

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO INCREASE THE DEFERRED EBA RATE THROUGH THE ENERGY BALANCING ACCOUNT MECHANISM.)))))))))))	DOCKET NO. 13-035-32 Exhibit No. DPU 1.0 Dir Direct Testimony and Exhibits Matthew Croft
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**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Direct Testimony of

Matthew Croft

July 22, 2013

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 Technical Consultant.

4 **Q. What is your business address?**

5 A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84111.

6 **Q. Please describe your education and work experience.**

7 A. I graduated in December of 2007 from the University of Utah with a Bachelor of Arts degree
8 in Accounting. I completed my Masters of Accounting at the University of Utah in May
9 2010. I began working for the Division in July of 2007. In April 2012 I became a Certified
10 Public Accountant, licensed in the state of Utah.

11 **Q. Have you testified before the Commission previously?**

12 A. Yes. I have testified in several rate case proceedings and other matters before the
13 Commission including the previous EBA Audit, Docket No. 12-035-67.

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

15 A. The purpose of my testimony is to summarize the Division’s audit with respect to the
16 Company’s Energy Balancing Account (EBA) for the period January 1, 2012 through
17 December 31, 2012 (2013 EBA).

18 **Q. How did the Division conduct its audit of the EBA?**

19 A. The Division contracted with La Capra Associates to review and provide recommendations
20 and testimony on certain aspects of the Company’s EBA filing. Specifically, La Capra was
21 assigned to ascertain whether the actual costs included in the EBA filing were based upon the
22 Company following its stated policies and procedures, were prudent, and were in the public

23 interest. The investigation of whether or not the various NPC items were properly booked
24 was primarily the responsibility of the Division's in-house staff. The Division did however
25 review some aspects of the Company's compliance with its policies and procedures. The
26 results of La Capra's investigation are presented in the direct testimony of Richard S. Hahn.
27 The Division's Audit Report includes its own analysis as well as support for the testimony of
28 Mr. Hahn and the accompanying La Capra Audit Report. The Division's audit report is
29 included as DPU Exhibit 1.2.

30 **Q. Did other Division staff participate in the EBA audit?**

31 A. Yes. Including myself, there were nine Division staff members that reviewed various aspects
32 of the Company's EBA filing.

33 **Q. Can you please summarize the Division's findings and recommendations?**

34 A. Yes. The Division's findings and recommendations are as follows:

35 DPU Audit Report

36 1. The Division believes the costs presented in the EBA are accurate and correspond to
37 supporting schedules, systems and source documents. Note that this is different than
38 prudence adjustments which are discussed below.

39 2. Approvals for a trader to exceed his or her dollar authorization signing limit *prior* to deal
40 execution need to be documented in writing rather than made verbally.

41 3. The Company needs to improve its documentation manifesting that traders and originators
42 make best efforts to seek out at least two competitive bids or offers compared to the next best
43 alternative.

44 4. In future EBA audits, the Company needs be to provide supporting documentation in a
45 timely, efficient manner.

46 5. Certain payments to a large customer should be excluded from the EBA because the
47 Company has not been able to fully explain or support them. This adjustment reduces total
48 Company adjusted actual NPC by \$1.76 million and Utah's EBA deferral balance by
49 approximately \$540,000.

50 La Capra Audit Report

51 1. Disallowance for a small loss involving transaction that exceeded the trader's limits under
52 the Company's governance policies. This adjustment reduces total company adjusted actual
53 NPC by \$33,635 and Utah's EBA deferral balance by \$10,012.

54 2. Disallowance of non-standard gas swap transactions that extended beyond the time frame
55 allowed by the contemporaneous Risk Management Policy. This adjustment reduces total
56 Company adjusted actual NPC by \$25.5 million and Utah's EBA deferral balance by \$8.0
57 million.

58 3. Disallowance for certain plant outages. This adjustment reduces total Company adjusted
59 actual NPC by \$1.47 million and Utah's EBA deferral balance by \$0.45 million.

60 **Q. Based on the adjustments explained above, what is the Division's recommended EBA**
61 **deferral balance recovery?**

62 A. The Division recommends recovery of an EBA deferral balance of \$8.3 million. This is a
63 \$9.1 million reduction to the original \$17.4 million requested by the Company.

64 **Q. Does this conclude your testimony?**

65 A. Yes.