

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 20-035-01
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 6, 2020

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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
2019 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2019

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 Managing Consultant and
7 Director of Project Management. My business address is 370 Main Street, Suite 325,
8 Worcester, Massachusetts, 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 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’s in Business Administration (“MBA”) degree. I have worked in the
15 electric utility business for 44 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 technical and managerial positions covering many aspects of utility engineering,
18 planning, and operations. In 1999, I moved into consulting. Since then, I have worked on
19 projects related to power plant engineering and operations, asset management, resource
20 planning, power plant acquisitions, organizational effectiveness, T&D planning and
21 engineering, and litigation support. I provided outage related analysis in support of
22 Daymark’s EBA audit reports covering calendar years 2015 (Docket No. 16-035-03),

23 2016 (Docket No. 17-035-01), 2017 (Docket No. 18-035-01), and 2018 (Docket No. 19-
24 035-01). My resume is included in DPU Exhibit 2.1 Dir.

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

27 A: Yes. I filed testimony in Docket Nos. 16-035-01, 17-035-01, 18-035-01, and 19-035-01
28 regarding audits of Rocky Mountain Power's ("RMP"), a business unit of PacifiCorp
29 ("PacifiCorp" or the "Company"), Energy Balancing Account ("EBA") costs for calendar
30 years 2015, 2016, 2017, and 2018, respectively.

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

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

45 involved in Daymark's review of the EBA for the last three months of 2011 and calendar
46 years 2012 through 2018. My resume is included in DPU Exhibit 2.1 Dir.

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

49 A: Yes. I filed testimony in Docket Nos. 15-035-03, 16-035-01, 17-035-01, 18-035-01, and
50 19-035-01 regarding audits of RMP's EBA costs for calendar years 2014 through 2018,
51 respectively.

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

53 A: Daymark was retained by the Division to assist in reviewing RMP's application seeking
54 approval from the Public Service Commission of Utah ("Commission") to adjust electric
55 rates. The scope of our assignment was to ascertain whether the actual costs included in
56 the EBA filing for calendar year 2019 were incurred pursuant to an in-place policy or
57 plan, were prudent, and were in the public interest. This direct testimony presents the
58 results of and the conclusions from that review.

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

60 A: We sponsor three Exhibits. **Exhibit DPU 2.1 Dir, Resumes of Philip DiDomenico and**
61 **Dan F. Koehler** provides copies of our resumes. **Exhibit DPU 2.2 Dir, Daymark**
62 **Energy Advisors EBA Audit Report for Calendar Year 2019 – Public Executive**
63 **Summary** is a summary of our findings and recommendations. This Exhibit does not
64 contain any Confidential information and is publicly available. **Confidential Exhibit**
65 **DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for Calendar Year 2019**
66 is our full and complete report. This Exhibit contains material and is based upon

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

69 **II. Daymark's Assignments**

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

71 A: Our first task was to review and assess actual plant outages to ensure that these outages
72 and their cost impact on the EBA charge is appropriate. We examined the information
73 provided as part of the filing and conducted additional discovery. The next assignment
74 was to evaluate a sample of trading transactions for accuracy, completeness, and
75 prudence. PacifiCorp has settled tens of thousands of transactions during 2019, consisting
76 of power physical, natural gas financial, and natural gas physical deals. We developed a
77 sample of 48 broadly representative transactions (including 24 transactions related to the
78 Company's hedging program) and accounting entries and conducted extensive discovery
79 on these transactions. We built on knowledge gained from similar review in previous
80 EBA cases, including three visits (in 2013, 2015, and 2019) by Daymark and Division
81 representatives to PacifiCorp's trading headquarters in Portland, Oregon to meet trading
82 staff and witness energy supply management activity. We were also asked to review
83 certain specific issues related to key drivers of EBA costs. First, we were asked to review
84 the variances in actual wholesale sales revenue and purchased power expense relative to
85 levels forecast for the general rate case and established in Base NPC. Second, we were
86 asked to review the impact of PacifiCorp's fourth full calendar year of participation in the
87 California Independent System Operator's ("CAISO") Energy Imbalance Market

88 (“EIM”). Finally, we were asked to review PacifiCorp’s risk management policies and
89 compliance monitoring practices.

90 **III. Findings and Recommendations**

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

92 A: Our review of forced, maintenance, and extended planned outages at PacifiCorp’s
93 thermal plants during the EBA deferral period yielded 12 outages that warranted further
94 investigation to determine whether there were any unnecessary increases to Company-
95 wide NPC. Of these 12 outages that warranted additional scrutiny, four outages
96 demonstrated sufficient imprudence that we recommend reducing EBA costs to reflect
97 replacement power costs related to the outages. The total reduction in Company-wide
98 NPC for these outages is \$6,027,431. The Utah-allocated EBA deferral adjustment
99 related to imprudent outage replacement power costs is \$2,792,525 Division Witness
100 Gary Smith discusses the impact of this Company-wide NPC reduction on RMP’s
101 requested EBA deferral amount.

102 During our audit of the EBA for calendar year 2019, we analyzed a sample of all three
103 basic types of transactions: natural gas financials, natural gas physicals, and power
104 physicals. Based upon our review and the information provided by RMP, we do not
105 propose any adjustments to calendar year 2019 EBA costs for any of these transactions.
106 Based on our high-level review of public reports produced by CAISO supporting its
107 benefits estimates we have found no reason to challenge CAISO’s methodology or its
108 findings that EIM participants benefit significantly from real time imbalance trading
109 facilitated by the market. We find no reason to disagree with the common conclusion of

110 CAISO and PacifiCorp that participation in EIM delivers benefits to PacifiCorp
111 customers.
112 Contemporaneous documentation of trade purpose – why *that* particular trade was made
113 at *that* particular time – is a critical element for the demonstration of prudence of costs
114 incurred resulting from the Company’s hedging program. In accordance with a settlement
115 stipulation in Docket No. 14-035-01, we have previously accepted Commercial Objective
116 Reports (CORs) as contemporaneous documentation of trade purpose. In our review of
117 CORs during the three-year period from 2017 – 2019, we found that CORs were rarely
118 updated and prone to obvious oversights that could remain undetected for months and
119 years, and in some cases CORs offered specific trading indications that appear to have
120 been ignored without explanation for much of 2019. The Company should require all
121 traders to record basic trade purpose documentation for all hedging transactions
122 regardless of whether the trades conform to broad objectives articulated in a COR. It is
123 not unduly burdensome as the number of these transactions is relatively limited, and the
124 time and resources needed to record this information are minimal. We will make
125 recommendations for disallowances in future EBA audits if this critical component for
126 demonstrating prudence of individual hedging transactions cannot be provided.

127

128 **IV. Conclusion**

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

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