

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 18-035-01
APPLICATION OF ROCKY)	Exhibit DPU 2.0 Dir
MOUNTAIN POWER TO INCREASE)	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, 2018

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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
2017 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2017

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’s in Business Administration (“MBA”) degree. I have worked in the
14 electric utility business for 43 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 2015 (Docket No. 16-035-03) and
22 2016 (Docket No. 17-035-01). 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 filed testimony in Docket Nos. 16-035-01 and 17-035-01 regarding audits of
26 Rocky Mountain Power's ("RMP"), a business unit of PacifiCorp ("PacifiCorp" or the
27 "Company"), Energy Balancing Account ("EBA") costs for calendar years 2015 and
28 2016, respectively.

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

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

44 EBA for the last three months of 2011 and calendar years 2012 through 2016. My resume
45 is included in DPU Exhibit 2.1 Dir.

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

48 A: Yes. I filed testimony in Docket Nos. 15-035-03, 16-035-01 and 17-035-01 regarding
49 audits of RMP's EBA costs for calendar years 2014, 2015, and 2016, respectively.

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

51 A: Daymark was retained by the Division to assist in reviewing RMP's application seeking
52 approval from the Public Service Commission of Utah ("Commission") to adjust electric
53 rates. The scope of our assignment was to ascertain whether the actual costs included in
54 the EBA filing for calendar year 2017 were incurred pursuant to an in-place policy or
55 plan, were prudent, and were in the public interest. This direct testimony presents the
56 results of and the 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 resumes. **Exhibit DPU 2.2 Dir, Daymark**
60 **Energy Advisors EBA Audit Report for Calendar Year 2017 – 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 2017** is our full and complete report. This Exhibit contains material and

65 is based upon information that we received from RMP which it has identified as
66 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. PacifiCorp has settled tens of thousands of transactions during 2017, consisting
74 of power physical, natural gas financial, and natural gas physical deals. We developed a
75 sample of 46 broadly-representative transactions and accounting entries and conducted
76 extensive discovery on these transactions. We built on knowledge gained from similar
77 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 third full calendar year of participation in the California Independent System Operator's
85 ("CAISO") Energy Imbalance Market ("EIM").

86 **III. Findings and Recommendations**

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

88 A: Our review of generator outages at PacifiCorp's thermal plants during the EBA deferral
89 period yielded 29 significant outages that appeared to be avoidable and resulted in
90 unnecessary increases to Company-wide NPC. Of these 29 outages that warranted
91 additional scrutiny, seven outages demonstrated sufficient imprudence that we
92 recommend reducing EBA costs to reflect replacement power costs related to the outages.
93 The total reduction in Company-wide NPC for these outages is \$1,954,826. The Utah-
94 allocated EBA deferral adjustment related to imprudent outage replacement power costs
95 is \$840,267. Division Witness David Thomson discusses the impact of this Company-
96 wide NPC reduction on RMP's requested EBA deferral amount.

97 During our audit of the EBA for calendar year 2017, we analyzed a sample of all three
98 basic types of transactions: natural gas financials, natural gas physicals, and power
99 physicals. Based upon our review and the information provided by RMP, we do not
100 propose any adjustments to calendar year 2017 EBA costs for any of these transactions.
101 However, review of one transaction exposed a weakness in PacifiCorp's policies and
102 practices regarding monitoring and reporting potential breaches in individual trader
103 limits. Though traders are not financially incentivized to seek unauthorized trades beyond
104 their limits, this is still an important corporate governance control that must be
105 monitored. The Company has taken some positive steps to address this weakness since
106 becoming aware of it recently. We support the practical steps taken and suggest that the
107 Company formally adopt the control requirement in the Energy Risk Management policy.

108 Our review of PacifiCorp's participation in the CAISO EIM found no reason to challenge
109 CAISO's or the Company's methodology for estimating benefits from participating in
110 real time imbalance trading through the EIM, nor do we have reason to believe that the
111 estimates substantially overstate benefits.

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 will
115 supplement this testimony as appropriate.