

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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	)	<b>DOCKET NO. 16-035-01</b>
	)	
<b>IN THE MATTER OF THE</b>	)	
<b>APPLICATION OF ROCKY</b>	)	
<b>MOUNTAIN POWER TO DECREASE</b>	)	<b>Exhibit No. DPU 1.0 Dir</b>
<b>THE DEFERRED EBA RATE</b>	)	
<b>THROUGH THE ENERGY</b>	)	<b>Direct Testimony and Exhibits</b>
<b>BALANCING ACCOUNT</b>	)	
<b>MECHANISM.</b>	)	<b>David Thomson</b>
	)	

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

**Direct Testimony of**

**David Thomson**

**July 15, 2016**

1 **Q. Please state your name and occupation?**

2 A. My name is David Thomson. 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 from Brigham Young University with a Bachelor of Science degree in  
8 Accounting. I am a Certified Public Accountant, licensed in the state of Utah. I began  
9 working for the Division in July of 2004.

10 **Q. Have you testified before the Commission previously?**

11 A. Yes. I have testified in many rate case proceedings and other matters before the Commission.

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

13 A. The purpose of my testimony is to summarize the Division’s audit with respect to Rocky  
14 Mountain Power’s (the Company) Energy Balancing Account (EBA) for the period January  
15 1, 2015 through December 31, 2015 (2016 EBA).

16 **Q: Please identify the Division’s witnesses for this docket.**

17 A: The Division is sponsoring four witnesses: Mr. David Thomson, Dr. Artie Powell, and the  
18 joint testimony of Mr. Philip DiDomenico and Mr. Dan Koehler. Mr. Thomson and Dr.  
19 Powell are employed by the Division. Mr. Thomson will present the Division’s audit report  
20 findings, recommendations, and discuss its adjustments other than the Division’s Deer Creek  
21 adjustment. Mr. Powell’s testimony will discuss the Division’s Deer Creek Adjustment. As  
22 part of the review process, the Division has hired outside consultants from Daymark Energy

23 Advisors, Inc. (Daymark), formerly known as LaCapra Associates. Mr. DiDomenico and  
24 Mr. Koehler in their testimony will discuss their review of the filing and their adjustments.

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

26 A. As stated above, the Division contracted with Daymark Energy Advisors, Inc. to review and  
27 provide recommendations and testimony on certain aspects of the Company's EBA filing.  
28 Specifically, Daymark was assigned to ascertain whether the actual costs included in the  
29 EBA filing were based upon the Company following its stated policies and procedures, were  
30 prudent, and were in the public interest. Daymark investigated plant outages and trade and  
31 EIM transactions in its review. It also reviewed shortfalls in wind and hydro production  
32 relative to levels forecast for the last general rate case. The investigation of whether or not  
33 the various NPC items were properly booked was primarily the responsibility of the  
34 Division's in-house staff. However, the Division also reviewed a sample of trading deals for  
35 prudence. In DPU Exhibit 2.0, the results of Daymark's investigation are presented in the  
36 joint direct testimony of Mr. DiDomenico and Mr. Koehler. The Division's Audit Report  
37 includes its own analysis along with the accompanying Daymark Audit Report (Confidential  
38 DPU Exhibit 2.3). The Division's audit report is included as Confidential DPU Exhibit 1.2.

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

40 A. Yes. Including myself, there were eleven Division staff members that reviewed or worked on  
41 various aspects of the Company's EBA filing.

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

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

- 44 1. The Division believes the costs presented in the EBA are generally accurate and tie to the  
45 supporting schedules and source documents that were provided by the Company. A few  
46 findings and exceptions were found in supporting documentation but the Division  
47 believes that ultimately these matters will be resolved prior to the setting of the final  
48 deferral recovery amount. Most exceptions or findings were not material or did not  
49 change the final dollar amount of net power costs included in the EBA.  
50
- 51 2. The Company level of documentation was comparable to or in some cases better than the  
52 2015 filing. The Division agrees with Daymark's recommendation number 3 which  
53 follows the Division list.  
54
- 55 3. The Company was overall timely in its data request responses and provided complete  
56 responses. The Division believes that the Company is maintaining its commitments made  
57 in the prior EBA dockets to improve the audit process. Phone conferences were held with  
58 the Company during the audit and the Division appreciates the willingness of Company  
59 representatives to discuss the many aspects of trading reports, policies, procedures and  
60 practices, and EBA accounting matters.  
61
- 62 4. No adjustments are proposed for the trading transactions sampled by the Division.  
63
- 64 5. The Division is proposing to disallow Company true-ups or corrections of actual Net  
65 Power Costs for deferral periods prior to 2015 that were included in actual Net Power  
66 Costs for 2015. The adjustment on a total Company basis is \$1,711,096. The Division is  
67 also proposing to disallow the interest on the Deer Creek amortization for the 10 months  
68 ending October 31, 2016 in the amount of \$465,312.  
69
- 70 6. These amounts are combined with Daymark's total Company adjustment amount (see  
71 below) and then the Utah allocated adjustment amount of \$1,233,127 was computed. The  
72 Commission should also clarify that the Company may not impose a carrying charge on  
73 the Deer Creek Amortization amounts during the recovery period.  
74
- 75 7. The Division asked Daymark to review the EIM and shortfalls in wind and hydro  
76 production relative to levels for the last general rate case. Daymark's report explains the  
77 results of its examination. Given the complexity of understanding the types of EIM costs  
78 and revenues included in the EBA, the Division reserves the right to make adjustments in  
79 future EBA audits for types of EIM costs it deems to be imprudent, inappropriate or  
80 unreasonable, or not meeting the public interest. No adjustments related to EIM costs and  
81 revenues are proposed in this current EBA audit.  
82

83 8. The Division will recommend disallowing Trapper Mine operating costs in the next EBA  
84 filing and or next general rate case if it does not receive enough supporting  
85 documentation to determine prudence or have a chance to determine prudence. The level  
86 of information provided is insufficient.  
87

88 Daymark has also completed an EBA Audit Report. Its recommendations, which the Division  
89 adopts as part of its recommendations to the Commission, are outlined below.  
90

91 1. Daymark recommends disallowance of replacement power cost resulting from two  
92 outages. It also recommends recovering insurance reimbursements related to the outages.  
93 These adjustments will reduce Net Power Costs by a total Company amount of \$610,326.  
94

95 2. Based on Daymark's review of the sample transactions and the supporting information  
96 provided to it, Daymark found no reason to adjust the energy balancing account or net  
97 power costs for sample transactions reviewed.  
98

99 3. The Company was responsive to requests for conference calls and made appropriate  
100 personnel available to explain what were often highly technical issues involving complex  
101 issues. One such complex issue was the Company's participation in CAISO's EIM. The  
102 Company has made significant improvements in the completeness of its responses to data  
103 requests and in its contemporaneous documentation of strategic purpose of commercial  
104 decisions impacting EBA costs. In Daymark's view, these conference calls along with  
105 increased cooperation and collaboration improved the efficiency of the review process  
106 greatly.

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

109 A. The Division specifically recommends a \$1,233,127 reduction to the original \$18,948,273  
110 requested by the Company for a deferral balance recovery of \$17,715,146.

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

112 A. Yes.