

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 23-035-01
)	Exhibit DPU 2.0 R
IN THE MATTER OF ROCKY)	
MOUNTAIN POWER'S)	
APPLICATION FOR APPROVAL OF)	Rebuttal Testimony of
THE 2023 ENERGY BALANCING)	Philip DiDomenico
ACCOUNT)	and
)	Dan F. Koehler
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Redacted

**Rebuttal Testimony of
Philip DiDomenico
and
Dan F. Koehler**

January 8, 2024

TABLE OF CONTENTS

I. Introduction 3

II. Staples’ Response Testimony 4

III. Painter’s Response Testimony 8

IV. Richards’ Response Testimony 9

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 Principal 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: Have you previously filed testimony in this proceeding?**

12 A: Yes. Our direct testimony in this proceeding was filed on November 1, 2023.

13 **Q: What is the purpose of your response testimony?**

14 A: The purpose of our rebuttal testimony is to respond to the response testimony of Rocky
15 Mountain Power (“RMP”), a business unit of PacifiCorp (“PacifiCorp” or the
16 “Company”), witnesses Mr. Douglas R. Staples, Mr. Jack Painter, and Mr. Brad Richards
17 filed on December 7, 2023. We respond to Mr. Staples’ testimony asserting that the
18 Company acted prudently when executing the power physical hedging transactions cited
19 for disallowance in Daymark’s Technical Report of the Energy Balancing Account Audit
20 for Rocky Mountain Power for Calendar Year 2022 (“Audit Report”) filed on November
21 7, 2023. We respond to Mr. Painter’s proposed adjustments to replacement power cost

22 estimates for Dave Johnston outages featured in our Audit Report. Finally, we respond to
23 certain issues raised by Mr. Richards regarding the proposed generation plant outages
24 featured in Daymark’s Audit Report. However, the lack of response to any issue raised by
25 the RMP witnesses should not be construed as agreement on that issue.

26 **II. Staples’ Response Testimony**

27 **Q: To what issues raised in Mr. Staples’ response testimony do you wish to respond?**

28 A: Mr. Staples testifies that the Company acted prudently when entering into the nine [REDACTED]

29 [REDACTED] flagged as imprudent in the Audit Report. The trades were

30 made to alleviate potential [REDACTED]

31 [REDACTED]

32 [REDACTED]

33 [REDACTED].¹ According to Mr. Staples, the traders made reasonable

34 judgments within the flexibility afforded by the hedging policy and documented the

35 purpose of the trades appropriately.²

36 **Q: Do you agree that considerations of [REDACTED] may cause the Company to**

37 **prudently [REDACTED] when hedge policy metrics indicate a [REDACTED]**

38 **[REDACTED] ?**

39 A: Yes. Our review of power transactions is deferential to the Company’s need to ensure

40 that it is protected from falling short of physical power in actual operations, [REDACTED]

¹ Response Testimony of Douglas R. Staples, lines 148-166.

² Response Testimony of Douglas R. Staples, lines 38-46.

41 [REDACTED]. The position reporting and limit structure of the hedging
42 program make imperfect guideposts for physical power balancing, and that is not their
43 intent. Mr. Staples provides several valid reasons why the Company may have prudently
44 decided to [REDACTED]
45 [REDACTED]. Management of power and natural gas physical positions are similar in this
46 respect. The Company's hedge policy also [REDACTED]
47 [REDACTED]. Our understanding is that these limits are used [REDACTED]
48 [REDACTED]
49 [REDACTED]
50 [REDACTED].

51 **Q: Do [REDACTED] justify the prudence of the [REDACTED] transactions?**

52 A: No. The [REDACTED] could have been provided with products
53 that don't also lock the Company into a financial hedge, such as index-priced power
54 physical transactions. Power physical transactions may be either fixed price (locking in
55 the entire contract price at the time of execution) or index-priced (allowing the final price
56 to be set by a formula tied to the final settlement price of a published power price index).
57 All of the [REDACTED] outlined in Mr. Staples' testimony could have
58 been addressed with index-priced power physical transactions.

59 **Q: Did the Company consider index-priced physical transactions as an alternative to
60 fixed price when executing [REDACTED]?**

61 A: The Company provided no contemporaneous documentation that it did. In response to a
62 data request, the Company stated, "[REDACTED]"

63 [Redacted]

64 [Redacted]

65 [Redacted]”³ [Redacted]

66 [Redacted]

67 [Redacted]

68 [Redacted]

69 [Redacted]

70 From the information provided, we can only conclude [Redacted]

71 [Redacted]

72 [Redacted]

73 **Q: Do you agree, as Mr. Staples testifies, that “there is evidence for the reasonableness**
74 **of those considerations in the Company’s records of its activities”⁴?**

75 **A:** No. The Company purchased [Redacted] for a
76 single calendar quarter with little more than a single line notation by the trader to trade
77 purpose and without any supporting analysis that the above-market prices available [Redacted]
78 [Redacted])

79 warranted additional *financial* hedging beyond policy guidelines.⁵ Confidential Table 1
80 below is an updated version of Figure X-8 from our Audit Report, with additional data on

³ RMP Confidential Response to DPU Data Request 19.2, attached as DPU Exhibit 2.2 R
⁴ Response Testimony of Douglas R. Staples, lines 41-42.
⁵ DPU Exhibit 2.3, Daymark Energy Advisors EBA Audit Report at 95-98 (Nov. 7, 2023).

81 deal number 2224841 provided by the Company in response to DPU Data Request 18.1.⁶
82 Based on the information provided by the Company, we do not know why [REDACTED]
83 contracts were sought instead of [REDACTED] contracts, which would have resolved the
84 Company's [REDACTED] without locking in fixed prices averaging
85 [REDACTED]. For all the concerns of the Company about [REDACTED]
86 [REDACTED] cited in Mr. Staples' testimony and in responses to data requests
87 about these trades,⁷ there is no mention of this in the *weekly* Commercial Objectives
88 Reports during the time when [REDACTED] were executed.
89 [REDACTED]

[REDACTED]

91 **Q: Has anything in Mr. Staples' Response Testimony or subsequent data responses**
92 **caused you to reconsider the conclusions reached regarding the [REDACTED]**
93 **[REDACTED]?**

⁶ RMP Confidential Response to DPU Data Request 18.1.

⁷ See, e.g., RMP Confidential Response to DPU Data Request 19.1, attached as DPU Exhibit 2.1 R, and RMP Confidential Response to DPU Data Request 19.2, attached as DPU Exhibit 2.2 R.

94 A: No. The Company still has not met its burden to demonstrate that these transactions were
95 prudent. Our recommendation is unchanged. The Energy Balancing Account (“EBA”)
96 recovery amount should be reduced by \$6,485,693 to prevent Utah ratepayers from
97 bearing the burden of the \$13,903,376 in losses associated with these transactions.
98
99

100 **III. Painter’s Response Testimony**

101 **Q: To what issues raised in Mr. Painter’s response testimony do you wish to respond?**

102 A: In our direct testimony, we recommended reducing the EBA deferral amount to account
103 for replacement power costs related to three imprudent thermal plant outages. We
104 calculated \$1.7 million in net replacement power costs on a PacifiCorp-wide basis, or
105 \$753,447 on a Utah-allocated basis. While he defers to Mr. Richards’ testimony on the
106 disputed issue of prudence, Mr. Painter proposes adjustments to the replacement power
107 costs of outage events at Dave Johnston based on the fact that they were derates rather
108 than complete outages. The Company’s revised calculations amount to \$0.9 million on a
109 PacifiCorp-wide basis, or \$401,813 on a Utah-allocated basis, associated with the outages
110 recommended for disallowance in the Audit Report.⁸
111

112 **Q: Do you agree with Mr. Painter’s recommended adjustments?**

⁸ Jack Painter Response Workpaper, Tab “Outage Replacement Cost”, Cell O7 & O14

113 A: Yes, with a very minor adjustment. Replacement power costs in the Audit Report
114 erroneously assumed all outages were full outages rather than a blend of full and partial
115 outages, or “derates”, which resulted in an over-estimation of lost megawatt-hours and
116 the associated replacement power costs. We agree with the revised calculations in Mr.
117 Painter’s confidential workpapers, with one correction. He erroneously applied the peak
118 period market price to a single off-peak hour of the Dave Johnston 1 & 2 events.
119 Correcting that minor error yields adjusted replacement power costs of \$332,685 on a
120 PacifiCorp-wide basis, and \$147,898 on a Utah-allocated basis, for the Dave Johnston 1
121 & 2 partial outage.

122

123 **IV. Richards’ Response Testimony**

124 **Q: To what issues raised in Mr. Richards’ response testimony do you wish to respond?**

125 A: Mr. Richards’ response testimony disputes our findings that the Company acted
126 imprudently in each of the three outage events and that the adjustment to the EBA
127 deferral amount should be rejected.⁹

128

⁹ Response Testimony of Brad Richards, at 2, lines 35-37.

129 *Craig Unit 1 Outage* ([REDACTED])

130 **Q: How do you respond to Mr. Richards’ testimony on the Craig Unit 1 outage**
131 **beginning [REDACTED] ?**

132 A: Mr. Richards’ testimony asserts that Daymark’s recommendation to pursue a waiver from
133 the EPA for the Mercury and Air Toxics Standards (“MATS”) testing requirement was
134 not a reasonable course of action, stating that “it is inappropriate for the Division to
135 suggest the Company avoid the mandatory environmental inspection for a generation unit
136 with a [REDACTED] remaining operating life.”¹⁰ He claims any decision regarding the
137 appropriateness of a waiver request in this instance is for the EPA, not the Company, to
138 decide. However, by not even making the request, the Company precluded the possibility
139 of a waiver. Whether a waiver would have been granted by the EPA is not the issue, a
140 waiver should have been requested.

141 Further, the Company’s actions in this instance are inconsistent. On the one hand the
142 Company chose to [REDACTED]
143 [REDACTED] likely creating an increased risk of outage
144 events and associated replacement power costs. Here, the Company’s decision seems
145 driven largely by the imminent retirement of the unit. However, that same rationale was
146 not used for this derate, and instead the Company deemed it too long to operate without
147 MATS testing.

¹⁰ Response Testimony of Brad Richards, at 5, lines 101-103.

¹¹ Response Testimony of Brad Richards, at 4, lines 73-74.

148 We continue to believe this outage was imprudent and avoidable. We recommend an
149 adjustment to the EBA for the replacement power costs incurred, at revised cost of
150 \$552,947 Company-wide, or \$245,818 on a Utah-allocated basis.

151

152 *Dave Johnston Unit 3 Derate* (████████████████████)

153 **Q: How do you respond to Mr. Richards’ testimony on the Dave Johnston Unit 3 derate**
154 **beginning** ██████████ **?**

155 **A:** In his response testimony, Mr. Richards states that Daymark incorrectly categorized this
156 event as an outage, when it was a derate.¹² We agree that we mistakenly miscategorized
157 the event and subsequently overestimated the losses. In the future, it would be helpful if
158 the Company included in its Significant Event Reports (“SERs”) the beginning and end
159 times of the event or ensure that all events for which we receive SERs are incorporated
160 into the Outage Summary spreadsheets with specific start and end times to prevent
161 confusion in the future.

162 We continue to believe this outage was imprudent and avoidable. However, given the de
163 minimis nature of the corrected replacement power cost in this one incident (\$17,217
164 Company-wide, or \$7,654 on a Utah-allocated basis) we withdraw our recommendation
165 for an adjustment of the EBA cost.

166

¹² Response Testimony of Brad Richards, at 2, lines 39-41.

167 *Dave Johnston Units 1 & 2 Derate* [REDACTED]

168 **Q: How do you respond to Mr. Richards' testimony on the Dave Johnston Units 1 & 2**
169 **derate beginning** [REDACTED] **?**

170 A: In his response testimony, Mr. Richards states that Daymark incorrectly categorized this
171 event as a full outage when it was a derate.¹³ We agree that we mistakenly
172 miscategorized the event and subsequently overestimated the replacement power costs.
173 However, nothing in the Company's rebuttal testimony addresses the fundamental
174 concern that a lack of proper resource planning led to this outage. Given the critical
175 nature of the [REDACTED]

176 [REDACTED]

177 As such, we continue to believe this outage was imprudent and avoidable. We
178 recommend an adjustment to the EBA for the replacement power costs incurred, at a
179 revised cost of \$332,685 Company-wide, or \$147,898 on a Utah-allocated basis.

180

181 **Q: Please summarize your final recommended adjustments to the EBA deferral**
182 **amount.**

183 A: We recommend that the Company's requested recovery of deferred EBA costs should be
184 reduced by \$405,324 based on replacement power costs for imprudent outages at Craig
185 and Dave Johnston. Table 2 below shows our adjusted calculations compared to our

¹³ Response Testimony of Brad Richards, at 2, lines 39-41.

¹⁴ See RMP Confidential Response to DPU Data Request 9.4

186 original Audit Report, as well as the Company’s proposed adjustment in response
 187 testimony.

188 **Table 2**

	DPU Audit Report		RMP Response		DPU Rebuttal	
	TOTAL	UT-allocated	TOTAL	UT-allocated	TOTAL	UT-allocated
Craig 1	552,947	245,818	552,947	245,818	552,947	245,818
DJ1 & 2	1,018,563	452,812	333,682	148,342	332,685	147,898
DJ3	123,306	54,817	17,217	7,654	-	-
TOTAL	1,694,816	753,447	903,846	401,814	885,632	393,716
Interest		25,236		11,981		11,607
EBA Adjustment		778,683		413,795		405,324

189

190

191 **Q: Are there any general matters you would like to address?**

192 A: The Company’s statements regarding the non-regulatory nature and somewhat
 193 speculative purpose of SERs are troubling. Specifically, excerpted from testimony and
 194 underlined for emphasis, witness Mr. Richards said:

195 *“The purpose of the Company’s SERs is to collect and record observations and other*
 196 *information which may be relevant to the immediate event, or potentially relevant to the*
 197 *Company’s operations going forward. Unlike regulatory documents...SERs are internal*
 198 *engineering documents and are not prepared specifically for regulatory purposes...the*
 199 *Company considers SERs as an appropriate repository for observations and even some*
 200 *speculation which the Company’s personnel believe may have immediate or future value*
 201 *to the operations of the Company’s thermal generating units. SERs may be reviewed and*

202 modified as needed but it is important to recognize that not all notes and observations
203 contained in its SERs are necessarily conclusive.¹⁵
204 The Division does not have the resources to perform its own independent onsite
205 investigations of outage events nor could it do so under the current EBA statutory
206 timelines. The Division relies on the SERs as the primary source of conclusive
207 information for matters related to the root causes of outages and remedial actions the
208 Company plans to take to avoid recurrence. As such, SERs should be treated as
209 regulatory documents not merely repositories for observations and speculation. To do
210 otherwise is a waste of valuable Division resources if those limited resources are used to
211 investigate apparent issues that are later corrected as inconsequential. All SERs should be
212 thoroughly reviewed for conclusive accuracy before they are submitted for regulatory
213 review.

214

215 **Q: Does this conclude your rebuttal testimony?**

216 **A:** Yes.

¹⁵ Response Testimony of Brad Richards, at 3, lines 50-62.