

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>APPLICATION OF ROCKY</b>	)	<b>DOCKET NO. 21-035-01</b>
<b>MOUNTAIN POWER TO INCREASE</b>	)	
<b>THE DEFERRED EBA RATE</b>	)	<b>Exhibit No. DPU 1.0 Dir</b>
<b>THROUGH THE ENERGY</b>	)	
<b>BALANCING ACCOUNT</b>	)	
<b>MECHANISM</b>	)	
	)	
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FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH

Direct Testimony of

Gary Smith

November 5, 2021

**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 2020 through December 31, 2020 (2021 EBA).

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

15 A: The Division is sponsoring a total of three witnesses. As part of the review process, the  
16 Division hired outside consultants from Daymark Energy Advisors, Inc (Daymark). Mr.  
17 Philip DiDomenico and Mr. Dan Koehler from Daymark will discuss their review of the  
18 filing and the proposed adjustments in their testimony. I will present the Division's audit  
19 results, its proposed adjustment, and the results of the proposed Daymark adjustment to the  
20 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 2020 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 fifth full calendar  
29 year in the California Independent System Operator's Energy Imbalance Market; and  
30 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:<sup>1</sup>

41 1. The Company's level of documentation was generally comparable to that provided in  
42 prior filings.

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<sup>1</sup> See Division Confidential Exhibit 1.2 - Confidential Audit Report, Executive Summary.

- 43 2. The Company was generally complete and timely in its Data Request responses. As  
44 needed during the audit, the Company's personnel were available and generally  
45 responsive to the Division's requests.
- 46 3. The Division provided Daymark with a scope of work to perform. The Division asked  
47 Daymark to review variants of actual Net Power Cost (NPC) versus Base NPC, outages,  
48 natural gas and power transactions, a high-level review of Energy Imbalance Market  
49 (EIM) benefits, and changes to energy risk management policies. The results of the  
50 review of these items are provided in Daymark's separately issued Testimony, Executive  
51 Summary, and 2021 EBA Audit Report.
- 52 4. On March 15, 2021, the Company filed a request for an EBA recovery of \$1,715,940 for  
53 the 2020 Deferral Period. On June 14, 2021, the Company filed a request for an increased  
54 total recovery of \$6,606,072 to correct a misallocation of loads and sales due to a partial  
55 meter failure at the Treasureton substation. This requested amount includes a \$3,247,893  
56 correction for the prior EBA deferral period from July 2019 through December 2019.  
57 The Company's June 14, 2021 corrective filing included Excel exhibit  
58 "CONFIDENTIAL RMP Workpapers 2 – Updated Loads 6-14-2021." The tab entitled  
59 Table 1 calculated the 2020 Deferral recovery to be \$3,358,179. This is \$3,247,893 less  
60 than the \$6,606,072 total the Company is seeking. The Table 1 calculation filed June 14,  
61 does not include the portion of the Treasureton substation meter failure correction from  
62 July 2019 through December 2019.
- 63 5. Based on its audit of outages, Daymark recommends an adjustment to reduce NPC on a  
64 Utah allocated basis of \$53,873. This amount combines an Energy Balancing Account  
65 Costs (EBAC) adjustment of \$50,871 and an interest adjustment of \$3,002, which the

66 Division adopts. The recommended Utah allocated adjustment reduces the Company's  
67 revised proposed recovery of \$6,606,072 to \$6,552,200.

68 In addition to these recommended outage and replacement power cost adjustments,  
69 Daymark found that the Company's lack of emphasis on providing plant-specific  
70 evidence of what they are doing to minimize outage durations to be of concern. The  
71 Company should make every effort to ensure that "learnings" from outage events are  
72 properly vetted across the fleet to help proactively minimize future outages.

73 6. During the Division's review, the Company confirmed that a correction to the 2020  
74 Wyodak coal cost adjustment is needed. The \$517,221 reduction for Wyodak liquidated  
75 damages in the 2021 EBA for the 2020 Deferral Period should have been \$449,705, the  
76 sum of calendar years 2021 and 2022. The Company suggested that this true-up will be  
77 corrected in the 2022 EBA for the calendar year 2021 deferral period. If the Commission  
78 wished to make this adjustment during this 2021 EBA review year, the recommended  
79 Utah allocated total calculated adjustment would be \$34,267, including \$3,753 of  
80 interest.

81 The combined \$53,873 DPU recommended reduction from outages and the \$34,267  
82 Wyodak coal cost increase adjustment would net a total decrease of \$19,606 and a net  
83 recommended recovery of \$6,586,467 for the 2020 Deferral Period. In other words, the  
84 Wyodak correction helps mitigate the effect of the outage adjustments on the Company's  
85 overall request.

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

87 A. Yes.