

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)	Direct EBA
or 1.7 Percent through the Energy)	Testimony of
Balancing Account)	Daniel E. Gimble
)	For the Office of
)	Consumer Services

December 13, 2012

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.

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7 Q. PLEASE DISCUSS YOUR EDUCATION AND QUALIFICATIONS.

8 A. I have a B.A. degree with honors in economics and history from Western
9 Michigan University. I also have an M.A degree in economics from the same
10 university. I completed course work towards a Ph.D. in economics at the
11 University of Utah. In 1987, I joined the Utah Public Service Commission
12 (Commission) Staff and in 1990 was hired by the Office of Consumer Services
13 (Office). In my time with the Office, I have worked in various capacities and have
14 been a manager since 2003.

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16 Q. HAVE YOU APPEARED AS A WITNESS BEFORE THIS COMMISSION IN
17 PRIOR CASES INVOLVING ROCKY MOUNTAIN POWER OR OTHER
18 UTILITIES?

19 A. Yes. Since 1991 I have testified numerous times in major cases involving Rocky
20 Mountain Power (the Company or RMP) and other utilities providing service in
21 Utah. These cases include general rate cases, merger and acquisition dockets,
22 power cost proceedings, avoided cost cases, EBA proceedings, major plant
23 addition cases and the sale of Qwest's Dex (Yellow Pages) asset. Over the past
24 three years, I have filed testimony on behalf of the Office in two EBA dockets.¹
25 My testimony addressed a wide range of EBA issues, including design,
26 implementation, rate spread, and reporting requirements.

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¹Dockets Nos. 09-035-15 and 11-035-T10.

31 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

32 A. My testimony addresses the following:

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- 34 • The Office's overall recommendation in this proceeding for the EBA
35 period, October 1, 2011 – December 31, 2011;
- 36 • The Office's adjustments sponsored by Office witness Falkenberg;
- 37 • The Division's incomplete EBA direct testimony, which raises due process
38 concerns in terms of parties ability to respond to partial testimony and
39 potential adjustments identified therein;
- 40 • The issue raised in the Division's EBA Report concerning out-of-period
41 adjustments contained in the EBA;
- 42 • The EBA allocation method that will used in both current and future EBA
43 filings for spreading EBA accruals to customers;
- 44 • The allocation of EBA accruals to US Magnesium and more generally to
45 new or amended special contracts.
- 46 • Additional information that should be provided by the Company in future
47 EBA filings.

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49 Q. ARE THE OFFICE'S RECOMMENDATIONS IN YOUR EBA TESTIMONY
50 SUPPORTED BY ANOTHER OFFICE WITNESS?

51 A. Yes. Mr. Randall Falkenberg, the principal of RFI Consulting, Inc., is filing expert
52 testimony that includes a number of adjustments to the Company's requested
53 EBA amount.

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55 Q. WHAT IS THE REMAINING AMOUNT OF EBA DEFERRAL AT ISSUE IN THIS
56 PROCEEDING?

57 A. While the total EBA deferral is approximately 28.9 million, the Commission has
58 already approved recovery of \$20 million associated with the stipulation in
59 Docket 10-035-124. The remaining amount at issue is about \$8.9 million.

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63 II. RECOMMENDATIONS

64 Q. PLEASE PROVIDE THE OFFICE'S EBA RECOMMENDATIONS RELATING TO
65 THE REMAINING \$8.9 MILLION REQUESTED FOR RECOVERY BY THE
66 COMPANY?

67 A. The Office recommends that the Commission reduce the Company's requested
68 \$8.9 million amount by approximately [REDACTED] million and limit recovery of EBA
69 costs to approximately [REDACTED] million. The Office further recommends that the
70 Commission adopt each of the five adjustments to the EBA balance sponsored
71 by Office witness Falkenberg. A summary of these five adjustments (Utah basis)
72 is as follows:

- 73 • Reduce the EBA deferral by \$555,984 to remove Centralia point-to-point
74 transmission costs;
- 75 • Reduce the EBA deferral by \$358,171 to remove DC Intertie transmission
76 costs;
- 77 • Reduce the EBA deferral by \$228,111 to remove wind integration costs
78 associated with wholesale transmission customers who don't pay for the
79 integration services provided by the Company;
- 80 • Reduce the EBA deferral by \$342,898 to remove costs resulting from
81 Huntington Unit 2 contractor delays;
- 82 • Reduce the EBA deferral by [REDACTED]
83 [REDACTED]
- 84 • Reduce the EBA Deferral by \$61,056 to remove out-of-period legal fees at
85 Company mines.

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87 III. DIVISION'S INCOMPLETE EBA TESTIMONY

88 Q. PLEASE EXPLAIN THE OFFICE'S CONCERN RELATING TO THE DIVISION'S
89 INCOMPLETE DIRECT TESTIMONY?

90 A. On November 13, 2012, the Division filed its EBA Audit Report and the
91 supporting testimony of two witnesses (Croft and Hahn). Despite retaining the
92 assistance of an expert, Richard Hahn with La Capra Associates, the Division

93 was unable to complete its investigation of prudence relating to certain areas in
94 the Company's EBA filing due to a compressed time schedule, analytical and
95 informational deficiencies in the Company's filing, and possibly incomplete
96 responses by the Company to Division data requests for additional information.²
97 Consequently, the Division was unable to provide the Commission and parties
98 concrete recommendations on what portion, if any, of the Company's requested
99 \$8.9 million EBA deferral should be allowed for recovery.

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101 Q. WHAT PROCESS DID THE DIVISION PROPOSE TO ENABLE IT TO
102 DEVELOP ITS RECOMMENDATIONS IN THIS EBA DOCKET?

103 A. The Division proposed allowing the Company to address the issues identified in
104 Mr. Hahn's testimony. After receiving the Company's response, the Division
105 would complete its investigation of prudence issues and provide a
106 recommendation on the amount of EBA recovery that should be afforded to the
107 Company.³ However, it is important to note that the Division did not set forth a
108 specific timeline as to when the Company should submit its response or when
109 the Division would conclude its investigation of prudence issues.

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111 Q. DOES THE DIVISION'S PROPOSAL RAISE DUE PROCESS CONCERNS?

112 A. Yes. While parties can independently develop and recommend EBA adjustments
113 to the Commission, they are relying to a large extent on the conclusions and
114 recommendations that were expected to be filed as part of the Division's EBA
115 Report and direct testimony. That is precisely why the EBA schedule calls for the
116 Division to file its direct testimony 30 days in advance of other interveners.
117 Parties are now placed at a disadvantage because the Division's
118 recommendations will not be available until all other parties file their direct
119 testimony on December 13, 2012. Thus, the Office reserves it right to conduct
120 discovery and respond to the Division's recommendations in all phases of
121 testimony (including supplemental) leading up to EBA hearings.

²See Croft Direct, pages 3-5, lines 34-36, 46-64 and 73-74. Also see Hahn Direct, pages 6-7, lines 48-69.

³Croft Direct, page 3, lines 39-43.

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Q. WAS THE DIVISION ABLE TO PLACE A DOLLAR VALUE ON ANY POTENTIAL PRUDENCE ISSUE?

A. Division witness Hahn identifies a specific issue concerning [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Office witness Falkenberg further discusses this issue in his direct testimony and recommends disallowances related to these outages.

III. OUT-OF-PERIOD ADJUSTMENTS

Q. PLEASE EXPLAIN THE ISSUE CONCERNING OUT-OF-PERIOD ADJUSTMENTS.

A. In its EBA Report, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Q. WHAT IS THE OFFICE'S POSITION ON OUT-OF-PERIOD ADJUSTMENTS?

A. Based on our review of the EBA Report, the Office is similarly concerned that the Company may be selectively including and excluding items from prior periods. Such selective adjustments could possibly inflate EBA accruals and raise EBA rates paid by customers. The examples shown in [REDACTED]
[REDACTED] However, it is unclear from the EBA Report whether there are additional out-of-period adjustments that would materially affect the current EBA deferral amount. The Office will likely have more to say on this issue once it has an opportunity to review the Company's responsive direct testimony.

153 IV. EBA RATE SPREAD

154 **Current and Future EBA Cases**

155 Q. REGARDING THE CURRENT EBA DOCKET, WHAT ALLOCATION METHOD
156 WILL THE COMMISSION RELY ON FOR SPREADING THE APPROVED EBA
157 AMOUNT TO THE RATE SCHEDULES AND APPLICABLE SPECIAL
158 CONTRACT CUSTOMERS?

159 A. For the limited purposes of the current EBA docket (12-035-67), the Commission
160 will rely on the GRC rate spread relationships stipulated to by certain parties and
161 adopted by the Commission in Docket 10-035-124 for spreading any approved
162 EBA amounts to the tariffed rate schedules and applicable special contract
163 customers⁴ In EBA dockets thereafter, the Commission ordered the use of the
164 Composite NPC Allocator.⁵

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166 **U.S. Magnesium Contract**

167 Q. IN DOCKET 09-035-20, THE US MAGNESIUM CONTRACT WAS RE-OPENED
168 FOR THE COMMISSION TO CONSIDER AN AMENDMENT TO MODIFY
169 [REDACTED]. DID THE OFFICE RAISE ANY ADDITIONAL
170 ISSUES IN THAT RECENT DOCKET?

171 A. Yes. On September 13, 2012, the Office filed a memo wherein it identified an
172 important contract issue relating to EBA rate spread. In the memo the Office
173 noted that [REDACTED]
174 [REDACTED]
175 [REDACTED] and recommended that an appropriate share of EBA
176 costs be allocated to US MAG.⁶ Section 3.12 of the MESA states:

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178 [REDACTED]
179 [REDACTED]
180 [REDACTED]
181 [REDACTED]

⁴Docket 11-035-T10; Commission's May 1, 2012 Order, pages 11-12.

⁵Ibid, Page 12.

⁶Docket 09-035-20,OCS Memo, September 13, 2012, page 3.

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183 Q. WHAT WAS THE COMMISSION'S DECISION REGARDING THIS ISSUE?

184 A. The Commission deferred consideration of this allocation issue to the current
185 EBA docket (12-035-67). In its order, the Commission stated:

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187 The Office and any other party desiring to assert a position on the
188 applicability of EBA costs to US Mag or any other special contracts should
189 do so in their direct testimony.⁷

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191 Q: DOES THE OFFICE CONTINUE TO RECOMMEND IN THIS EBA DOCKET
192 THAT US MAG PAY AN APPROPRIATE SHARE OF EBA COSTS?

193 A. Yes.

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195 Q. PLEASE EXPLAIN WHY US MAG SHOULD BE ALLOCATED AN
196 APPROPRIATE SHARE OF EBA ACCRUALS?

197 A. All large industrial customers taking service under Schedule 9 and one special
198 contract customer are currently subject to an allocation of an appropriate, cost-
199 based share of EBA amounts. It is unfair to make an exception for US MAG and
200 treat that large customer differently than other large customers served by RMP,
201 including a special contract customer. Absent a cost-based allocation of EBA
202 costs to US MAG, RMP's retail customers and one special contract customer
203 provide an EBA subsidy to US MAG. Giving US MAG the monetary benefit of
204 such a subsidy is not in the public interest.

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206 In addition, it is important to realize that with its order implementing the EBA pilot,
207 the Commission fundamentally expanded what constitutes "cost-of-service."

208 Changes that occur between GRCs in the net power cost portion of the overall
209 rate structure can now be addressed via EBA filings. Since customers operating
210 under special contracts represent significant loads on RMP's system, variations
211 in plant dispatch, fuel expense and power purchases/sales have a direct bearing

⁷Docket 09-035-20, Commission Order, November 26, 2012, page 2.

212 on the costs incurred by RMP to serve those customers. Consequently, it is
213 reasonable and in the public interest to ask these customers to pay their fair
214 share of EBA accruals.

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216 Q. DOES THE COMMISSION HAVE THE ABILITY TO ORDER US MAG TO PAY
217 ITS APPROPRIATE SHARE OF EBA COSTS IN THIS DOCKET?

218 A. In US MAG's MESA, Provision [REDACTED]

219 [REDACTED]

220 [REDACTED]

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222 Q. HOW SHOULD THE COMMISSION PROCEED ON THIS ISSUE?

223 A. The Office recommends that the Commission definitively rule on this issue and
224 affirm that a cost-based share of EBA deferrals should be applied to special
225 contracts. This issue has been addressed several times and always deferred to
226 another docket. The Commission should put an end to the circular arguments
227 made in past cases that another forum is always the better place to address this
228 matter.

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230 Q. AS A GENERAL POLICY, SHOULD THE COMMISSION ENSURE THAT ALL
231 NEW OR AMENDED SPECIAL CONTRACTS INCLUDE TERMS THAT
232 REQUIRE EACH CONTRACT TO BE ALLOCATED AN APPROPRIATE SHARE
233 OF EBA ACCRUALS?

234 A. Yes. One existing special contract already include terms that require that
235 customer to pay for EBA costs. Any new or amended special contracts should
236 similarly include provisions that clearly specify that these special contract
237 customers will also be required to bear a proper, cost-based share of EBA
238 accruals.

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243 V. ADDITIONAL INFORMATION (FUTURE EBA FILINGS)

244 Q. PLEASE EXPLAIN THE MATTER OF ADDITIONAL INFORMATION AS IT
245 RELATES TO FUTURE EBA FILINGS.

246 A. The Division's expert, Mr. Hahn, provides a list of additional information that
247 should be supplied by the Company in future EBA filings. In his direct testimony,
248 Office witness Falkenberg supports inclusion of the information proposed by Mr.
249 Hahn. In Exhibit OCS 2.3, Mr. Falkenberg delineates additional information that
250 he recommends should be provided by the Company in future EBA filings.

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252 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

253 A. Yes.

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