

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain)	Docket No. 17-035-01
Power's Application to Decrease the)	Direct Testimony of
EBA Rate through the 2016 Energy)	Michele Beck
Balancing Account Mechanism)	For the Office of
)	Consumer Services

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December 19, 2017

1 **I. INTRODUCTION**

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

5 A. My name is Michele Beck. I am the director of the Office of Consumer Services
6 (“Office”). My business address is 160 E. 300 S., Salt Lake City, Utah 84111.

7
8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS EBA CASE?**

9 A. My testimony does the following:

- 10 • Supports the adjustment proposed by Division of Public Utilities (Division)
11 for the Joy Longwall abandonment;
12 • Provides the Office’s EBA rate spread and refund proposal.

13
14 **II. RECOMMENDATIONS**

15
16 **Q. PLEASE SUMMARIZE THE OFFICE’S RECOMMENDATIONS FOR THIS**
17 **PROCEEDING.**

18 A. The Office reviewed the Division’s Audit Report and found their recommendation
19 for the Joy Longwall adjustment to be reasonable. This adjustment would
20 remove the Company’s share of abandonment costs which total approximately
21 \$12.5 million and recovery costs of \$7.6 million on a system-wide basis which
22 represents an \$8,420,710 allocation on a Utah basis. The Office recommends
23 that the Commission approve the Division’s Joy Longwall adjustment.

24
25 Regarding EBA rate spread, the Commission should continue to use the “NPC
26 Allocator” method approved in Docket 11-035-T10. Since the EBA amortization
27 rate is currently zero, the proposed adjustment would represent a refund to rate
28 payers. The Company should refund any over-collection back to ratepayers
29 using the NPC Allocator when EBA rates are finalized for this docket.

30

31

32 **III. THE JOY LONGWALL ABANDONMENT ADJUSTMENT**

33 **Q. PLEASE DESCRIBE THE ADJUSTMENT THE DIVISION IS PROPOSING**
34 **RELATED TO THE JOY LONGWALL.**

35 A. The Division is recommending that the abandonment and recovery costs for the
36 Joy Longwall are removed from EBA costs. The adjustment would remove the
37 Company's share of abandonment costs which total approximately \$12.5 million
38 and recovery costs of \$7.6 million on a system-wide basis which represents an
39 \$8,420,710 allocation on a Utah basis.

40
41 **Q. PLEASE DESCRIBE THE CIRCUMSTANCES RELATED TO THE JOY**
42 **LONGWALL ABANDONMENT.**

43 A. [REDACTED]
44 [REDACTED]
45 [REDACTED]
46 [REDACTED]
47 [REDACTED]
48 [REDACTED]

49
50 **Q. WHAT DID THE DAYMARK AUDIT REPORT CONCLUDE ABOUT THE**
51 **CIRCUMSTANCES?**

52 A. Daymark consultants offered the following conclusions based on its analysis: [REDACTED]

53 [REDACTED]
54 [REDACTED]
55 [REDACTED]
56 [REDACTED]
57 [REDACTED]
58 [REDACTED]

59 4. [REDACTED]
60 [REDACTED]

[REDACTED]

61 **Q. DO YOU AGREE WITH THE DAYMARK AUDIT REPORT CONCLUSIONS?**

62 A. Based on the information contained in the Daymark Audit Report and Division
63 Exhibit 1.6 Dir.– Root Cause Analysis (“RCA”)³, the Office concurs with the
64 Division’s and Daymark’s assessment of the Joy Longwall abandonment. While I
65 am not a mining expert, a review of the RCA indicates that there is evidence that
66 this event could have been avoided with appropriate standards and operational
67 practices.

68
69 **Q. DOES THE OFFICE AGREE WITH DAYMARK THAT THERE WAS A LACK
70 OF FORMALIZED STANDARDS, WHICH CONTRIBUTED TO POOR
71 COMMUNICATION, WHICH IN TURN LED TO A FAILURE TO FULLY
72 RECOGNIZE THE SEVERITY OF THE ISSUE.**

73 A. Yes. Consistent mining practices were not followed by all longwall crews.
74 Sections 5 and 6 of the RCA describes the following:

75 [Redacted]
76 [Redacted]
77 [Redacted]
78 [Redacted]
79 [Redacted]
80 [Redacted]
81 [Redacted]
82 [Redacted]
83 [Redacted]
84 [Redacted]
85 4. [Redacted]
86 [Redacted]
87 [Redacted]
88 [Redacted]
89 [Redacted]⁴

³ See DPU data request response 15.7.

⁴ [Redacted]

90 In the section of the RCA entitled, "Methods to Prevent a Reoccurrence", it
91 stated, [REDACTED]
92 [REDACTED]
93 [REDACTED] If formalized standards for
94 performance had been in place at the outset, the abandonment could have been
95 avoided.

96
97 **Q. DOES THE OFFICE AGREE WITH DAYMARK THAT A LACK OF SITE**
98 **SPECIFIC TRAINING AND INEXPERIENCE WITH THE SPECIFIC**
99 **GEOLOGICAL CONCERNS AT THE SITE CONTRIBUTED TO EVENTS**
100 **LEADING TO THE ABANDONMENT?**

101 A. Yes. I would acknowledge that it does appear that the mining conditions were
102 challenging, as described in the [REDACTED]
103 [REDACTED] Later in the Root Cause Analysis Section, the RCA states,

104
105 [REDACTED]
106 [REDACTED]
107 [REDACTED]
108 [REDACTED]
109 [REDACTED]
110 [REDACTED]
111 [REDACTED]
112 [REDACTED] (Emphasis Added)

113
114 While geological conditions were challenging, what seems especially concerning
115 is that the RCA found that the problems that led to having to abandon the Joy
116 Longwall equipment stemmed from a lack of communication and inconsistent
117 development of the mine.

[REDACTED]

118

119 **Q. DOES THE OFFICE AGREE WITH DAYMARK THAT STAFF**
120 **UNAVAILABILITY AND POOR PLANNING LED TO POOR PRODUCTION,**
121 **WHICH MADE THE SITUATION WORSE?**

122 A. Yes. With regard to manpower scheduling, the RCA stated, [REDACTED]
123 [REDACTED]
124 [REDACTED]
125 [REDACTED]
126 [REDACTED]

127

128 These problems stem from management problems that could have been
129 corrected. If management recognized that it would not have sufficient
130 manpower, it should not have scheduled critical work to have been performed
131 until manpower levels were more appropriate, especially given the mine unique
132 geological conditions. The RCA states,

133

134 [REDACTED]
135 [REDACTED]
136 [REDACTED]
137 [REDACTED]
138 [REDACTED]
139 [REDACTED] (Emphasis Added)

140

141 **Q. WHAT WAS THE FINANCIAL IMPACT OF THE JOY LONGWALL**
142 **ABANDONMENT?**

143 The Company's share of abandonment costs which total approximately \$12.5
144 million and recovery costs of \$7.6 million totaling approximately \$20.1 million on
145 a system-wide basis which represents an \$8,420,710 allocation on a Utah basis.

[REDACTED]

146 **Q. SHOULD THE ADJUSTMENT BE AMORTIZED OVER TIME OR TAKEN ONCE**
147 **DURING THIS CASE?**

148 A. The adjustment should be realized in this docket fully since it occurred during the
149 EBA filing period. Carrying the adjustment beyond the period does not match the
150 EBA costs to the period in which they occurred. As such the Office recommends
151 that the Commission approve the Division's proposed adjustment for the Joy
152 Longwall abandonment.

153

154 **III. EBA RATE SPREAD**

155

156 **Q. PLEASE DESCRIBE HOW THE REFUND PROPOSED FOR INTERIM RATES**
157 **IN THIS DOCKET HAS BEEN IMPLEMENTED TO DATE.**

158 A. The Commission ordered on an interim basis that the EBA over-collection would
159 draw down the residual EBA balance to zero after which the EBA collection rate
160 would be set to zero. Originally this was to happen in June 2017. A correction to
161 the EBA collection rate moved that date up to April 2017. As these rates are set
162 on an interim basis, subject to the completion of this proceeding, the Office
163 contemplates that any adjustment to the current interim EBA rates will occur in
164 the true up phase of this docket where final rates will be trued-up and set.

165

166 **Q. HAS THE COMMISSION PREVIOUSLY DECIDED WHAT ALLOCATION**
167 **METHOD SHOULD BE USED TO SPREAD EBA COSTS TO THE TARIFFED**
168 **RATE SCHEDULES AND APPLICABLE SPECIAL CONTRACT**
169 **CUSTOMERS?**

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

173

174 **Q. SHOULD THE NPC ALLOCATOR BE USED IN THIS EBA PROCEEDING?**

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

175 A. Yes. Historically, the NPC Allocator method has been used to spread the EBA to
176 ratepayers. For consistency, any refund or charge to customers would be spread
177 using the NPC Allocator as in previous EBA proceedings. During this
178 proceeding, the Commission ordered the use of the Company's current EBA
179 request to offset the balance remaining in the EBA until the EBA was drawn
180 down to a zero balance. The EBA collection rate thereafter was set at zero. If
181 the Commission approves the adjustments made by parties in this phase of the
182 docket, then the NPC Allocator should be used to allocate that refund since the
183 current interim EBA rate is zero. While this is the first time the Company has
184 refunded back to ratepayers, the same allocation method should apply.

185

186 **Q. DOES THE OFFICE AGREE WITH THE COMPANY'S PROPOSAL FOR**
187 **SPREADING EBA COSTS TO RATE SCHEDULES 21, 31 AND CONTRACT**
188 **CUSTOMERS 1?**

189 A. Yes. As discussed in Mr. Meredith's direct testimony¹², customers taking
190 service under Schedules 21 and 31 are more similar to Schedule 9 customers
191 compared to other rate schedules. Contract Customer 1's contract terms, as
192 approved in Docket 15-035-81, dictates that the 2017 EBA allocation is based on
193 the overall 2017 percentage to tariff customers in Utah.

194

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

196 A. Yes it does.

¹² Meredith Direct Testimony, Pg 3-4, lines 63-72.