

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 19-035-01
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 14, 2019

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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
2018 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2018

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 44 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-

22 03),2016 (Docket No. 17-035-01) and 2017 (Docket No. 18-035-01). My resume is
23 included in DPU Exhibit 2.1 Dir.

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

26 A: Yes. I filed testimony in Docket Nos. 16-035-01, 17-035-01 and 18-035-01 regarding
27 audits of Rocky Mountain Power's ("RMP"), a business unit of PacifiCorp ("PacifiCorp"
28 or the "Company"), Energy Balancing Account ("EBA") costs for calendar years 2015,
29 2016 and 2017, respectively.

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

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

44 involved in Daymark's review of the EBA for the last three months of 2011 and calendar
45 years 2012 through 2017. My resume 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, 17-035-01 and 18-035-01
49 regarding audits of RMP's EBA costs for calendar years 2014 through 2017, 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 2018 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 2018 – Public Executive**
61 **Summary** is a summary of our findings and recommendations. This Exhibit does not
62 contain any Confidential information and is publicly available. **Confidential Exhibit**
63 **DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for Calendar Year 2018**
64 is our full and complete report. This Exhibit contains material and is based upon

65 information that we received from RMP which it has identified as Confidential
66 information subject to Commission Rule 746-1-602 and 746-1-603.

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 2018, consisting
74 of power physical, natural gas financial, and natural gas physical deals. We developed a
75 sample of 48 broadly-representative transactions (including 29 transactions related to the
76 Company's hedging program) and accounting entries and conducted extensive discovery
77 on these transactions. We built on knowledge gained from similar review in previous
78 EBA cases, including three visits (in 2013, 2015, and most recently in September 2019)
79 by Daymark and Division representatives to PacifiCorp's trading headquarters in
80 Portland, Oregon to meet trading staff and witness energy supply management activity.
81 We were also asked to review certain specific issues related to key drivers of EBA costs.
82 First, we were asked to review the variances in actual wholesale sales revenue and
83 purchased power expense relative to levels forecast for the general rate case and
84 established in Base NPC. Second, we were asked to review the impact of PacifiCorp's
85 fourth full calendar year of participation in the California Independent System Operator's
86 ("CAISO") Energy Imbalance Market ("EIM"). Finally, we were asked to review

87 changes RMP made to their Energy Risk Management Policy in response to trader limit
88 governance concerns raised in our audit of 2017 EBA costs in Docket No. 18-035-01.

89 **III. Findings and Recommendations**

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

91 A: Our review of forced, maintenance, and extended planned outages of at least 72-hour
92 duration at PacifiCorp's thermal plants during the EBA deferral period yielded 14
93 outages that warranted further investigation to determine whether or not there were any
94 unnecessary increases to Company-wide NPC. Of these 14 outages that warranted
95 additional scrutiny, three outages demonstrated sufficient imprudence that we
96 recommend reducing EBA costs to reflect replacement power costs related to the outages.
97 The total reduction in Company-wide NPC for these outages is \$1,465,285. The Utah-
98 allocated EBA deferral adjustment related to imprudent outage replacement power costs
99 is \$681,889. Division Witness David Thomson discusses the impact of this Company-
100 wide NPC reduction on RMP's requested EBA deferral amount.
101 During our audit of the EBA for calendar year 2018, we analyzed a sample of all three
102 basic types of transactions: natural gas financials, natural gas physicals, and power
103 physicals. Based upon our review and the information provided by RMP, we do not
104 propose any adjustments to calendar year 2018 EBA costs for any of these transactions.
105 Based on our high-level review of public reports produced by CAISO supporting its
106 benefits estimates we have found no reason to challenge CAISO's methodology or its
107 findings that EIM participants benefit significantly from real time imbalance trading
108 facilitated by the market. We find no reason to disagree with the common conclusion of

109 CAISO and PacifiCorp that participation in EIM delivers benefits to PacifiCorp
110 customers.
111 PacifiCorp made two changes to its Energy Risk Management policy that will have
112 bearing on future EBA periods. We reviewed and found both changes reasonable.

113 **IV. Conclusion**

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

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