

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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APPLICATION OF ROCKY)	DOCKET NO. 20-035-01
MOUNTAIN POWER TO INCREASE)	
THE DEFERRED EBA RATE)	Exhibit No. DPU 1.0 Dir
THROUGH THE ENERGY)	
BALANCING ACCOUNT)	
MECHANISM)	
)	
)	

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

Direct Testimony of

Gary Smith

November 6, 2020

**CONTAINS CONFIDENTIAL EXHIBITS - SUBJECT TO UTAH PUBLIC
SERVICE COMMISSION RULE 746-1-601, 602 & 603**

1 **Q. Please state your name, employer, and business address.**

2 A. My name is Gary Smith. I am employed by the Utah Division of Public Utilities (Division),
3 State of Utah. My business address is 160 East 300 South, Salt Lake City, UT 84114.

4 **Q. Briefly outline your education background.**

5 A. I am a Technical Consultant for the Division and have testified before the Public Service
6 Commission of Utah (Commission) on energy, telecommunications, and water matters. I
7 received a Bachelor of Science degree in Economics from the University of Utah.

8 **Q. On whose behalf are you testifying?**

9 A. The Division.

10 **Q. What is the purpose of your testimony?**

11 A. The purpose of my testimony is to summarize the Division's audit findings for Rocky
12 Mountain Power's (Company) Energy Balancing Account (EBA) for the period January 1,
13 2019 through December 31, 2019 (2020 EBA).

14 **Q: Please identify the Division's witnesses for this docket.**

15 A: The Division is sponsoring a total of three witnesses, including me. As part of the review
16 process, the Division hired outside consultants from Daymark Energy Advisors, Inc
17 (Daymark). Mr. Philip DiDomenico and Mr. Dan Koehler from Daymark will discuss their
18 review of the filing and the proposed adjustments in their testimony. I will present the
19 Division's audit results, its proposed adjustment, and the results of the proposed Daymark
20 adjustment to the Company's requested EBA recovery.

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

22 A. As stated above, the Division contracted with Daymark to review and provide
23 recommendations and testimony on certain aspects of the Company's EBA filing. The scope

24 of Daymark's assignment was to ascertain whether the actual costs included in the EBA
25 filing for calendar year 2019 were incurred pursuant to an in-place policy or plan, were
26 prudent, and were in the public interest. Daymark reviewed Actual versus Base Net Power
27 Cost (NPC; investigated plant outages; evaluated a sample of trading transactions for
28 accuracy, completeness, and prudence; reviewed the effect of PacifiCorp's fourth full
29 calendar year in the California Independent System Operator's Energy Imbalance Market;
30 and reviewed the Company's risk management policies and compliance monitoring practices.

31 The Division's in-house staff investigated whether or not various NPC items were properly
32 reconciled, booked, and supported. The Division also reviewed the Company's filing and
33 supporting documentation for completeness and prudence. The Division's Audit Report
34 (Confidential DPU Exhibit 1.2) includes its analysis along with the accompanying Daymark
35 Audit Report (Confidential DPU Exhibit 2.3).

36 **Q. Did other Division staff besides you participate in the EBA audit?**

37 A. Yes. Three additional Division staff members reviewed and worked on various aspects of the
38 Company's EBA filing.

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

40 A. Yes. The Division's findings are as follows:¹

41 1. The costs presented in the EBA appear to be accurate and tie to the supporting schedules
42 and source documents that were provided by the Company. However, Company witness
43 David G. Webb's testimony stated, "In the 2020 EBA the non-fuel savings are allocated
44 to Utah using the system overhead ('SO') allocation factor from the June 30, 2019 results

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

45 of operations. At the time of this filing, the calendar year SO allocation factor was not yet
46 available.”² The Division referred to the Utah Jurisdiction Results of Operations for
47 Period Ended December 31, 2019, filed by the Company on April 30, 2020, to determine
48 the correct allocation factor for the calendar year 2019. Using the updated SO allocation,
49 the Division determined that the Utah allocation amount for the non-fuel FAS 106
50 savings changed from \$2,947,878 to \$2,927,663, resulting in a \$20,215 decrease in the
51 Division’s recommended EBA deferral adjustment. Although minor, the Division
52 proposes to use this updated allocation amount in its recommended EBA recovery
53 calculation. The total proposed Utah adjustment due to the updated SO allocation factor
54 is \$21,822 after the associated interest adjustment of \$1,607.

- 55 2. The Company’s level of documentation was generally comparable to that provided in
56 prior filings. However, the Commercial Objectives Reports (CORs) contained language
57 that was static and generally unchanged from year to year. Daymark concluded that
58 CORs are not reviewed carefully and are no longer satisfactory documentation of trade
59 purpose for discretionary deals.³
- 60 3. The Company was generally complete and timely in its Data Request responses.
61 However, as of the date of this testimony, the Company has an outstanding request for
62 the final determination of a root cause analysis of an outage that occurred in August
63 2019. As needed during the audit, phone conferences were held or emails exchanged with
64 the Company’s personnel.

² See Direct Testimony of David G. Web; page 11; lines 202-207.

³ See Daymark Confidential Audit Report Exhibit 2.3, pages 94-102.

- 65 4. The Division provided Daymark a scope of work for Daymark to perform. The Division
66 asked Daymark to review variants of Actual versus Base NPC; Outages; Natural Gas and
67 Power Transactions; a high-level review of EIM benefits; and changes to Energy Risk
68 Management policies. The results of its review of these items are discussed in its
69 separately issued Testimony, Executive Summary, and 2020 EBA Audit Report.⁴
- 70 5. Based on its audit of outages, Daymark is recommending an adjustment to reduce NPC
71 on a Utah allocated basis of \$2,792,525. This amount combines an EBA cost (EBAC)
72 adjustment of \$2,617,430 and an interest adjustment of \$175,095 which the Division
73 adopts.
- 74 6. Daymark's and the Division's combined adjustment for outages is (\$2,792,525) and for
75 the error correction is \$21,822, resulting in a total adjustment of (\$2,770,703). This
76 amount includes interest associated adjustments of (\$173,488). The (\$2,770,703) total
77 Division recommended Utah allocated adjustment reduces the Company's proposed
78 recovery of \$36,820,057 to \$34,049,354.

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

80 A. Yes.

⁴ Daymark Exhibits 2.0, 2.2, and Confidential Exhibit 2.3.