

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 17-035-01
)	
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.)	David Thomson
)	

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

Direct Testimony of

David Thomson

November 15, 2017

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, 2016 (2017 EBA).

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

17 A: In addition to myself, the Division is sponsoring two other witnesses: Mr. Philip
18 DiDomenico and Mr. Dan Koehler of Daymark Energy Advisors, Inc. (Daymark). As part of
19 the review process, the Division hired outside consultants from Daymark. Mr. DiDomenico
20 and Mr. Koehler in their testimony will discuss their review of the filing and their proposed
21 adjustments. I will present the Division’s audit results and the results of the proposed
22 Daymark adjustments to the Company’s Energy Balancing Account or EBA.

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

24 A. As stated above, the Division contracted with Daymark to review and provide
25 recommendations and testimony on certain aspects of the Company's EBA filing. The scope
26 of Daymark's assignment was to ascertain whether the actual costs included in the EBA
27 filing were incurred pursuant to an in-place policy or plan, were prudent, and were in the
28 public interest. Daymark reviewed Actual verses Base NPC, Joy Longwall abandonment and
29 recovery, investigated plant outages and trade and EIM transactions in its review. In DPU
30 Exhibit 2.0 the results of Daymark's investigation are presented in the joint direct testimony
31 of Mr. DiDonenico and Mr. Koehler.

32
33 The investigation of whether or not the various NPC items were properly booked was
34 primarily the responsibility of the Division's in-house staff. The Division's Audit Report
35 includes its own analysis along with the accompanying Daymark Audit Report (Confidential
36 DPU Exhibit 2.3). The Division's audit report is included as Confidential DPU Exhibit 1.2.

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

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

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

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

- 42 1. The Division believes the costs presented in the EBA are generally accurate and tie to the
43 supporting schedules and source documents that were provided by the Company. No
44 errors came to the Division's attention that would change the calculation of the final
45 dollar amount of actual net power costs the Company presented. See the Daymark section
46 below for Daymark's total Company adjustment amounts and the Utah allocation

47 amounts. The Division's recommendation for additional recovery is based on Daymark's
48 adjustments.

49

50 2. The Company's level of provided documentation was comparable to that provided in
51 prior filings.

52

53 3. The Company was overall timely in its data request responses and provided complete
54 responses. When needed, phone conferences or phone calls were held with the
55 Company's personnel during the audit and the Division appreciates the willingness of
56 Company representatives to discuss the subjects of the phone calls and conferences.

57

58 4. The Division asked Daymark to review the impact of PacifiCorp's second full calendar
59 year of participation in the EIM. Specifically, the Division also asked Daymark to review
60 the Company's support and calculations of a \$19.5 million dollar EIM benefit as
61 discussed in its filing. Daymark's report explains the full scope and the results of its EIM
62 review.

63

64 5. In its 2016 audit report the Division stated that it, "will recommend disallowing Trapper
65 Mine operating costs in the next EBA filing and or next general rate case if it does not
66 receive enough supporting documentation to determine prudence or have a chance to
67 determine prudence." The Division met with Company personnel about this matter and
68 through discussions agreed to a list of documentation that would be provided by the
69 Company to resolve the Division's documentation concern. This is discussed in greater
70 detail in section 7.3.3 of the Division's audit report.

71

72 Daymark has also completed an EBA Audit Report. Its recommendations, which the Division

73 adopts as part of its recommendations to the Commission, are outlined below.

74

75 1. Daymark recommends disallowing replacement power cost resulting from 14 outages.
76 These outages demonstrated sufficient imprudence that they recommend reducing EBA
77 costs to reflect replacement power costs related to the outages. A detail explanation of
78 each outage can be found in their report. Daymark estimates net replacement power costs
79 associated with these outage on a total Company basis of \$517,681. The Utah allocated
80 amount for this adjustment is \$210,485.

81

82 2. Daymark recommends that based on the available information on the record the
83 Company was imprudent in the management of the Bridger Mine which ultimately led to
84 the unsuccessful recovery efforts and abandonment of the Joy Longwall. We therefore
85 recommend the entire cost of the recovery effort and abandonment be refunded by the
86 Company to its customers. The EBA deferral request is being adjusted to remove the
87 \$12.5 million Joy Longwall abandonment expense and \$7.6 million in recovery cost on a
88 total Company NPC basis for a total of \$20.1 million. The Utah allocated amount for this
89 adjustment is \$8,420,710.

90
91 3. Daymark reviewed Actual vs Base NPC related to wholesale sales revenue and purchase
92 power expense and natural gas and power transactions. The review in these areas of
93 analysis did not generate any adjustments.

94
95 4. As stated above Daymark also reviewed the PacifiCorp's Energy Imbalance Market
96 Participation and concluded that PacifiCorp's participation appears reasonable and the
97 Company's estimate of benefits is not materially overstated.

98
99 The combined adjustments for outages and Joy Longwall on a Utah allocated basis is

100 \$8,631,195. This amount also includes interest adjustments. In addition to the Company's

101 proposed refund of \$6,542,837, the Division recommends that the Commission direct to refund

102 \$8,631,195 for Utah's share of Outages and the Joy Longwall recovery and abandonment costs.

103 The Combined refunds total \$15,174,032.

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

105 A. Yes.