

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 12-035-67
)	
)	
In the Matter of the Application of Rocky)	Exhibit No. DPU 1.0 Dir Supp
Mountain Power to Increase Rates by)	
\$29.3 Million or 1.7% through the)	
Energy Balancing Account)	Direct Supplemental Testimony
)	and Exhibits
)	
)	Matthew Croft
)	

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

REDACTED

Supplemental Testimony of

Matthew Croft

December 13, 2012

1 **Q. Please state your name and occupation?**

2 A. My name is Matthew Allen Croft. I am employed by the Utah Division of Public Utilities
3 (“Division”) as a Utility Analyst.

4 **Q. Have you testified previously in this Docket?**

5 A. Yes. I provided direct testimony in this Docket. Attached with my direct testimony was the
6 Division’s EBA Audit Report for the period October 1, 2011 through December 31, 2011.

7 **Q. What is the purpose of the testimony you are now filing?**

8 A. I am providing supplemental testimony to address various issues raised in my direct
9 testimony, the Audit Report and the testimony of DPU witness Mr. Richard Hahn
10 (collectively referred to as the Division’s “Initial Audit”).

11 **Q. Can you please summarize the Division’s position with regards to the requested EBA
12 deferral balance?**

13 A. Yes. Based on additional information (or lack of information) provided by the Company
14 since filing the Initial Audit, the Division believes the requested EBA deferral balance of
15 \$8.9 million should be reduced by \$2.4 million. The \$2.4 million reduction consists of two
16 Division adjustments. The first adjustment is a \$0.3 million *increase* related to the out-of-
17 period adjustments discussed on pages 16 and 17 of the Division’s Audit Report. The second
18 adjustment is a \$2.7 million *decrease* attributed to unjustified Company actions related to
19 certain plant outages. The \$2.7 million adjustment is discussed in the supplemental testimony
20 of Mr. Hahn. The combination of these two adjustments results in a \$2.4¹ million decrease to
21 the requested EBA deferral balance.

¹ The specific calculations behind Mr. Hahn’s adjustment can be seen in Figure 4 of his supplemental testimony and in confidential DPU Exhibit 1.1 Dir Supp. DPU Exhibit 1.1 Dir Supp is a modified version of Mr. Dickman’s

22 **Q. What specific issues will the Division be addressing in this supplemental testimony?**

23 A. The Division will be addressing the following issues identified in the Initial Audit:

- 24 1. Variance in output and costs for coal and natural gas plants.
- 25 2. Justifications and explanations of certain plant outages.
- 26 3. Additional detail to explain the variance between actual and forecasted power purchases
- 27 and sales.
- 28 4. Additional detail to explain the purpose of certain power and gas transactions.
- 29 5. Supporting documentation for power physical transactions.
- 30 6. Supporting documentation for power swaps.
- 31 7. Supporting documentation for gas physicals.
- 32 8. Explanation for a variance between two power physical data reports.

33 **Q. Which of the eight issues above are addressed by Mr. Hahn?**

34 A. Mr. Hahn addresses items 1-4 in his supplemental testimony.

35 **Q. Can you please summarize Mr. Hahn's findings with respect to these items?**

36 A. Yes. While the Company was able to provide additional information that resolved some of

37 the issues, Mr. Hahn testifies that the information provided is insufficient to explain or justify

38 certain plant outages. These outages resulted in an increase to total Company net power costs

39 (NPC) of \$9.2 million. The Division recommends removing these costs from the EBA

40 deferral calculations. Removing these costs reduces Utah's share of the EBA deferral balance

confidential "Exhibit 1 & 2 Workpaper.xlsx." The modifications are shown in the colored tabs in DPU Exhibit 1.1 Dir Supp. These modifications consist of the buy-through adjustments identified by the Company (See DPU Initial Comments in this docket), the Commission's change to the SG and SE allocation factor values, and the Division's out-of-period and plant outage adjustments.

41 by \$2.7 million². Mr. Hahn also testifies that a comparison between actual purchases and
42 sales and forecasted purchases and sales is still not feasible. As such, he makes no
43 recommendation regarding the impact of the variance between the actual and forecasted data.
44 With regards to the basis for certain power and natural gas transactions, Mr. Hahn still has
45 additional questions. However, given their small impact on the EBA, he makes no
46 recommendation to change the requested EBA costs.

47 **Q. Are you going to address the remaining issues identified previously?**

48 A. Yes.

49 **Q. In general, what were the issues regarding the supporting documentation of power**
50 **physical transactions?**

51 A. Initially, it did not appear that the Company provided invoices tied to the dollar amounts
52 shown in Filing Requirement 1- 2 (FR 1-2). In addition, it appeared that in some cases
53 invoices were not provided at all. DPU Exhibit AR 8, filed with the Division's Audit Report,
54 included a full description of the deficiencies found.

55 **Q. Has the Company provided any additional information with regards to these**
56 **deficiencies?**

57 A. Yes. After the Division filed its Audit Report, the Company provided additional information
58 that reconciled the invoices provided in DPU Data Request set 20 with the amounts shown in

² See the "Exhibit 1 (DPU Audit-Supp)" tab in DPU Exhibit 1.1 Dir Supp. Note, this tab includes both the out-of-period adjustments proposed by the Division in its EBA Audit Report and the plant outage adjustment discussed above. The net impact of these adjustments is to reduce Utah's EBA deferral balance by \$2.4 million.

59 the Division's sample of FR 1-2. This additional information was provided in DPU Audit
60 Data Request 1.12 and 1.11³.

61 **Q. Based on the additional information provided by the Company, have the Division's**
62 **concerns with the power physical supporting documentation been resolved?**

63 A. Yes. Through the additional information provided and conversations with Company
64 personnel, the Division was able to tie the invoices to the data shown in FR 1-2. The
65 principal issue with this reconciliation process is that counterparty invoices do not present
66 purchases and sales by PacifiCorp deal number as is done in FR 1-2. As such, the Division
67 may, in future EBA cases, request supporting documentation based on a sample of
68 counterparties or days rather than deal numbers. However, if the Division continues to
69 request supporting documentation based on a sample of deal numbers, the Division
70 recommends that the type of reconciliations or additional invoices provided in response to
71 DPU Audit Data Request 1.12 and 1.11⁴ be provided.

72 **Q. In general, what were the issues regarding the supporting documentation of power**
73 **swap transactions?**

74 A. Table 6 on page 26 of the Division's Audit Report shows that invoices were not provided for
75 all of the selected power swap transactions. However, this table is incorrect and should have
76 shown that all invoices were provided but that not all of the confirmations were provided.

77 **Q. Has the Company provided any additional information regarding the missing**
78 **confirmations?**

³See DPU Exhibit 1.2 Dir Supp and DPU Exhibit 1.3 Dir Supp. In addition to DPU Audit Data Request 1.12 and 1.11, the Company provided the Division with further information regarding the reconciliation of [REDACTED] transactions. The Division has requested that the Company provide this information to the other parties as well.

⁴ In addition, the [REDACTED] reconciliations referenced in the footnote above should also be provided.

79 A. Yes. After the Division filed its Audit Report, the Company provided the missing
80 confirmation document in response to DPU Audit Data Request 1.13.⁵ The amounts shown
81 in the confirmation do tie to the amounts shown in revised FR1-1.

82 **Q. Based on the additional information provided by the Company, has the Division's**
83 **concern with the power swap supporting documentation been resolved?**

84 A. Yes.

85 **Q. In general, what were the issues regarding the supporting documentation of gas**
86 **physical transactions?**

87 A. The Division's Audit Report as well as Mr. Hahn's direct testimony identified a discrepancy
88 in MMBtu volumes between a detailed invoice [REDACTED] and what was "listed" [REDACTED]
89 [REDACTED] for deal number [REDACTED]. The "listed" MMBtus originated from the Company's
90 response to DPU Data Request 20.9-3 which provided the information entered into the Endur
91 system for the transactions sampled from revised FR 1-1. While DPU Data Request 20.9-3
92 does appear to be what was entered into Endur, the Company did not originally clarify that
93 [REDACTED]
94 [REDACTED]
95 [REDACTED]."⁶ A screen shot from the Endur system provided in the confidential response to
96 DPU Audit Data Request 1.15⁷ does show that the [REDACTED] were to be what was
97 actually "scheduled." This amount is confirmed by the invoice provided for this transaction.

⁵ See DPU Exhibit 1.4 Dir Supp.

⁶ This is part of the Company's confidential response to DPU Audit Data Request 1.15. See DPU Exhibit 1.5 Dir Supp.

⁷ See DPU Exhibit 1.5 Dir Supp.

98 The Company's response further states that the undelivered amount [REDACTED]

99 [REDACTED]

100 **Q. Based on the additional information provided by the Company, has the Division's**
101 **concern with the supporting documentation of gas physical transactions been resolved?**

102 A. Yes.

103 **Q. Will you please describe the issue with the variance between two power physical data**
104 **reports?**

105 A. Yes. As described in the Division's Audit Report, the short term physical purchases in FR 1-
106 2 did not tie to the short term physical purchases data extract from the Toris system that was
107 provided in the Company's response to DPU Data Request 15.2. The variance between the
108 two reports was [REDACTED]. Some of the variance [REDACTED] was due to the fact that the Toris
109 extract included out-of-period dollars while FR 1-2 did not. The remaining difference
110 [REDACTED] was not originally explained by the Company in very much detail.

111 **Q. Has the Company provided any additional information with regards to this variance?**

112 A. Yes. The Company's response to DPU Data Request 27.1 shows that the short term firm (SF)
113 purchases extract from Toris included [REDACTED] which are classified as
114 long term firm (LF) in the Endur system and therefore not included in the data in FR 1-2. The
115 Division considers the remaining [REDACTED] variance to be immaterial, however the Company
116 did provide an explanation for this variance in DPU Data Request 27.1 1st Supplemental.
117 This small variance is the result of several small inaccuracies in the Endur data that were
118 corrected in the Toris system.

119 **Q. Are you satisfied with the Company's explanation of this variance?**

120 A. Yes. It appears there are some differences in the SF and LF classifications between the two
121 reports, but ultimately, the data in FR 1-2 is just a subset of the Toris data extracted in DPU
122 Data Request 15.2.

123 **Q. Can you please summarize the Division's overall recommendation?**

124 A. Yes. The Division recommends that the Company's revised requested recovery of
125 \$8,892,108 be reduced by \$2,404,632⁸. This reduction can be attributed to unjustified
126 Company actions related to certain plant outages offset by a small increase related to out-of-
127 period adjustments. Should additional or new information become available, additional
128 supplemental testimony will be provided if needed.

129 **Q. Does this conclude your supplemental testimony?**

130 A. Yes.

⁸ See line 47 of the "Exhibit 1(DPU Audit – Supp)" tab in DPU Exhibit 1.1 Dir Supp.