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Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Matt Croft, Technical Consultant
Date: January 22, 2015
Subject: Report on RMP EBA Stipulation Commitments.
Docket No. 14-035-31

RECOMMENDATION (ACKNOWLEDGEMENT)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge Rocky Mountain Power's (Company) completion and or ongoing completion of certain commitments made in the settlement stipulation in Docket No. 14-035-31 (Stipulation).

BACKGROUND

On October 27, 2014 the Commission issued an order approving the Stipulation in Docket No. 14-035-31 (EBA). The Stipulation included several commitments from the Company that were intended to improve the EBA audit process. The Division and the Company have had multiple meetings either in person or over the phone to discuss those commitments. The specific commitments and their corresponding Stipulation paragraph number to be discussed in this memo are as follows:

1. Paragraph 6 – Customer information

2. Paragraph 7 – ICE index information
3. Paragraph 8 – Data requests outside of the EBA docket
4. Paragraph 11 – Timeliness of data responses
5. Paragraph 12 – Availability of personnel
6. Paragraph 13 – Meeting with Company personnel after sample trades selected
7. Paragraph 14 – Notice of EBA filing on January 15th
8. Paragraph 16 – Policy Documents updates
9. Paragraph 9 – Quarterly EBA Reports
10. Paragraph 10 – List of Documents, Policies and Reports
11. Paragraphs 4 and 5 – Trade Purpose Documentation
12. Paragraph 15 – Recording Competitive Price for Non-Brokered Transactions

DISCUSSION

Paragraph 6 – Customer Information

The stipulation requires the Company to “proactively seek customer permission to provide the documentation that is needed for the DPU audit.” At a December 15th meeting the Company informed the Division that a particular customer’s contract language had been changed and that the Company website also contains policy changes. The “Privacy” section located at the bottom of the Company’s website¹ now states the following as part of its response to the question “What information collected does Rocky Mountain Power provide company affiliates or nonaffiliated third parties?”

There are times when Rocky Mountain Power is required to furnish information concerning present or former customers to regulatory agencies who audit the Company’s filings in rate cases, to government agencies or in response to a subpoena, warrant, court order, levy, attachment or other comparable legal process; however, Rocky Mountain Power endeavors to cause the party receiving such information to agree to maintain the confidentiality of the information.

¹ <https://www.rockymountainpower.net/footer/privacy.html>

The Company also provided the Division with the modified customer contract language. Ultimately, the commitment to provide the Division with customer information will be proven during the upcoming EBA audit. However, it does appear the contract and website language changes will help better facilitate the completion of this commitment.

Paragraph 7 – ICE index information

The Company has made arrangements for an ICE representative to provide the Division with ICE prices during the EBA audit.

Paragraph 8 – Data requests outside of the EBA docket

It was determined during a meeting with the Company that EBA related data requests issued outside an EBA docket will be issued under the then current semiannual hedging docket.

Paragraph 11 – Timeliness of data responses

Upon receiving data requests from the Division the Company will promptly evaluate the feasibility of proving the response by the end of the Commission ordered turn around period. If cases arise in which the Company will not be able to provide a data request response by the end of a Commission ordered turn-around period the Company will promptly notify the Division. The compliance with this commitment will ultimately be proven during the EBA audit. For days on which data requests are due, the Company has instituted an earlier internal deadline of 3pm for providing data request responses. This deadline should help ensure timely responses by the Company.

Paragraph 12 – Availability of personnel

During the past three EBA audits, there have been several instances where the Division needed clarification or further understanding of Company data request responses or other workpapers or exhibits provided in testimony. Such instances could often times be resolved with a short phone call to the Company. Other situations have arisen in which more detailed conversations were necessary in order to understand complicated spreadsheets or other documentation. The

Company has arranged for a “gatekeeper” that will coordinate phone calls between Division staff (and consultants) and the appropriate Company personnel. It is anticipated that the Company will arrange phone calls as soon as practicable. The Division understands that such phone calls may not be available immediately since the requested Company personnel may be engaged in their normal daily trading operations or other duties.

Paragraph 13 – Meeting with Company personnel after sample trades selected

The Division and its consultants will develop a trade sample as soon as practicable after the Company’s annual March 15 EBA filing. The Division and its consultants typically organize, modify and add additional data to the trade data received from the Company. As such, the Division and its consultants anticipate developing its sample approximately three weeks after the Company’s annual March 15 EBA filing. The Division will notify the Company at least one week in advance of when it would like to meet to discuss the trades in its sample. The Company will have personnel available by phone or in person depending on the needs of the Division.

Paragraph 14 – Notice of EBA filing on January 15th

When the Company files its notice, the Commission will assign a docket number. During a meeting with the Company it was determined that any EBA related data requests issued after the time of notice (January 15th) will be issued under the docket number assigned by the Commission at the time of notice.

Paragraph 16 – Policy Documents updates

At a meeting on December 15, 2014 the Company provided the Division with the most updated policy documents. Specifically, the Company provided the Front Office Procedures and Practices, Corporate Governance and Approvals Process and Risk Management Policy. The Company will continue to inform the Division of policy changes as they occur.

Paragraph 9 – Quarterly EBA Reports

In the stipulation the Company committed to include trade data in their quarterly reports in the same format as their response to DPU data request 3.1 in Docket No. 14-035-31. As of the filing of this memorandum the Company has filed the trade data for the first, second and third quarters of 2014. The trade data has been filed in the format outlined in the stipulation. In future trade data filings, the Company has now also committed to include a tab in the trade data Excel workbook that includes definitions and or brief explanations of many of the acronyms and other terminology shown in the trade data.

Paragraph 10 – List of Documents, Policies and Reports

The Stipulation required a list of documents, policies and reports used by the traders in trading activity to be filled within 90 days of approval of the stipulation. On December 15, 2014 the Company provided the list. The list included more than one hundred reports broken down into reports that are active and those that have become inactive. The list also includes a brief description of the report and also specifies who sends and receives the report, if the traders receive the report, if the report is hedging related and how long the report has been active or inactive. The Company also provided actual examples for each of the reports in the list. The list appears to be quite comprehensive and satisfies the requirement outlined in the stipulation. The Company has now also agreed to update this list by January 15th of each year.

Paragraphs 4 and 5 – Trade Purpose Documentation

The stipulation specifies that trade purposes will be captured through a weekly Commercial Objectives Report (COR). The stipulation also specifies that the Company will provide a narrative specific to trades that deviate from the strategy outlined in the COR. This process was to be discussed and documented in cooperation with the Division within 90 days of the approval of the stipulation. Previous to its December 15th meeting with the Company, the Division requested a sample of 16 COR reports, many from the last quarter of 2014, to review their sufficiency for explaining trade purposes. Upon reviewing the reports the Division concluded that the reports needed to be more detailed. At a December 15th meeting the Company provided a more detailed version of the report. Subsequent to that meeting the Company agreed to even

more additional detail being provided in the report, specifically as it relates to expected trading volumes. As the Division begins evaluating trades with the COR it is possible that even further modifications may be needed to be made to the COR. For the present time however, the Division believes the updated COR reports will provide adequate trade purpose documentation. The Company has also agreed to provide all 52 weekly COR reports for a given year by January 15th of the following year. The Company has provided the Division with the COR reports for 2014.

Paragraph 15 – Recording Competitive Price for Non-Brokered Transactions

The stipulation required the Company to begin recording the competitive price for non-brokered transactions by November 1, 2014. At the end of October the Company did institute a new policy for recording competitive price for non-brokered transactions. Whether or not the Company is actually following that policy will not be known until the Division performs its audit for calendar year 2014. At a December 15th meeting, the Division and Company discussed some modifications the Company wanted to make to the new policy. After discussion at that meeting and a subsequent meeting, the Company provided the Division with a revised bidding policy. The Division has reviewed the revised policy and believes that if the Company follows the policy, the stipulation commitment will be satisfied.

CONCLUSION

Within 90 days of the Stipulation approval the Company was required to 1) provide the Division with a comprehensive list of trading reports and documents and 2) establish a process, with the Division, for capturing trade purposes. These commitments have been met by the Company. The Company was also required to begin documenting competitive prices for non-brokered transactions by November 1, 2014. While the final compliance with this commitment will not be known until the Division conducts its audit, an official bidding policy has been established by the Company. The Company has also begun to report its trade data in the format specified in the Stipulation. Other commitments in the Stipulation are ongoing and will not be considered complete until the Division conducts its audit. However, many of the logistics and details of these ongoing commitments have been discussed with the Company. It appears the Company has

made and is making good faith efforts to comply with the commitments contained in the Stipulation. Therefore, as described herein, the Division recommends that the Commission acknowledge the Company's completion or ongoing completion of certain commitments in Docket No. 14-035-31

CC: Michele Beck, Office of Consumer Services
Robert C. Lively, Rocky Mountain Power