

Utah Division of Public Utilities Audit of

Rocky Mountain Power's Energy Balancing Account

PUBLIC EXECUTIVE SUMMARY

January 1, 2012 – December 31, 2012

Docket No. 13-035-32

Prepared by the Utah Division of Public Utilities
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Report Date: July 22, 2013

DPU EXHIBIT 1.1- EBA AUDIT REPORT
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1 EXECUTIVE SUMMARY

The Utah Division (Division) of Public Utilities and its outside consultants La Capra Associates, have completed an audit of Rocky Mountain Power's (Company) Energy Balancing Account (EBA). The Division recommends the Commission allow recovery of an EBA deferral balance of \$8.3 million. This is a \$9.1 million reduction to the original \$17.4 million requested by the Company. The individual recommendations specifically addressed in this report are as follows:

1. The Division believes the costs presented in the EBA are accurate and correspond to supporting schedules, systems and source documents. Note that this is different than prudence issues which are discussed below.
2. Approvals for a trader to exceed his or her dollar authorization signing limit *prior* to deal execution need to be documented in writing rather than made verbally.
3. The Company needs to improve its documentation manifesting that traders and originators make best efforts to seek out at least two competitive bids or offers compared to the next best alternative.
4. In future EBA audits, the Company needs to provide supporting documentation in a timely, efficient manner.
5. Certain payments to a large customer should be excluded from the EBA because the Company has not been able to fully explain or support them. This adjustment reduces total Company adjusted actual NPC by \$1.76 million and Utah's EBA deferral balance by approximately \$540,000.

La Capra Associates have also completed an EBA Audit Report. Their recommendations, which the Division adopts as part of its recommendations to the Commission, are outlined below.

1. Disallowance for a small loss involving a transaction that exceeded the trader's limits under the Company's governance policies. This adjustment reduces total company adjusted actual NPC by \$33,635 and Utah's EBA deferral balance by \$10,012.
2. Disallowance of non-standard gas swap transactions that extended beyond the time frame allowed by the contemporaneous Risk Management Policy. This adjustment reduces total Company adjusted actual NPC by \$25.5 million and Utah's EBA deferral balance by \$8.0 million.
3. Disallowance for certain plant outages. This adjustment reduces total Company adjusted actual NPC by \$1.47 million and Utah's EBA deferral balance by \$0.45 million.

The Division's full audit report (DPU Exhibit 1.2) is classified as highly confidential and subject to Utah Administrative Code Rule 746-100-16.