

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 23-035-01
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 7, 2023

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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
2022 – Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for
Calendar Year 2022

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 46 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), 2018 (Docket No. 19-035-
24 01), 2019 (Docket No. 20-035-01), 2020 (Docket No. 21-035-01) and 2021 (Docket No.
25 22-035-01). My resume is included in DPU Exhibit 2.1 Dir.

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

28 A: Yes. I filed testimony in Docket Nos. 16-035-01, 17-035-01, 18-035-01, 19-035-01, 20-
29 035-01, 21-035-01, and 22-035-01 regarding audits of Rocky Mountain Power's
30 ("RMP"), a business unit of PacifiCorp ("PacifiCorp" or the "Company"), Energy
31 Balancing Account ("EBA") costs for calendar years 2015, 2016, 2017, 2018, 2019, 2020
32 2021 and 2022 respectively.

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

34 A: I received a Bachelor of Arts degree in Applied Mathematics with a focus in Economics
35 from Yale University and a Master of Public Policy and Management Degree from the
36 University of Southern Maine. I have worked at Daymark for 13 years, focusing on the
37 firm's utility regulation and planning and market analytics practices. I have provided
38 assistance with analysis and expert testimony development in utility planning cases in
39 front of public utility commissions in Michigan, North Dakota, Arkansas, Wisconsin,
40 Vermont, Utah, and Manitoba. I have operated or supervised production cost modeling
41 using PLEXOS, AURORAxmp and PCI GenTrader on behalf of clients in New England,
42 New York, Ontario, North Carolina, Florida, Indiana, Hawaii, and the Southern Company
43 Balancing Authority Area in the southeast. I have also assisted with rate development or
44 review in Wisconsin, Utah, Massachusetts, and Vermont. Outside of Utah, I have

45 submitted expert testimony before the Michigan Public Service Commission, the New
46 Hampshire Public Utilities Commission, the Hawaii Public Utilities Commission, and the
47 Federal Energy Regulatory Commission. I was actively involved in Daymark’s review of
48 the EBA for the last three months of 2011 and calendar years 2012 through 2022. My
49 resume is included in DPU Exhibit 2.1 Dir.

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

52 A: Yes. I filed testimony in Docket Nos. 15-035-03, 16-035-01, 17-035-01, 18-035-01, 19-
53 035-01, 20-035-01, 21-035-01 and 22-035-01 regarding audits of RMP’s EBA costs for
54 calendar years 2014 through 2021, respectively.

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

56 A: Daymark was retained by the Division to assist in reviewing RMP’s application seeking
57 approval from the Public Service Commission of Utah (“Commission”) to adjust electric
58 rates. The scope of our assignment was to ascertain whether the actual costs included in
59 the EBA filing for the calendar year 2022 were incurred pursuant to an in-place policy or
60 plan, were prudent, and were in the public interest. This direct testimony presents the
61 results and the conclusions from that review.

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

63 A: We sponsor three Exhibits. **Exhibit DPU 2.1 Dir, Resumes of Philip DiDomenico and**
64 **Dan F. Koehler** provides copies of our resumes. **Exhibit DPU 2.2 Dir, Daymark**
65 **Energy Advisors EBA Audit Report for Calendar Year 2022 – Public Executive**
66 **Summary** is a summary of our findings and recommendations. This Exhibit does not

67 contain any Confidential information and is publicly available. **Confidential Exhibit**
68 **DPU 2.3 Dir, Daymark Energy Advisors EBA Audit Report for Calendar Year 2022**
69 is our full and complete report. This Exhibit contains material and is based upon
70 information that we received from RMP, which it has identified as Confidential
71 information subject to Commission Rule 746-1-602 and 746-1-603.

72 **II. Daymark’s Assignments**

73 **Q: What was the scope of Daymark’s assignment in this proceeding?**

74 A: Our first task was to review and assess actual plant outages to ensure that these outages
75 and their cost impact on the EBA charge is appropriate. We examined the information
76 provided as part of the filing and conducted additional discovery. The next assignment
77 was to evaluate a sample of trading transactions for accuracy, completeness, and
78 prudence. PacifiCorp has settled tens of thousands of transactions during 2022, consisting
79 of power physical, natural gas financial, and natural gas physical deals. We developed a
80 sample of 54 broadly representative transactions (including 37 transactions related to the
81 Company’s hedging program) and accounting entries and conducted extensive discovery
82 on these transactions. We built on knowledge gained from similar review in previous
83 EBA cases, including three visits (in 2013, 2015, and 2019) by Daymark and Division
84 representatives to PacifiCorp’s trading headquarters in Portland, Oregon to meet trading
85 staff and witness energy supply management activity. We were also asked to review
86 certain specific issues related to key drivers of EBA costs. We reviewed the variances in
87 actual wholesale sales revenue and purchased power expense relative to levels forecast
88 for the general rate case and established in Base net power costs (“NPC”). We were also

89 asked to review variances in production tax credit (“PTC”) offsets to EBA costs. Finally,
90 we were asked to review PacifiCorp’s risk management policies and compliance
91 monitoring practices.

92 **III. Findings and Recommendations**

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

94 A: Our review of forced, maintenance, and extended planned outages at PacifiCorp’s power
95 plants during the EBA deferral period yielded 13 outages that warranted further
96 investigation to determine whether there were any unnecessary increases to Company-
97 wide NPC. Of these 13 outages that warranted additional scrutiny, four outages
98 demonstrated sufficient imprudence that we recommend reducing EBA costs to reflect
99 replacement power costs related to the outages. The total reduction in Company-wide
100 NPC for these outages is \$1.7 million. The Utah-allocated EBA deferral adjustment
101 related to imprudent outage replacement power costs is \$753,447.

102 During our audit of the EBA for calendar year 2022, 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 the calendar year 2022 EBA costs for any natural gas
106 transactions.

107 As of July 1, 2021, the Company implemented major changes in its Energy Risk
108 Management Policy, as described in a confidential technical conference presentation
109 under Docket No. 23-035-06, held March 29, 2022. Five deals were flagged in our power
110 physical transaction review, all of which were fixed price forward transactions to hedge

111 power positions that were already long according to the Company's long-term physical
112 system dispatch modeling at the time the deals were done. Four other deals with similar
113 characteristics were also flagged from the transaction database. These nine deals were not
114 required by the hedge policy, were not part of an articulated trading plan, and were not
115 shown to be prudent by substantial evidence. The total reduction in Company-wide NPC
116 for these deals is \$13.9 million. The Utah-allocated EBA deferral adjustment related to
117 imprudent outage replacement power costs is \$6,284,307. Division Witness Gary Smith
118 discusses the impact of this Company-wide NPC reduction on RMP's requested EBA
119 deferral amount.

120 **IV. Conclusion**

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

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