

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE)	DOCKET NO. 15-035-03
APPLICATION OF ROCKY)	Exhibit DPU 2.0 Dir
MOUNTAIN POWER TO INCREASE)	Testimony and Exhibits
THE DEFERRED EBA RATE)	Richard S. Hahn
THROUGH THE ENERGY)	and
BALANCING ACCOUNT)	Dan F. Koehler
MECHANISM.)	

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

Testimony of
Richard S. Hahn
and
Dan F. Koehler

July 15, 2015

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ATTACHMENTS

Exhibit DPU 2.1 Dir, Resumes of Richard S. Hahn and Dan F. Koehler

Exhibit DPU 2.2 Dir, La Capra Associates EBA Audit Report for Calendar Year 2014 –
Public Executive Summary

Confidential Exhibit DPU 2.3 Dir, La Capra Associates EBA Audit Report for Calendar
Year 2014

1 **I. Introduction**

2 **Q: Please state your names, business address and titles.**

3 A: My name is Richard S. Hahn. I am employed by La Capra Associates, Inc. (“La Capra
4 Associates”) as a Principal Consultant. My business address is One Washington Mall,
5 Boston, Massachusetts, 02108.

6 My name is Dan F. Koehler. I am employed by La Capra Associates as a consultant. My
7 business address is One Washington Mall, 9th Floor, Boston, Massachusetts 02108

8 **Q: On whose behalf are you testifying?**

9 A: We are jointly testifying on behalf of the Division of Public Utilities of the State of Utah
10 (the “Division”).

11 **Q: Mr. Hahn, please summarize your educational and professional experience.**

12 A: I received my Bachelor’s in Science, Electrical Engineering, in 1973, and my Masters in
13 Science, Electrical Engineering, in 1974, both from Northeastern University. I received
14 my Masters in Business Administration from Boston College in 1982. Since joining La
15 Capra in 2004, I have worked on many projects related to energy markets, utility resource
16 planning projects, forecasts of wholesale market prices, and asset valuations. I was the
17 project manager for La Capra Associates’ review of the EBA for the last three months of
18 2011 and calendar years 2012 and 2013. Prior to joining La Capra, I was employed by
19 NSTAR Electric & Gas (formerly Boston Edison Company) from 1973 to 2003, where I
20 was responsible for, among other activities, rates, integrated resource planning and
21 procurement of fuel supplies and power supplies via Requests For Proposals (“RFPs”)
22 and bilateral contract negotiations. Throughout my career, I have gained and

23 demonstrated considerable experience and expertise in utility planning and operating
24 activities and electric rates. I am a registered professional electrical engineer in the
25 Commonwealth of Massachusetts. My resume is included in DPU Exhibit 2.1 Dir.

26 **Q: Mr. Koehler, please summarize your educational and professional experience.**

27 A: I received a Bachelor of Arts degree in Applied Mathematics with a focus in Economics
28 from Yale University and a Master of Public Policy and Management Degree from the
29 University of Southern Maine. I have worked at La Capra Associates for five years,
30 focusing on the firm's utility regulation and planning and market analytics practices. I
31 have provided assistance with analysis and expert testimony development in utility
32 planning cases in front of public utility commissions in North Dakota, Arkansas,
33 Wisconsin, Vermont, Utah, and Manitoba. I have served at one time as La Capra's
34 production cost model operator using AURORAxmp, and have helped develop
35 production cost models on behalf of clients in New England, New York, Ontario, North
36 Carolina and the Southern Company Balancing Authority Area in the southeast. I have
37 also assisted with rate development or review in Wisconsin, Utah, Massachusetts, and
38 Vermont. I have previously testified before the Michigan Public Service Commission in
39 docket U-17735 on behalf of the Michigan Environmental Council ("MEC") and Natural
40 Resources Defense Council ("NRDC"). I was actively involved in La Capra Associates'
41 review of the EBA for the last three months of 2011 and calendar years 2012 and
42 2013. My resume is included in DPU Exhibit 2.1 Dir.

43 **Q: What is the purpose of your testimony?**

44 A: La Capra Associates was retained by the Division to assist in reviewing the Application
45 of Rocky Mountain Power (“RMP” or the “Company”) seeking approval from the Public
46 Service Commission of Utah (“Commission”) to increase electric rates. The scope of our
47 assignment was to ascertain whether the actual costs included in the Energy Balancing
48 Account (“EBA”) filing for calendar year 2014 were incurred pursuant to an in-place
49 policy or plan, were prudent, and were in the public interest. This direct testimony
50 presents the results of and the conclusions from that review.

51 **Q: Mr. Hahn, have you previously testified before the Public Service Commission of**
52 **Utah?**

53 A: Yes. I testified in Docket 12-035-67 regarding an audit of EBA costs for the period
54 October 1, 2011 through December 31, 2011. This testimony presented the results and
55 conclusions of my review of EBA costs in the fourth quarter of 2011. I testified in
56 Docket 13-035-32 regarding an audit of EBA costs for the period January 1, 2012
57 through December 31, 2012. This testimony presented the results and conclusions of my
58 review of EBA costs for the calendar year of 2012. I testified in Docket 14-035-31
59 regarding an audit of EBA costs for the period January 1, 2013 through December 31,
60 2013. I also testified in Docket 11-035-200 and Docket 13-035-184 regarding the
61 applications of RMP to increase its electric rates. The purpose of my testimonies in those
62 dockets was to review the Company’s proposed capital additions for the test year in each
63 rate case. I also testified in Docket No. 10-035-126 regarding the Application of Rocky
64 Mountain Power for Approval of a Significant Energy Resource Decision Resulting from

65 the All Source Request for Proposals. And I testified in Docket No. 10-035-124
66 regarding the Application of Rocky Mountain Power for Authority to Increase Its Retail
67 Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service
68 Schedules and Electric Service Regulations.

69 **Q: Mr. Koehler, have you previously testified before the Public Service Commission of**
70 **Utah?**

71 A: No.

72 **Q: What Exhibits are you sponsoring?**

73 A: We sponsor three Exhibits. **Exhibit DPU 2.1 Dir, Resumes of Richard S. Hahn and**
74 **Dan F. Koehler** provides copies of our resume. **Exhibit DPU 2.2 Dir, La Capra**
75 **Associates EBA Audit Report for Calendar Year 2014 – Public Executive Summary**
76 is a summary of our findings and recommendations. This Exhibit does not contain any
77 Confidential or Highly Confidential information, and is publicly available. **Confidential**
78 **Exhibit DPU 2.3 Dir, La Capra Associates EBA Audit Report for Calendar Year**
79 **2014** is our full and complete report. This Exhibit contains material, and is based upon
80 information that we received from the Company, that has been identified by the Company
81 as Confidential.

82 **II. La Capra Associates' Assignments**

83 **Q: What was the scope of La Capra Associates' assignment in this proceeding?**

84 A: Our first task was to review and assess actual plant outages to ensure that these outages
85 and their cost impact on the EBA charge is appropriate. We examined the information
86 provided as part of the filing, and conducted additional discovery. The next assignment

87 was to evaluate a sample of trading transactions for accuracy, completeness, and
88 prudence. From a workload perspective, this task constituted the largest component of
89 our audit. The Company has settled tens of thousands of transactions during 2014,
90 consisting of power and natural gas financial and physical deals. We developed a sample
91 of 115 broadly-representative transactions and accounting entries and conducted
92 extensive discovery on these transactions. We built on knowledge gained from similar
93 review in previous EBA cases, including a 2013 visit to the Company's trading
94 headquarters in Portland, OR to meet trading staff and witness trading activity. We also
95 met with Company personnel via conference calls to help ensure that our review of this
96 data was accurate and complete.

97 **III. Findings and Recommendations**

98 **Q: Can you briefly summarize your findings and recommendations in this proceeding?**

99 A: Regarding plant outages, we believe that one outage was avoidable but did not incur
100 additional replacement power costs impacting 2014 NPC that would warrant an
101 adjustment to the EBA deferral. A second outage was avoidable, in that it was caused by
102 not following proper procedures. We estimate net replacement power costs associated
103 with this outage to be \$1,187,242. A third outage, this one at a peaking plant, was made
104 longer in duration by lack of advance planning and thereby considered partially avoidable
105 as well. We are unable to calculate the replacement power costs for this peaking power
106 plant with the data we have, so we recommend that the Company should calculate the
107 total lost value, including ancillary services, over the avoidable outage period. We
108 recommend that the EBA be adjusted to reflect what costs would have been had these

109 outages not occurred. The total reduction in total system costs for these outages is
110 \$1,187,242 million, pending the calculation of replacement power costs associated with
111 the third outage.

112 During our audit of the EBA for calendar year 2014, we analyzed a sample of all four
113 types of transactions; natural gas financials, natural gas physicals, power financials, and
114 power physicals. Based upon our review and the information provided by the company,
115 we do not propose any adjustments to calendar year 2104 EBA costs for any of these
116 transactions.

117 In reviewing the 2014 EBA information, the Company and the Division instituted a
118 process which attempted to resolve any concerns that were identified in our review prior
119 to the filing of our report, to the extent possible. The result of this process was several
120 conference calls where issues that arose during our review were discussed with the
121 Company. This approach afforded the Company the opportunity to respond to those
122 identified concerns and provide any additional documentation or supporting information.
123 This approach was largely successful in resolving identified issues, which minimized the
124 number of recommended adjustments to the filed request.

125 **IV. Conclusion**

126 **Q: Does this conclude your testimony?**

127 A: At this time, yes, it does. Should additional or new information become available, we
128 will supplement this testimony as appropriate.