

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 15-035-03
)	
IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	
MOUNTAIN POWER TO DECREASE)	Exhibit No. DPU 1.0 Dir
THE DEFERRED EBA RATE)	
THROUGH THE ENERGY)	Direct Testimony and Exhibits
BALANCING ACCOUNT)	
MECHANISM.)	Matthew Croft
)	

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

Direct Testimony of

Matthew Croft

July 15, 2015

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 Technical Consultant.

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 and other matters before the
13 Commission including the previous EBA Audits in Docket No. 12-035-67, 13-035-32 and
14 14-035-31.

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

16 A. The purpose of my testimony is to summarize the Division’s audit with respect to Rocky
17 Mountain Power’s (the Company) Energy Balancing Account (EBA) for the period January
18 1, 2014 through December 31, 2014 (2015 EBA).

19 **Q. How did the Division conduct its audit of the EBA?**

20 A. The Division contracted with La Capra Associates (La Capra) to review and provide
21 recommendations and testimony on certain aspects of the Company’s EBA filing.
22 Specifically, La Capra was assigned to ascertain whether the actual costs included in the

23 EBA filing were based upon the Company following its stated policies and procedures, were
24 prudent, and were in the public interest. La Capra also investigated plant outages in their
25 review. The investigation of whether or not the various NPC items were properly booked was
26 primarily the responsibility of the Division's in-house staff. However, the Division also
27 reviewed a sample of trading deals for prudence. The results of La Capra's investigation are
28 presented in the joint direct testimony of Richard S. Hahn and Dan Koehler. (DPU Exhibit
29 2.0) The Division's Audit Report includes its own analysis as well as support for the
30 testimony of Mr. Hahn and Mr. Koehler and the accompanying La Capra Audit Report
31 (Confidential DPU Exhibit 2.3). The Division's audit report is included as Confidential DPU
32 Exhibit 1.2.

33 **Q. Did other Division staff participate in the EBA audit?**

34 A. Yes. Including myself, there were ten Division staff members that reviewed various aspects
35 of the Company's EBA filing.

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

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

- 38 1. The Division believes the costs presented in the EBA are accurate and tie to the
39 supporting schedules and source documents that were provided by the Company. A few
40 minor discrepancies were found in supporting documentation but these discrepancies
41 either ultimately did not flow through to the EBA, were not material or did not change
42 the final dollar amount of net power costs included in the EBA.
43
- 44 2. It appears the Company has made substantial improvements in the documentation process
45 of its trade purposes.
46
- 47 3. The Company made substantial improvements in 1) the timeliness of its data request
48 responses and 2) providing complete responses. The Division believes that the Company
49 has satisfied commitments made in the prior EBA docket to improve the audit process.

50 Many phone conferences were held with the Company during the audit and the Division
51 appreciates the willingness of Company representatives to discuss the many aspects of
52 trading reports, policies, procedures and practices.
53

54 4. No adjustments are proposed for the trading transactions sampled by the Division.
55

56 5. Given the complexity of understanding the types of Energy Imbalance Market (EIM)
57 costs and revenues included in the EBA, the Division reserves the right to make
58 adjustments in future EBA audits for types of EIM costs it deems to be imprudent,
59 inappropriate or unreasonable, or not meeting the public interest. No adjustments related
60 to EIM costs and revenues however are proposed in this current EBA audit. To be clear,
61 the Division will not adjust calendar year 2014 EIM related dollars in future EBA audits,
62 but may challenge certain *types* of EIM costs and revenues in future EBA filings.
63

64 6. The Division recommends the Commission require the Company to work with the other
65 owners of the Trapper Mine so that operating cost detail and associated supporting
66 documentation can be made available to the Division and other parties for review in the
67 next EBA and, if requested, in the next general rate case.
68

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

71 1. Total net power costs for the October 2014 through December 2014 period should be
72 reduced by \$1,187,242 for an outage at the Craig plant which resulted from the operator
73 not following proper procedures. This adjustment reduces Utah's EBA deferral balance
74 by \$381,278.
75

76 2. Total net power costs should be reduced for the replacement power costs of an outage at
77 the Gadsby plant. This outage could have been avoided with better advanced planning on
78 the part of the Company. Due to the lack of data available to calculate the replacement
79 power costs, La Capra recommends the Company calculate the total lost value, including
80 ancillary services, over the avoidable outage period.
81

82 3. No adjustments are proposed for the trading transactions sampled by La Capra.
83

- 84 4. La Capra is appreciative of the cooperation of the Company on providing requested
85 documentation and explanations through numerous phone conferences. It may be
86 advisable to improve the memorialization of phone conference calls to avoid
87 misunderstandings and to provide a path for other parties to follow the audit process
88
- 89 5. In order to better evaluate physical balancing transactions the Company should find a
90 way to memorialize its physical position for future EBA periods.
91
- 92 6. FERC has instituted a proceeding under section 206 of the Federal Power Act to
93 investigate the justness and reasonableness of the EIM provisions in CAISO's existing
94 tariff related to the imbalance energy price spikes in PacifiCorp's BAAs and to establish
95 a refund effective date. If FERC does require retroactive adjustments in net EIM
96 revenues/costs in the future, they can be reflected in future EBA filings.

97 **Q. Based on the adjustments explained above, what is the Division's recommended EBA**
98 **deferral balance recovery?**

99 A. The Division specifically recommends a \$381,278 reduction to the original \$30.9 million
100 requested by the Company.

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

102 A. Yes.