

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 11-035-T10
)	
)	
In the Matter of the Rocky Mountain Power)	Exhibit No. DPU 2.0D
Proposed Schedule 94, Energy Balancing)	
Account (EBA) Pilot Program Tariff)	Direct Testimony and Exhibits
)	
)	Matthew Croft
)	

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

Direct Testimony of

Matthew Croft

February 23, 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. What is your business address?**

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

6 **Q. On whose behalf are you testifying?**

7 A. The Division.

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

9 A. I graduated in December of 2007 from the University of Utah with a Bachelor of Arts degree
10 in Accounting. I completed my Masters of Accounting at the University of Utah in May
11 2010. I began working for the Division in July of 2007.

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

13 A. Yes. I have testified in several rate case proceedings as well as tax related matters before the
14 Commission.

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

16 A. The purpose of my testimony is to address whether Rocky Mountain Power’s (“Company”)
17 proposed Schedule 94 tariff adequately details the types of costs that will be recorded in the
18 EBA, consistent with the EBA Order and the September Order. I will also briefly discuss
19 whether the proposed tariff is consistent with the EBA Order in the manner in which it
20 provides for the finality of rates.

21 **Q. What is the Division’s understanding of the types of costs that should be detailed in the**
22 **Company’s proposed tariff?**

23 A. Page 72 of the March 3rd, 2011 EBA Order states:

24 We include the Company's recommended FERC accounts in the balancing
25 account with the following changes. First, we are persuaded by UIEC, swap
26 transactions should be excluded from the calculation of both base and actual
27 net power cost...

28
29 Second, we find it appropriate to include wholesale wheeling revenues, FERC
30 account 456.1, in the balancing account calculation....

31
32 Subsequent to the March 3rd EBA Order, the fourth paragraph of the Synopsis of the

33 September Order states:

34 The Commission modifies its prior order in Docket No. 09-035-15 by allowing
35 certain prudent financial swap transactions to be included in the energy balancing
36 account per the terms of the Settlement Stipulation.

37
38 The Commission also stated on page 76 of the March 3rd Order that:

39 We direct the Company to file a revised Schedule 94 for our approval which
40 provides the equation for the balancing account noted above and itemizes each
41 FERC account and subaccount approved for balancing account treatment, similar
42 to the Questar Gas Company gas balancing account tariff. The description must
43 also explain in detail the types of adjustments the Company intends to make to
44 actual costs booked.

45
46 Based on the EBA Order and subsequent September Order, it is the Division's understanding
47 that the tariff's adequacy for detailing the types of costs to be recorded in the EBA depends
48 upon the following three criteria:

- 49 1) The types of costs must include the Company's recommended FERC accounts
50 (including swaps) plus account 456.1.
- 51 2) The itemization of FERC accounts and subaccounts must be similar to
52 Questar.
- 53 3) The descriptions of the FERC accounts must contain a detailed description of
54 adjustments to actual booked costs the Company intends to make.

55 **Q. Does the Dec 12, 2011 proposed tariff include the Company's recommended FERC**
56 **accounts (including swaps) plus FERC account 456.1?**

57 A. Yes. Pages 94.3 and 94.4 of the Company's December 12, 2011 tariff include the
58 "Company's recommended FERC accounts" and FERC account 456.1. It should be noted
59 the Division interprets the "Company's recommended FERC accounts" on page 72 of the
60 March 3rd EBA Order to be those accounts listed on lines 136 through 145 in Mr. Duvall's
61 direct testimony in Docket No. 09-035-15. The accounts listed in his testimony include 447
62 (Sales for Resale), 501 (Fuel), 503(Steam from Other Sources), 547 (Fuel – Other
63 Generation), 555 (Purchased Power) and 565 (Transmission of Electricity by Others). Since
64 the Company's tariff does not specifically exclude swaps, it is assumed that swaps are
65 included in the list of FERC accounts to be recorded in the EBA.

66 **Q. Does the Dec 12, 2011 proposed tariff include adequate itemization of the FERC**
67 **accounts and subaccounts, "similar" to Questar?**

68 A. Yes. It is true that the Questar FERC account descriptions are more extensive than the
69 Company's tariff, but this is only because Questar chose to quote (with some modifications)
70 the FERC account definitions directly from the Federal Code of Regulations. Rather than
71 quote what is already in the Federal Code of Regulations the Company chose to state on page
72 94.3 of its proposed tariff that the FERC accounts are "defined in Code of Federal
73 Regulations, Subchapter C, Part 101...."

74 **Q. Does the Dec 12, 2011 proposed tariff include adequate detail of the adjustments to**
75 **booked costs the Company intends to make?**

76 A. This depends on one's perspective. From a "similar to Questar" perspective, the Company's
77 tariff complies with the Commission's directive with one exception. The Company's

78 proposed tariff lists account 503 without any exclusions. This could be interpreted to mean
79 that the Company intends all costs booked to FERC account 503 to be included in the EBA.
80 However, the Company's response to DPU data request 14.1c¹ and 14.1d in Docket No. 09-
81 035-15 shows that the Company intends to exclude from the EBA certain costs booked to
82 this account. The exclusions listed in this data request response are items related to labor,
83 maintenance, materials, supplies and other miscellaneous operation and maintenance
84 expenses. These EBA exclusions should be listed in the tariff under account 503. While the
85 proposed tariff does not list the sub account numbers for items that are excluded from the
86 EBA deferral calculations, it does include sub or sub-sub (SAP²) account descriptions. In
87 addition, the Company's tariff does specifically mention that accounting accruals or
88 estimates will be excluded. Although the Company's detailing of the adjustments (or
89 exclusions) is "similar" to Questar, it should be pointed out that the level of complexity
90 between the two Company balancing accounts is vastly different. The Division therefore
91 recommends that a more detailed description of the accounts be provided such that the
92 relationships of account numbers, account title/descriptions, inclusions and exclusions be
93 more readily apparent.

94 **Q. Can you briefly describe the differences in balancing account complexity as it relates to**
95 **accounts and subaccounts that should be included or excluded?**

96 A. Yes. Questar's gas balancing account has a limited number of exclusions from the booked
97 FERC accounts. On the other hand, there are about a dozen specific FERC subaccounts, and

¹ See DPU Exhibits 2.1D and 2.2D. In DPU 2.2D, the "Fuel Accounts" worksheet states that certain values "Tie to Monthly NPC Report." These numbers represent what the Company intends to include in the EBA.

² SAP is the Company's accounting system and provides accounts even below the FERC sub-account level.

98 at least twenty other SAP accounts within other FERC subaccounts that the Company
99 believes should be excluded from the EBA.

100 **Q. How do you know which specific FERC subaccounts or SAP accounts the Company**
101 **intends to include or excluded from the EBA based on the limited information provided**
102 **in the tariff?**

103 A. Based on the information in the tariff and Company responses to four Division data
104 requests³, I was able to compile a detailed list of FERC accounts, FERC subaccounts and
105 SAP accounts the Company intends to include or exclude from the EBA. Within the provided
106 data request responses are worksheets that reconcile actual detailed NPC accounting (as
107 would be used in the semiannual report) data to actual monthly NPC reports⁴. The monthly
108 NPC report values are those intended to be used by the Company in the EBA.⁵ The monthly
109 NPC report is organized by the same categories that would be seen in the Company's NPC
110 "GOLD" report that is typically filed with a general rate case. Based on the information from
111 these sources, I have created three different levels of FERC account detail (high, medium,
112 low) for the Commission to consider in the final tariff⁶. Each level provides more detail than
113 what is currently included in the Company's tariff. In general, the Division is open to using
114 any of these levels. However, since the high level may be too lengthy and the low level may
115 be too general in some instances, the Division favors the medium level. From an analyst's
116 standpoint, a detailed FERC account description is essential to beginning an assessment as to
117 whether or not the EBA balance to be charged or credited to customers was calculated with

³ Company responses to DPU data request 13.1, 14.1 in Docket No. 09-035-15, DPU 7.28 in Docket No. 10-035-124, and DPU 1.1 in Docket 11-035-T10. See DPU Exhibits 2.1D, 2.2D, 2.3D, 2.4D and 2.8D.

⁴ See DPU 2.4D.

⁵ See DPU 2.1D.

⁶ See DPU 2.5D, 2.6D, 2.7D.

118 the appropriate expenses and revenues. On the other hand, subaccounts will change from
119 time to time as the business itself changes. While it is expected that most SAP accounts will
120 remain the same, some may change, be deleted, added or combined. Rather than refilling a
121 tariff every time a small change occurs, the Division recommends that the Company simply
122 update the tariff at the time it would regularly do so in its March 15th annual filings. The
123 Division will be monitoring the SAP account detail on a monthly basis and will easily be able
124 to spot changes in accounts. If significant issues arise the Division will request more
125 information from the Company and if necessary will request a change in the tariff. In
126 summary, there needs to be a starting point with enough detail for the Division and other
127 analysts to begin their audit or review.

128 **Q. Without venturing into the legal aspects of the finality of rates, when do you expect**
129 **rates established in an EBA filing to become final?**

130 A. The Division plans to complete an audit report (separate from the EBA Evaluation Report)
131 for each EBA filing and issue a recommendation as to whether or not the rates should
132 become final. After other parties have had the opportunity to review the report and assuming
133 they agree with the report, the Commission would then issue an order finalizing the rates.
134 The Division believes this process is compliant with the Commission's March 3rd Order.

135 Page 77 of the March 3rd Order states:

136 We concur with the recommendation of the Company and Division to establish an
137 interim rates process. We adopt a review process with hearing to set "interim
138 rates." We direct the Company to file annually, on March 15, to collect or refund
139 the calendar-year deferred balance. Following the Division's audit and a prudence
140 review, we will set final rates.

141
142 Page 94.5 of the Company's tariff also seems to encompass this process by stating:

143 The EBA rate shall be implemented on an interim basis and shall remain in effect
144 for the EBA Rate Effective Period. The interim rate shall become permanent upon
145 a final order issued by the Commission.

146
147 **AUDIT PROCEDURES:** All items recorded in the EBA Balancing Account are
148 subject to regulatory audit and prudence review.

149
150 **Q. Has the Division established a timeline for completing an audit report for each EBA**
151 **filing?**

152 A. No. Although the Division has had and will continue to have meetings with Company
153 personnel concerning policies and procedures, treatment of swaps, accounting, internal
154 controls and other issues, the Division is not ready to establish a timeline for completing an
155 audit report.

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

157 A. Yes.