

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 17-035-01
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

November 15, 2017

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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
2016 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2016

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, Suite
5 325, Worcester, Massachusetts, 01608.

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

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

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

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

12 A: I have a Bachelor of Science in Electrical Engineering (“BSEE”) with a power systems
13 major and a Master in Business Administration (“MBA”) degree. I have worked in the
14 electric utility business for 40 years. From 1976 to 1980 I worked at Baltimore Gas &
15 Electric and from 1980 to 1999 I worked at NSTAR Electric & Gas (“NSTAR”). I have
16 held technical and managerial positions covering many aspects of utility engineering,
17 planning, and operations. In 1999, I moved into consulting. Since then, I have worked on
18 projects related to power plant engineering and operations, asset management, resource
19 planning, power plant acquisitions, organizational effectiveness, T&D planning and
20 engineering, and litigation support. I provided outage related analysis in support of
21 Daymark’s EBA audit reports covering calendar years 2014 (Docket No. 15-035-03) and
22 2015 (Docket No. 16-035-01). My resume is included in DPU Exhibit 2.1 Dir.

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

25 A: Yes. I testified in Docket No. 16-035-01 regarding an audit of EBA costs for calendar
26 year 2015.

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

28 A: I received a Bachelor of Arts degree in Applied Mathematics with a focus in Economics
29 from Yale University and a Master of Public Policy and Management Degree from the
30 University of Southern Maine. I have worked at Daymark for seven years, focusing on
31 the firm's utility regulation and planning and market analytics practices. I have provided
32 assistance with analysis and expert testimony development in utility planning cases in
33 front of public utility commissions in Michigan, North Dakota, Arkansas, Wisconsin,
34 Vermont, Utah, and Manitoba. I am Daymark's Manager of Wholesale Market Analytics,
35 and I have operated or supervised operation of our production cost model using
36 AURORAxmp on behalf of clients in New England, New York, Ontario, North Carolina,
37 Florida and the Southern Company Balancing Authority Area in the southeast. I have also
38 assisted with rate development or review in Wisconsin, Utah, Massachusetts, and
39 Vermont. Outside of Utah, I have submitted expert testimony before the Michigan Public
40 Service Commission, the New Hampshire Public Utilities Commission and the Federal
41 Energy Regulatory Commission. I was actively involved in Daymark's review of the
42 EBA for the last three months of 2011 and calendar years 2012 through 2015. My resume
43 is included in DPU Exhibit 2.1 Dir.

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

46 A: Yes. I testified in Docket Nos. 15-035-03 and 16-035-01 regarding audits of EBA costs
47 for calendar years 2014 and 2015, respectively.

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

49 A: Daymark was retained by the Division to assist in reviewing the Application of Rocky
50 Mountain Power (“RMP”), a subsidiary or business unit of PacifiCorp (“PacifiCorp” or
51 the “Company”) seeking approval from the Public Service Commission of Utah
52 (“Commission”) to adjust electric rates. The scope of our assignment was to ascertain
53 whether the actual costs included in the Energy Balancing Account (“EBA”) filing for
54 calendar year 2016 were incurred pursuant to an in-place policy or plan, were prudent,
55 and were in the public interest. This direct testimony presents the results of and the
56 conclusions from that review.

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

58 A: We sponsor three Exhibits. **Exhibit DPU 2.1 Dir, Resumes of Philip DiDomenico and**
59 **Dan F. Koehler** provides copies of our resume. **Exhibit DPU 2.2 Dir, Daymark**
60 **Energy Advisors EBA Audit Report for Calendar Year 2016 – Public Executive**
61 **Summary** is a summary of our findings and recommendations. This Exhibit does not
62 contain any Confidential or Highly Confidential Information, and is publicly available.
63 **Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for**
64 **Calendar Year 2016** is our full and complete report. This Exhibit contains material, and

65 is based upon information that we received from the Company, that has been identified
66 by the Company as Confidential.

67 **II. Daymark's Assignments**

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

69 A: Our first task was to review and assess actual plant outages to ensure that these outages
70 and their cost impact on the EBA charge is appropriate. We examined the information
71 provided as part of the filing, and conducted additional discovery. The next assignment
72 was to evaluate a sample of trading transactions for accuracy, completeness, and
73 prudence. The Company has settled tens of thousands of transactions during 2016,
74 consisting of power physical, natural gas financial and natural gas physical deals. We
75 developed a sample of 88 broadly-representative transactions and accounting entries and
76 conducted extensive discovery on these transactions. We built on knowledge gained from
77 similar review in previous EBA cases, including two visits (in 2013 and more recently in
78 December 2015) by Daymark and Division representatives to PacifiCorp's trading
79 headquarters in Portland, Oregon to meet trading staff and witness trading activity. We
80 were also asked to review certain specific issues related to key drivers of EBA costs.
81 First, we were asked to review the variances in actual wholesale sales revenue and
82 purchased power expense relative to levels forecast for the general rate case and
83 established in Base NPC. Second, we were asked to review the impact of PacifiCorp's
84 second full calendar year of participation in the California Independent System
85 Operator's ("CAISO") Energy Imbalance Market ("EIM"). Third, we were asked to

86 review recovery effort and abandonment costs associated with the loss of the Joy
87 Longwall at Jim Bridger mine.

88 **III. Findings and Recommendations**

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

90 A: Our review of forced outages at PacifiCorp's thermal plants during the EBA deferral
91 period yielded 16 significant outages that appeared to be avoidable and resulted in
92 unnecessary increases to Company-wide NPC. Of these 16 outages that warranted
93 additional scrutiny, 14 outages demonstrated sufficient imprudence that we recommend
94 reducing EBA costs to reflect replacement power costs related to the outages. The total
95 reduction in Company-wide NPC for these outages is \$517,681. Division Witness David
96 Thomson discusses the impact of this Company-wide NPC reduction on RMP's
97 requested EBA deferral amount. The Utah-allocated EBA deferral adjustment related to
98 imprudent outage replacement power costs is \$210,486.
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 2016 EBA costs for any of these
103 transactions.

104 Our review of the loss of the Joy longwall at Jim Bridger mine found that several
105 practices that are fundamental to any operational environment were not sufficiently in
106 place or not followed prior to the initiation of the chain of events leading to the ultimate
107 abandonment of the equipment. It is our recommendation that based on the available

108 information on the record the Company was imprudent in the management of the Bridger
109 Mine which ultimately led to the unsuccessful recovery efforts and abandonment of the
110 equipment. In our opinion, the EBA deferral request should be adjusted to remove the
111 \$12.5 million Joy Longwall abandonment expense and \$7.6 million in recovery cost
112 included in Company-wide NPC. Division Witness Thomson discusses the impact of this
113 reduction on RMP's requested EBA deferral amount. The Utah-allocated EBA deferral
114 adjustment related to Joy Longwall costs is \$8,420,710.

115 Our review of the Company's participation in the CAISO EIM found no reason to
116 challenge CAISO's or the Company's methodology for estimating benefits from
117 participating in real time imbalance trading through the EIM, nor do we have reason to
118 believe that the estimates substantially overstate benefits. We reviewed the Company's
119 overall bidding strategy, and also conducted a more detailed review of a sample of
120 particular bids. We found that the Company's bid prices offered in the EIM are consistent
121 with the Tariff-defined Default Energy Bids and are reasonably calculated to maximize
122 benefits of EIM participation for customers.

123 **IV. Conclusion**

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

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