

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
Rocky Mountain Power for Authority)	Docket No. 12-035-67
to Increase Rates by \$29.3 Million)	Surrebuttal EBA
or 1.7 Percent through the Energy)	Testimony of
Balancing Account)	Daniel E. Gimble
)	For the Office of
)	Consumer Services

January 17, 2013

Redacted Version

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION AND YOUR BUSINESS ADDRESS.

3 A. My name is Daniel E. Gimble. I am a special projects manager with the Office of
4 Consumer Services. My business address is 160 E. 300 S. Rm. 201, Salt Lake
5 City, Utah.

6

7 Q. DID YOU EARLIER PRE-FILE DIRECT TESTIMONY IN THIS EBA DOCKET?

8 A. Yes. On December 13, 2012 I pre-filed direct testimony (confidential and non-
9 confidential versions) in this proceeding.

10

11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. My surrebuttal testimony provides the Office's recommendation on the total
13 amount of EBA recovery that should be authorized by the Commission. I also
14 respond to the rebuttal testimony of Division witness Mr. Charles Peterson and
15 US Magnesium (US MAG) witness Mr. Roger Swenson on the rate spread issue
16 of whether a share of EBA accruals should be allocated to US MAG. Lastly, I
17 respond to Rocky Mountain Power (RMP) witness Mr. Stefan Bird's claim that the
18 Commission determined the prudence of the NPC baseline from which the actual
19 deviations in NPC cost and revenue elements included in the EBA are measured
20 against.

21

22 **EBA Recommendation**

23 Q. WHAT EBA ADJUSTMENTS DOES THE OFFICE RECOMMEND THE
24 COMMISSION ADOPT IN THIS PROCEEDING?

25 A. The Office's proposed EBA adjustments are presented in Table 1 SR of Mr.
26 Falkenberg's surrebuttal testimony. These adjustments total \$3,206,159 on a
27 Utah basis after applying the 70/30 EBA sharing.

28

29 Q. WHAT IS THE OFFICE'S RECOMMENDATION ON THE TOTAL AMOUNT OF
30 EBA RECOVERY THAT SHOULD BE AUTHORIZED BY THE COMMISSION IN
31 THIS PROCEEDING?

32 A. The Company's total requested amount of EBA recovery is \$9,632,526, which
33 includes the December 31, 2011 EBA deferral amount of \$8,982,874 (at 70%
34 sharing) plus accumulated interest charges of \$649,652 from October 1,
35 2011 through March 1, 2012 (expected implementation date).¹ The Office's
36 overall recommendation is that the Company's EBA recovery be limited to
37 \$6,426,367.²

38

39 **US Magnesium Contract**

40 Q. WHAT IS THE DIVISION'S POSITION ON WHETHER THE COMMISSION
41 SHOULD ORDER US MAG TO PAY AN APPROPRIATE SHARE OF EBA
42 COSTS IN THIS PROCEEDING?

43 A. In rebuttal, Mr. Peterson states the Division supports the Office's position that an
44 [REDACTED]
45 [REDACTED]
46 [REDACTED].

47

48 Q. DOES THE DIVISION PROPOSE THAT AN [REDACTED]
49 [REDACTED]?

50 A. Yes. Based on the rate spread from Docket 10-035-124, which was applied to
51 the initial \$20 million of EBA costs that was previously amortized into EBA rates
52 per the Commission's June 12, 2012 Order, the Division calculated an [REDACTED]
53 [REDACTED].³

54

55 Q. IS THE DIVISION'S RATE SPREAD PROPOSAL FOR US MAG
56 REASONABLE?

57 A. If the Commission decides to spread a portion of EBA accruals to US MAG in this
58 proceeding, the Division's proposal is a reasonable approach. The Division
59 correctly relies on the rate spread from Docket 10-035-124 and uses

¹Dickman, supplemental direct, Table 2 - "Updated EBA Request."

²\$9,632,526 (EBA deferral + accumulated interest) - \$3,206,159 (Office's proposed EBA adjustments) = \$6,426,367 (Office recommended EBA recovery).

³Mr. Peterson's calculation was made using the Division's recommended \$6.487 million level of total EBA recovery in supplemental direct.

60 [REDACTED]. However, in future EBA cases,
61 the Commission has ordered the use of the Composite NPC Allocator for
62 spreading EBA accruals. The Composite NPC method should be applied to US
63 MAG beginning with the Company's 2013 EBA filing.

64

65 Q. WHAT IS US MAG'S POSITION ON WHETHER THE COMMISSION SHOULD
66 REQUIRE US MAG TO PAY AN APPROPRIATE SHARE OF EBA COSTS IN
67 THIS PROCEEDING?

68 A. US MAG witness Swenson states that US MAG is not conceptually opposed to a
69 Commission decision that would require its participation in the EBA. Mr.
70 Swenson further states that issues as to when participation would begin and
71 what form it would take are unresolved issues.⁴ As to the issue of when US
72 MAG should begin to pay surcharges or receive credits associated with the EBA,
73 Mr. Swenson preference appears to be the March 2014 EBA filing. However, he
74 does not offer an explicit recommendation in his rebuttal testimony. Finally, Mr.
75 Swenson contends that spreading any EBA accruals to US MAG before the 2014
76 EBA case could result in retroactive ratemaking.

77

78 Q. WHEN SHOULD THE COMMISSION REQUIRE AN [REDACTED]
79 [REDACTED]?

80 A. The Office recommends that an [REDACTED]
81 beginning with the Company's March 2013 EBA filing. Our recommendation
82 strikes a balance between the Division's proposal to begin collecting revenue
83 from US MAG to cover EBA costs in the current case and what appears to be US
84 MAG's preference of participating in the EBA starting with the March 2014 EBA
85 filing. If adopted by the Commission, the Office's proposal provides appropriate
86 notice and an opportunity for US MAG to fully participate in all aspects of the
87 2013 EBA proceeding.

88

⁴Swenson Rebuttal, pgs 1-2, lines 22-26.

89 Q. PLEASE RESPOND TO US MAG'S CLAIM THAT ASSESSING ANY EBA
90 CHARGES TO US MAG BEFORE THE COMPANY'S MARCH 2014 EBA FILING
91 COULD CONSTITUTE RETROACTIVE RATEMAKING.

92 A. This claim is unfounded for a number of reasons. First, [REDACTED]
93 [REDACTED]
94 [REDACTED]. The [REDACTED] appears to give the
95 Commission considerable latitude to adjust the contract and apply EBA charges
96 [REDACTED]. Second, if the Commission orders that
97 an EBA adjustment will be applied starting with the 2013 filing, US MAG is given
98 adequate notice such that it can fully participate in all aspects of the case. Third,
99 Mr. Swenson appears to argue that even if the Commission orders US MAG to
100 participate prospectively in the EBA beginning with the 2013 filing, US MAG
101 should only be responsible for a pro-rated portion of any EBA accrual and that it
102 may be difficult to determine US MAG's share.⁵ If the Commission orders in this
103 proceeding that US MAG will be subject to an EBA adjustment in the March 2013
104 EBA case, the Office's view is that US MAG should be allocated a "full" portion of
105 any authorized EBA recovery or refund amount consistent with the Composite
106 NPC Allocator (see next Q&A). Since the question of retroactive ratemaking
107 involves legal analysis, the Commission should consider asking parties to
108 address this issue in legal briefs.

109

110 Q. AS TO THE ISSUE OF THE "FORM" OF US MAG'S PARTICIPATION, HAS
111 THE COMMISSION ALREADY RULED ON THIS MATTER?

112 A. Yes. In Docket 11-035-T10, the Commission ordered that it will use the
113 Composite NPC Allocator for purposes of spreading EBA accruals among
114 customers beginning with RMP's 2013 EBA filing. If US MAG intervenes in the
115 2013 EBA proceeding, US MAG would have an opportunity to address how that
116 allocator is defined and used to spread EBA accruals. I expect interested parties
117 will want to schedule a technical conference after the Company files its 2013

⁵ Swenson Rebuttal, pgs 5-6, lines 107 -128.

118 EBA request so that the Company can explain the development and specification
119 of the Composite NPC Allocator.

120

121 **Policy Issues – Prudence of Base NPC and Limitations on EBA review**

122 Q. PLEASE EXPLAIN WHAT GIVES RISE TO THE ISSUES OF PRUDENCE OF
123 BASE NPC AND LIMITATIONS ON EBA REVIEW?

124 A. In his rebuttal testimony, Company witness Bird asserts that the prudence of
125 base NPC has already been determined by the Commission because those costs
126 have been included in general rates for recovery from customers. He further
127 contends that this limits the Commission's review of prudence to only those
128 factors that resulted in a deviation of actual from base NPC.⁶

129

130 Q. WHAT IS THE OFFICE'S POSITION ON THIS POLICY MATTER?

131 A. EBA true-up filings identify the differential between the base NPC forecast set in
132 general rates and actual NPC in the EBA period. The differential represents the
133 amount that needs to be collected from or returned to customers. However, the
134 entire set of NPC costs and revenues included in the EBA accounts must be
135 reviewed (e.g., complete audit of key accounts, sampling of transactions included
136 in an account, etc.) for accuracy and prudence to ensure that the EBA amounts
137 collected from or refunded to customers are just and reasonable. The
138 determination of the EBA true-up amount will involve an examination of the
139 prudence of the NPC cost and revenue items that are included in base NPC, in
140 addition to the factors (unscheduled plant outages, changes in fuel costs,
141 changes in market prices, etc.) that result in actual NPC deviating from the base
142 NPC forecast.

143 For example, the Division indicated in its 2012 EBA Audit Report that it
144 reviewed the [REDACTED].⁷ In future EBA audits, the Division indicated
145 that it will [REDACTED]

⁶Bird Rebuttal, lines 721 – 729 represent the primary reference. However, lines 557 – 561 and 575 – 584 also address this matter.

⁷[REDACTED]

146 [REDACTED].⁸ Thus, the Division has and will continue to
147 perform a [REDACTED] even though the
148 fuel costs attendant to these are contracts are included in the base NPC
149 stipulated to by the parties and approved by the Commission in Docket 10-035-
150 124.

151

152 Q. WHAT ARE THE PRACTICAL PROBLEMS ASSOCIATED WITH THE VIEW
153 ADVANCED BY THE COMPANY?

154 A. While the settlement in Docket 10-035-124 set the base NPC from which the
155 EBA would be calculated, it did not identify what adjustments were made to the
156 Company's original requested NPC level to reach a settled level of base NPC.
157 Consequently, the Company's testimony claiming that the Commission has
158 already ruled on prudence is completely unsubstantiated. The Commission, or
159 any other party, would not be able to identify which individual NPC cost and
160 revenue elements have been ruled upon since none were specified in either the
161 stipulation or Commission's order in Docket 10-035-124.

162

163 Q. WHY DID THE OFFICE SUPPORT THE STIPULATION IN DOCKET 10-035-
164 124?

165 A. The Office believed the stipulation would result in just and reasonable rates when
166 it signed and supported it at the hearing before the Commission. In our opinion,
167 the NPC portion of rates included in the EBA should be viewed differently when
168 evaluating just and reasonable rates. In the case of NPC cost and revenue
169 elements subject to an EBA true-up, just and reasonable implies that the base
170 NPC is an appropriate starting point. A reasonable base NPC should be one that
171 incorporates a reasonable forecast of NPC costs and is not anticipated to later
172 result in a true-up filing that will create significant rate shock.

173

174 Q. IN THE PROCESS OF DETERMINING JUST AND REASONABLE RATES,
175 PLEASE EXPLAIN WHAT HAS CHANGED DUE TO THE IMPLEMENTATION OF
176 THE EBA PILOT?

177 A. With the advent of the EBA pilot, determining just and reasonable rates becomes
178 a two-step process. First, the base NPC level established in general rate cases
179 must be reasonable. Second, the EBA true-up must be accurate. Within these
180 two steps, NPC cost and revenue elements must be examined for prudence.
181 Since the general rate case settlement establishing base NPC was silent on the
182 components, the Office's view is that it is appropriate for parties to examine the
183 prudence of any and all NPC elements that comprise base NPC as well as
184 factors underlying the actual NPC deviations from base NPC in the EBA
185 proceeding.

186

187 Q. WHAT DID THE COMMISSION RULE UPON IN ACCEPTING THE
188 SETTLEMENT IN DOCKET 10-035-124?

189 A. In accepting the settlement in Docket 10-035-124, the Commission did not
190 explicitly rule on the prudence of individual NPC elements. The Commission
191 accepted a stipulation that in summation and total produced a reasonable
192 outcome, thereby allowing parties to reach a settlement. Paragraph 73 in Docket
193 10-035-124 plainly indicates that a party does not waive its right and ability to
194 pursue issues, including NPC issues, in future cases. Stipulation Paragraph 73
195 states as follows:

196

197 "The Parties agree that no part of this Stipulation or the formulae and
198 methodologies used in developing the same or a Commission order
199 approving the same shall in any manner be argued or considered as
200 precedential in any future case except with regard to issues expressly
201 resolved by this Stipulation. This Stipulation does not resolve and does
202 not provide any inferences regarding, and the Parties are free to take any
203 position with respect to any issues not specifically called out and settled
204 herein."

205

206 To summarize, Mr. Bird incorrectly states that prudence of base NPC has been
207 established because the Commission approved a comprehensive stipulation that
208 settled the case, including disputed NPC issues. There are no Commission
209 rulings on prudence relating to individual NPC adjustments proposed by any
210 party. In fact, the stipulation in no way identifies what individual components
211 comprise the base NPC. Consequently, parties are free in the current EBA
212 proceeding to pursue NPC issues that may have been addressed in establishing
213 base NPC in Docket 10-035-124.

214

215 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

216 A. Yes.

217