

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	DOCKET NO. 19-035-01
)	
APPLICATION OF ROCKY)	
MOUNTAIN POWER TO INCREASE)	Exhibit No. DPU 1.0 Dir
THE DEFERRED EBA RATE)	
THROUGH THE ENERGY)	
BALANCING ACCOUNT)	Direct Testimony and Exhibits
MECHANISM.)	David Thomson
)	
)	

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

Direct Testimony of

David Thomson

November 14, 2019

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” or “DPU”) 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, 2018 through December 31, 2018 (2019 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 will discuss their review of the filing and their proposed adjustments in their
21 testimony. I will present the Division’s audit results, its proposed adjustment, and the results
22 of the proposed Daymark adjustment 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 for calendar year 2018 were incurred pursuant to an in-place policy or plan, were
28 prudent, and were in the public interest. Daymark reviewed Actual versus Base NPC,
29 investigated plant outages, evaluated a sample of trading transactions for accuracy,
30 completeness and prudence, and reviewed the effect of PacifiCorp's fourth full calendar year
31 in the California Independent System operator's Energy Imbalance Market. Finally, the
32 Division asked Daymark to review changes to the Company's Energy Risk Management
33 Policy in response to trader limit governance concerns raised in Daymark's 2017 EBA audit
34 in Docket No. 18-035-01.

35
36 The Division's in-house staff investigated of whether or not various NPC items were
37 properly reconciled, booked, and supported. The Division also reviewed the Company's
38 filing and supporting documentation for completeness and prudence. The Division's Audit
39 Report includes its own analysis along with the accompanying Daymark Audit Report
40 (Confidential DPU Exhibit 2.3). The Division's audit report is included as Confidential DPU
41 Exhibit 1.2.

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

43 A. Yes. Including me, three Division staff members reviewed or worked on various aspects of
44 the Company's EBA filing.

45 **Q. Can you please summarize the Division’s findings and recommendations?**

46 A. Yes. The Division’s findings are as follows:¹

- 47 1. The costs presented in the EBA are accurate and tie to the supporting schedules and
48 source documents that were provided by the Company. However, Company witness
49 Michael G. Wilding’s, testimony stated, “In the 2019 EBA the non-fuel savings are
50 allocated to Utah using the system overhead (‘SO’) allocation factor from the June 30,
51 2018 results of operations. At the time of this filing, the calendar year SO allocation
52 factor was not yet available.”² In a Data Request (DPU Data Request 8.3), the Division
53 asked the Company to provide updated allocation amounts using the allocation factor for
54 the calendar year 2018. Per the Company’s response, the Utah allocation amount for the
55 non-fuel FAS 106 savings amount changed from \$2,921,597 to \$2,942,828, an increase
56 in an EBA deferral reduction amount of \$21,231. Although minor, the Division proposes
57 to use the updated allocation amount for its recommended EBA recovery amount. The
58 increased savings reduce the requested recovery amount in the filing by \$21,231. This
59 adjustment in turn affects interest computations. The total amount is \$22,320 after an
60 interest adjustment of \$1,089.
61
- 62 2. The Company’s level of provided documentation was comparable to that provided in
63 prior filings.
64
- 65 3. The Company was generally timely in its Data Request responses and provided complete
66 responses. When needed during the audit, phone conferences were held or emails
67 exchanged with the Company’s personnel. On September 10, 2019, the Division and its
68 consultants visited the Company’s trading center in Portland Oregon. The Division
69 appreciates the Company’s willingness to discuss EBA subject matter over the phone,
70 through emails, and in onsite visits.
71
- 72 4. For its scope of work, the Division asked Daymark to review variants of Actual versus
73 Base NPC, Outages, Natural Gas and Power Transactions, a high level review of EIM
74 benefits, and changes to Energy Risk Management policies. The results of its review of
75 these items are discussed in separately issued Testimony, Executive Summary, and 2019
76 EBA Audit Report.³
77

¹ See Division Confidential Exhibit 1.2 - Confidential Audit Report, Executive Summary.

² See Direct Testimony of Michael G. Wilding; Page 10; Lines 207-212.

³ Daymark Exhibits 2.0, 2.2, and Confidential Exhibit 2.3.

78 5. Based on its audit of outages, Daymark is recommending an adjustment to reduce NPC
79 on a Utah allocated basis of \$681,889. This amount combines an EBAC adjustment of
80 \$646,755 and an interest adjustment of \$35,134 which the Division adopts.

81
82 The combined adjustment for outages (\$681,889) and error correction (\$22,320) total \$704,209.
83 This amount includes interest adjustments. The \$704,209 reduces the Company's proposed
84 recovery of \$23,877,352 to \$23,173,143.

85

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

87 A. Yes.