

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 D
Mountain Power to Increase Rates by)	
\$29.3 Million or 1.7% through the)	
Energy Balancing Account)	Direct Testimony and Exhibits
)	Matthew Croft
)	
)	

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

Direct Testimony of

Matthew Croft

November 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. 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 as well as tax related matters before the
13 Commission.

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 October 2011 through
17 December 2011.

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 issues addressed in the
25 Division's Initial Comments on the EBA filed April 27, 2012 (Initial Comments) have also
26 been addressed by both the Division and La Capra. The Division prepared an audit report
27 that addresses in detail the majority of the issues identified in the Initial Comments as well as
28 the review of the accuracy of energy balancing account costs (EBAC). The remaining issues
29 as well as the results of La Capra's investigation are presented in the direct testimony of
30 Richard S. Hahn. A summary of Mr. Hahn's testimony is provided in the Division's Audit
31 Report. The Division's audit report and accompanying exhibits are included as DPU Exhibit
32 Audit Report (AR).

33 **Q. Was the scope of the Division's audit limited in any way?**

34 A. Yes. Even with the assistance of La Capra, the Commission's compressed time schedule
35 caused the Division to postpone some tasks until the next audit. Those specific postponed
36 investigations are outlined in the Division's report.

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

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

39 1. Based upon the concerns identified in Mr. Hahn's testimony, the Division cannot yet
40 recommend that the Commission allow the requested recovery of the EBA deferral amount.
41 However, the Company should be afforded the opportunity to address the issues identified in
42 Mr. Hahn's testimony. The Division's recommendation regarding the appropriate amount to
43 be included in rates will be developed after review of the Company's response.

44

45

- 46 2. The explanation provided in the Company's direct testimony regarding the variance
47 between actual and forecasted net power costs does not adequately explain the reasons for
48 actual net power costs being higher than forecast.
49
- 50 3. Based upon the review to date, the Division cannot agree that the costs underlying the
51 variance between actual and base EBAC were prudently incurred. The Company should
52 provide greater in-depth analysis of this variance that addresses the issues raised in the Mr.
53 Hahn's testimony.
54
- 55 4. The Company should also provide more information regarding certain plant outages that
56 were in effect during the fourth quarter of 2011. Additional review and analysis should be
57 performed to determine whether these outages were the result of prudent actions.
58
- 59 5. La Capra reviewed a sample of the four types of transactions for which data were provided
60 in the filing requirements: physical purchases/sales and financial swaps for both power and
61 gas. The review was limited because the Company did not provide the specific reasons for
62 entering into these transactions. Additionally, a significant portion of the supporting
63 documentation provided for the power physical transactions did not match the data contained
64 in the filing requirements.
65
- 66 6. Based on La Capra's review thus far of wheeling revenues or costs, the Division has not
67 identified any concerns that would warrant an adjustment to the EBA deferral amount due to
68 lower than expected wheeling revenues or costs.

69

70 7. The Division has identified out-of-period adjustments in addition to those already included
71 in the Company's filing. These adjustments increase the EBA deferral by \$317,595¹.

72

73 8. The Company needs to more fully explain a variance between the power physical data in
74 filing requirement 1-2 (FR1-2) and the TORIS system data for short term physical purchases.

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

76 A. Yes.

¹ See DPU Exhibit AR 6