

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. 15-035-03
Rocky Mountain Power to Decrease)	Direct EBA Testimony of
The Deferred EBA Rate Through)	Danny A.C. Martinez
The Energy Balancing Account)	For the Office of
Mechanism)	Consumer Services
)	

NONCONFIDENTIAL – REDACTED VERSION

August 18, 2015

1 **I. INTRODUCTION**

2
3 **Q. WHAT IS YOUR NAME, YOUR OCCUPATION AND YOUR BUSINESS**
4 **ADDRESS?**

5 A. My name is Danny A.C. Martinez. I am a utility analyst for the Office of
6 Consumer Services (“Office”). My business address is 160 E. 300 S., Salt Lake
7 City, Utah 84111.

8

9 **Q. PLEASE DISCUSS YOUR EDUCATION AND QUALIFICATIONS.**

10 A. I have B.S. and M.S. degrees in economics from the University of Utah. I also
11 have a M.P.A. degree from the University of Utah. My private and public sector
12 work experience spans over 25 years including ten years in financial services
13 and ten years teaching economics. In 2010, I was hired by the Office of
14 Consumer Services. At the Office, I have worked primarily in the areas of cost of
15 service (“COS”), rate design, and demand side management (“DSM”). I filed
16 testimony on cost of service and rate design issues in the last Questar Gas
17 general rate case (Docket 13-057-05). I also filed direct testimony on rate design
18 issues in Rocky Mountain Power’s past two general rate cases (Dockets 11-035-
19 200 and 13-035-184). Lastly, I have attended various training opportunities,
20 including an intensive course on cost of service and rate design issues.

21

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS EBA CASE?**

23 A. My testimony does the following:

- 24 • Introduces the Office’s expert witness in this proceeding;
- 25 • Summarizes the Office’s recommended adjustments to the Company’s
26 proposed \$30,471,465 requested recovery in EBA rates for the EBA
27 period, January 1, 2014 – December 31, 2014;
- 28 • Provides the Office’s EBA rate spread proposal.

29

30 **Q. PLEASE IDENTIFY THE EXPERT WITNESS HIRED BY THE OFFICE FOR THIS**
31 **PROCEEDING.**

32 A. The Office retained Mr. Phil Hayet, Vice President of J. Kennedy and Associates,
33 Inc., as a net power cost expert in this case. In his direct testimony, Mr. Hayet
34 proposes adjustments and provides recommendations pertaining to plant
35 outages, wholesale wind integration costs and the Energy Imbalance Market
36 (“EIM”).

37

38 **II. RECOMMENDATIONS**

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40 **Q. PLEASE SUMMARIZE THE OFFICE’S RECOMMENDATIONS FOR THIS**
41 **PROCEEDING.**

42 A. As discussed in the direct testimony of Mr. Hayet, the Office recommends that
43 the Commission adopt the following EBA adjustments:

- 44 • A disallowance of \$ [REDACTED] for excess replacement power costs associated
45 with two plant outages; and,
- 46 • A disallowance of \$ [REDACTED] to remove a California Independent System
47 Operator (“CAISO”) Energy Imbalance Market (“EIM”) administrative charge
48 that should not have been included in the EBA, but deferred to the next
49 general rate case (“GRC”) per the 2014 GRC Stipulation.

50 The Office’s recommended adjustments total \$1,282,363 and reduce the
51 Company’s proposed \$30,471,465 increase to a \$29,189,102 increase.

52

53 In addition to these adjustments, the Office recommends that PacifiCorp should
54 be required to evaluate the costs imposed by non-owned wind generators to
55 determine if those costs are fairly matched by the revenues those customers pay.
56 If it is found that PacifiCorp is being under-compensated, then PacifiCorp should
57 be required to address this in its next FERC filing, which should come not later
58 than during 2016.

59

60 Regarding EBA rate spread, the Commission should continue to use the “NPC
61 Allocator” method approved in Docket 11-035-T10. The Office agrees with the
62 Company’s application of the NPC allocator in its application.

63

64 **III. EBA RATE SPREAD**

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66 **Q. HAS THE COMMISSION PREVIOUSLY DECIDED WHAT ALLOCATION**
67 **METHOD SHOULD BE USED TO SPREAD EBA COSTS TO THE TARIFFED**
68 **RATE SCHEDULES AND APPLICABLE SPECIAL CONTRACT**
69 **CUSTOMERS?**

70 A. Yes. In Docket 11-035-T10, the Commission ordered use of the NPC Allocator
71 for rate spread purposes, beginning with EBA costs authorized for recovery in the
72 Company's 2013 EBA Case and continuing thereafter.¹

73

74 **Q. DOES THE OFFICE AGREE WITH THE COMPANY'S RECOMMENDED NPC**
75 **ALLOCATOR IN THIS EBA PROCEEDING?**

76 A. Yes. The Office reviewed the deferral period against past ordered NPC
77 allocations. The current EBA proceeding reflects EBA costs for the 2014 period,
78 which includes NPC Allocators determined from the 2012 General Rate Case
79 (Docket 11-035-200) and the 2014 General Rate Case (Docket 13-035-084).
80 This NPC Allocator was used to derive the Company's rate spread proposal, as
81 presented in Exhibit RMP__ (JRS-1).

82

83 **Q. DOES THE OFFICE AGREE WITH THE COMPANY'S PROPOSAL FOR**
84 **SPREADING EBA COSTS TO RATE SCHEDULES 21 AND 31 AND**
85 **CONTRACT CUSTOMER 3?**

86 A. Yes. As discussed in Ms. Steward's direct testimony², customers taking service
87 under Schedules 21 and 31 are more similar to Schedule 9 customers compared
88 to other rate schedules. In addition, Contract Customer 3's terms require that it
89 participate in the EBA and pay the same rate as Schedule 9.

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91 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

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

² Steward Direct, Pg 3-4, lines 60-74.

92 A. Yes it does.