

Docket No. 13-035-184
DPU Exhibit No. 7.0 Dir-Rev Req
Witness: Clair Oman
May 1, 2014

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority To Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations :

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Docket No. 13-035-184

DIRECT TESTIMONY

OF

**CLAIR OMAN
STATE OF UTAH
DIVISION OF PUBLIC UTILITIES**

May 1, 2014

1 **Q. Please state your name and business address for the record.**

2 A. Clair Oman. My business address is Heber M. Wells Building 4th Floor, 160 East
3 300 South, Salt Lake City, Utah 84114-6751.

4
5 **Q. For which party will you be offering testimony in this case?**

6 A. I will be offering testimony on behalf of the Utah Division of Public Utilities
7 (“Division”).

8
9 **Q. Please describe your position and duties with the Division of Public Utilities?**

10 A. I am employed by the Division as a Technical Consultant. I examine public
11 utility financial data submitted for determination of rates; review applications for
12 rate increases; conduct research; examine, analyze, document and recommend
13 regulatory positions on a variety of regulatory matters; review operations reports
14 and ensure compliance with laws and regulations, etc.; and testify in hearings
15 before the Public Service Commission of Utah (“Commission”).

16

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to discuss my review of the Annual Incentive
19 Program (AIP), the amount of incentive approved for distribution for the 2013
20 year, the Company’s justification for the award based on the company
21 performance measured by the program metrics, and the basis for the amount.

22 **Q. Are any of your issues and concerns related to the objective of the AIP and**
23 **its potential benefit to the customers?**

24 A. No. The objective of the AIP appears to be sound and beneficial to the
25 employees, customers, and, thereby, the Company.

26

27 **Q. Do you believe that the Company's methods and metrics used to determine**
28 **the amount for AIP as filed in this docket are just and reasonable from a rate**
29 **making perspective?**

30

31 A. No I do not, and I will explain the basis for this conclusion below.

32

33 **Q. Please explain how you reviewed the AIP.**

34

35 A. **I reviewed** Mr. Wilson's Direct Testimony which includes an outline of the program
36 and a brief description of the procedures. My review also included the calculation
37 of the amount included in the Test Year submitted by the Company as a part of the
38 Filing Requirements Adjustments Tab 4.2 Wage and Employees Benefits. I also
39 reviewed portions of the Safety Award program. I noted that the scoring became
40 the performance scoring for both the Safety Awards program and the AIP. My
41 review also included a request for additional information from the Company. In
42 response to the data request the Company failed to answer questions that were
43 asked. The Company appeared reluctant to provide the history of scoring metrics

44 used to provide incentive to employees. Attached is DPU Exhibit 7.6 Dir-Rev Req.
45 which is a copy of the questions and responses to the data request.

46

47 **Q. During your review did you find justification for the 100% award for 2013?**

48

49 **A.** No I did not. Prior to the receipt of the Response to the DPU Data Request 14.3
50 the only justification that was available on the record was the statement and the
51 score in Mr. Wilson's testimony. The Company had not provided any scoring or
52 metrics or methods of scoring that justified any of the past three years AIP amounts
53 indicated in the Adjustment Tab found in the filing requirements. Company
54 Response to DPU Data Request 14.3 does not provide an acceptable method to
55 measure employee performance and provide meaningful feedback which would
56 foster employee growth by group or department. If no formal scorecard tracking
57 method is used, and the program is defined or assessed by senior management then
58 the Company has the burden of proof to show how each employee is incentivized
59 to perform at an above-average level as indicated by Mr. Wilson in Direct
60 Testimony.

61

62 Also when requested to explain in detail how this scoring related to the amount of
63 incentive compensation available for distribution, the response contained only a
64 discussion of one of the goals: safety; other goals were neither mentioned nor were
65 the scoring methods disclosed for those goals. In the adjustments tab 4.2.6 of filing

66 requirements the AIP amount for the past three years is provided yet the Company
67 performance individual goal based scoring has not been provided. These scores are
68 necessary to provide the reasonable justification for the current year award.

69

70 The 2012 safety scoring results of 1.25 provided by the Company in Response to
71 DPU Data Request 14.3 does not appear to provide a metric comparable with the
72 score of 85 percent for 2012 indicated by Mr. Wilson in Direct Testimony. These
73 differences again call for the Company to provide a quantifiable performance
74 scoring structure for individual goals and composite for the record in this docket.

75

76 In the Company's Response to DPU Data Request 14.3(b) the Company states:

77

78 "In 2013, the Company's performance showed marked improvement in
79 safety (incident rate goal of 1.0 with actual results being 0.77). This
80 compared to the 2012 goal of 1.15 and overall performance of 1.25. The
81 performance improvement was a key consideration in setting the award
82 allocation at the market average level for the workforce in 2013."

83

84 The information provided above is identical to the Company's response to the
85 Office of Consumer Services Data Request OCS 13.1 requesting information on
86 the Company's targets for its safety awards.

87

88 I do not find it reasonable that both programs would receive the same score when
89 the safety award program involves all company employees and the AIP involves
90 only the non-union employees. The safety aspects of these two groups would be
91 significantly different and both programs receiving identical scores seem to call
92 into question the scoring validity. The application of this same score to the AIP
93 negates the indication that there are multiple goals for the incentive plan. The
94 Company has not provided the necessary justification for the scoring of these
95 programs and application of these scores even in light of specific requests for such
96 data.

97
98 The Company states that safety was the key consideration that provided the basis
99 for setting the Annual Incentive dollars available for the year ended December 2013
100 at the 100% level. The fact that the other goals are absent of any mention seems to
101 indicate that they were not part of the measurement for 2013.

102
103 In light of the Company's indication that the underperformance in satisfying one
104 or more of these goals resulted in scores in the 85% range for the past four years
105 and the failure to provide the individual scores of all goals except for safety,
106 indicates, by the Company's own standards, a lack of justification for the 100%
107 score.

108

109 The Division proposes to adjust the AIP amount awarded for 2013 by an average
110 of AIP awarded for the last four years. This average is calculated on DPU Exhibit
111 7.3 Dir-Rev Req. Supporting worksheets are provided for the Detail Top sheet
112 DPU Exhibit 7.1 Dir-Rev Req.

113 This adjustment reduces the Company's total company revenue requirement by
114 approximately \$1,360,000 and Utah's revenue requirement by approximately
115 \$578,000.

116 **Q.** Does this conclude your Direct Testimony?

117 **A.** Yes.

118