calendar Year 2015** is our full and complete report. This Exhibit contains material, and
64 is based upon information that we received from the Company, that has been identified
65 by the Company as Confidential.

66 **II. Daymark's Assignments**

67 **Q: What was the scope of Daymark's assignment in this proceeding?**

68 A: Our first task was to review and assess actual plant outages to ensure that these outages
69 and their cost impact on the EBA charge is appropriate. We examined the information
70 provided as part of the filing, and conducted additional discovery. The next assignment
71 was to evaluate a sample of trading transactions for accuracy, completeness, and
72 prudence. From a workload perspective, this task constituted the largest component of
73 our audit. The Company has settled tens of thousands of transactions during 2015,
74 consisting of power physical, natural gas financial and natural gas physical deals. We
75 developed a sample of 42 broadly-representative transactions and accounting entries and
76 conducted extensive discovery on these transactions. We built on knowledge gained
77 from similar review in previous EBA cases, including two visits (in 2013 and more
78 recently in December 2015) by Daymark and Division representatives to PacifiCorp's
79 trading headquarters in Portland, Oregon to meet trading staff and witness trading
80 activity. We also met with PacifiCorp personnel via conference calls to help ensure that
81 our review of this data was accurate and complete.

82 **III. Findings and Recommendations**

83 **Q: Can you briefly summarize your findings and recommendations in this proceeding?**

84 A: Our review of forced outages at PacifiCorp's thermal plants during the EBA deferral
85 period yielded five significant outages that appeared to be avoidable and resulted in
86 unnecessary increases to Company-wide NPC. Of these five outages that warranted
87 additional scrutiny, two outages ("Outage B" and "Outage D") were sufficiently

88 avoidable that we recommend reducing EBA costs to reflect replacement power costs and
89 to recover insurance reimbursements related to the outages. The total reduction in total
90 system net power costs for these outages is \$610,326. Division Witness David Thomson
91 discusses the impact of this Company-wide NPC reduction on RMP's requested EBA
92 recovery amount. We find that a third outage ("Outage C") warrants additional
93 investigation by the Company.

94 Four of the five outages of concern involved the performance of the Company's
95 contractors. This raises concerns regarding the level of oversight and control the
96 Company exercises over its contractors. Further investigation is warranted into how the
97 Company's process for selecting and working with contractors could be improved to
98 reduce the future likelihood of outages.

99 During our audit of the EBA for calendar year 2015, we analyzed a sample of all three
100 basic types of transactions; natural gas financials, natural gas physicals, and power
101 physicals. Based upon our review and the information provided by the company, we do
102 not propose any adjustments to calendar year 2015 EBA costs for any of these
103 transactions.

104 In reviewing the 2015 EBA information, the Company and the Division instituted a
105 process to resolve any concerns that were identified in our review prior to the filing of
106 our report, to the extent possible. The result of this process was several conference calls
107 where issues that arose during our review were discussed with the Company. This
108 approach afforded the Company the opportunity to respond to those identified concerns
109 and provide any additional documentation or supporting information. This approach was

110 largely successful in resolving identified issues, which minimized the number of
111 recommended adjustments to the filed request.

112 **IV. Conclusion**

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

114 A: At this time, yes, it does. Should additional or new information become available, we
115 will supplement this testimony as appropriate.