

DPU EXHIBIT 1.1 Dir – PUBLIC
EXECUTIVE SUMMARY

Docket No. 18-035-01

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2018 EBA AUDIT REPORT FOR ROCKY MOUNTAIN POWER

Prepared by the Utah Division of
Public Utilities

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1 EXECUTIVE SUMMARY

The Utah Division of Public Utilities (Division) and its outside consultants at Daymark Energy Advisors, Inc. (Daymark) have completed an audit of Rocky Mountain Power's (Company) Energy Balancing Account (EBA) for calendar year 2017. The Division recommends the Commission allow the Company to recover \$1,854,669. This is \$912,007 less than the recovery amount originally requested by the Company.

The Division's findings specifically addressed in this report are as follows:

1. The Division believes the costs presented in the EBA are accurate and tie to the supporting schedules and source documents that were provided by the Company. However, during the audit one error came to the Division's attention. Although minor, the Division proposes to correct the error. The correction increases the adjustment for the Incremental Non-Fuel FAS 106 Savings in the filing. In the original filing to derive the Utah jurisdictional amount for this adjustment the Company used a 2016 SO allocation percentage instead of the proper 2017 SO allocation percentage. The increased savings reduce the requested recovery amount in the filing by \$24,487. This adjustment in turn affects interest computations. The total amount is \$25,742 after an interest adjustment of \$1,255. The Daymark section below explains Daymark's total Company adjustment amounts and the Utah allocation amounts. The Division's recommendation for additional recovery is based on the Division's and Daymark's adjustments.
2. The Company's level of provided documentation was comparable to that provided in prior filings.
3. The Company was overall timely in its data request responses and provided complete responses. When needed during the audit, phone conferences or phone calls were held, or emails exchanged with the Company's personnel. The Division appreciates the willingness of Company representatives to discuss the subjects of the phone calls, conferences or emails.
4. The Division asked Daymark to review the impact of PacifiCorp's third full calendar year of participation in the EIM. Specifically, the Division asked Daymark to review the Company's support and calculation of a \$25.7 million dollar EIM benefit as discussed in its filing. Daymark's report explains the full scope and the results of its EIM review.

5. As with last year's report, Company personnel provided agreed upon documentation to support Trapper Mine operating costs. Results of the Division's review of the Documentation is discussed in 7.3.3 of the Division's audit report.

Daymark also completed an EBA Audit Report. The Division adopts Daymark's recommended EBAC adjustment for imprudent outages. The following are excerpts from, or Division summations of, the findings in the executive summary section of Daymark's report.¹

1. Actual vs. Base NPC - The general decrease in wholesale sales for resale, coupled with lower average sales prices, resulted in increased Actual NPC. Higher purchases also drove an increase in Actual NPC over Base NPC, though the impact was almost entirely mitigated by lower purchase prices. The variance from Base NPC is generally explained by market condition differences between the Base NPC forecast for the 2014-15 test period and actual conditions during the 2017 deferral period, as well as changes in long-term contracts in effect for the respective periods.
2. Outages - Daymark recommends disallowing replacement power costs resulting from seven outages. These outages demonstrated sufficient imprudence that EBA costs should be reduced by the amount of replacement power costs related to the outages. Daymark estimates net replacement power costs associated with these outage on a total Company basis of \$1,954,826. The Utah-allocated amount for this adjustment is \$840,267.
3. Natural Gas and Power Transactions - Daymark evaluated a sample of trading transactions for accuracy, completeness, and prudence. Based on its review of the sample transactions and the supporting information provide to them, there appears to be no reason to adjust the energy balancing account or net power costs for sample transactions reviewed. However, review of one transaction exposed a weakness in the Company's policies and practices regarding monitoring and reporting potential breaches in individual trader limits. We recommend appropriate policy changes to remedy this weakness.

¹ Daymark's full executive summary explaining the following in detail, can be found its report (Daymark Confidential Exhibit 2.3) or its standalone executive summary (Daymark Exhibit 2.2).

4. Energy Imbalance Market Participation - Based on our high-level review of public reports produced by CAISO supporting its benefits estimates we have found no reason to challenge CAISO's methodology or its findings that EIM participants benefit significantly from real time imbalance trading facilitated by the market. Daymark performed a more detailed review of PacifiCorp's benefits study, including "spot checks" of the underlying data and calculations for some periods. The methodology employed by the Company is a reasonable estimate of benefits associated with EIM participation. However, the utility of continuing to estimate EIM benefits against a hypothetical alternative is diminishing rapidly.

The combined adjustments for outages on a Utah allocated basis is \$886,265. This amount also includes an interest adjustment of \$45,998.

The combined adjustments for outages (\$886,265) and error correction (\$25,742) total \$912,007. This amount also includes interest adjustments. The Division's adjustment of \$912,007 reduces the Company's proposed recovery of \$2,766,676 to \$1,854,669.

The Division's audit report is included as DPU Confidential Exhibit 1.2. The Daymark audit report is included as DPU Confidential Exhibit 2.3.