

**-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-**

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IN THE MATTER OF THE APPLICATION OF ROCKY  
MOUNTAIN POWER TO INCREASE THE  
DEFERRED EBA RATE THROUGH THE ENERGY  
BALANCING ACCOUNT MECHANISM

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**DOCKET No. 22-035-01**  
**Exhibit No. DPU 1.0 DIR**  
**Direct Testimony and Exhibits**  
**Gary Smith**

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

Direct Testimony of

Gary Smith

September 21, 2022

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

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1 **INTRODUCTION**

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

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

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

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

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

12 **A.** The Division.

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

14 **A.** The purpose of my testimony is to summarize the Division's audit findings for Rocky  
15 Mountain Power's (Company) Energy Balancing Account (EBA) for the period  
16 January 1, 2021 through December 31, 2021 (2022 EBA).

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

18 **A:** The Division is sponsoring a total of three witnesses. As part of the review process,  
19 the Division hired outside consultants from Daymark Energy Advisors, Inc  
20 (Daymark). Mr. Philip DiDomenico and Mr. Dan Koehler from Daymark will discuss

21 their review of the filing and the proposed adjustments in their testimony. I will  
22 present the Division's audit results, proposed adjustment, and the results of the  
23 proposed Daymark adjustment to the Company's requested EBA recovery.

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

25 **A.** As stated above, the Division contracted with Daymark to review and provide  
26 recommendations and testimony on certain aspects of the Company's EBA filing.  
27 The scope of Daymark's assignment was to ascertain whether the actual costs  
28 included in the EBA filing for calendar year 2021 were incurred pursuant to an in-  
29 place policy or plan, were prudent, and were in the public interest. Daymark  
30 reviewed Actual versus Base Net Power Cost (NPC) and Production Tax Credits  
31 (PTCs); investigated plant outages; evaluated a sample of trading transactions for  
32 accuracy, completeness, and prudence; reviewed the effect of PacifiCorp's  
33 membership in the California Independent System Operator's Energy Imbalance  
34 Market; and reviewed the Company's risk management policies and compliance  
35 monitoring practices.

36 The Division's in-house staff investigated whether various NPC items were properly  
37 reconciled, booked, and supported. The Division also reviewed the Company's filing  
38 and supporting documentation for completeness and prudence. The Division's  
39 Confidential Audit Report (Confidential DPU Exhibit 1.2) includes its analysis along  
40 with the accompanying Confidential Daymark Audit Report (Confidential DPU Exhibit  
41 2.3).

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

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

45 **REPORT SUMMARY**

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

47 **A.** Yes.

48 1. The Company reported a large Utah allocated 2021 EBA deferral of \$107.6  
49 million in Net Power Costs above the base set in the 2020 general rate case.  
50 After the Company's adjustments and calculated accrued interest, the net  
51 requested EBA recovery, as filed, totaled \$90.6 million.<sup>1</sup> This is more than  
52 double the Company's largest previously requested net deferral recovery of  
53 \$36.8 million for EBA deferral year 2019.<sup>2</sup>

54 2. The Company included PTCs from approved wind resources as allowed by  
55 Commission order, Docket No. 20-035-04. The Company's requested deferral  
56 recovery includes a total of \$10.9 million from the inclusion of PTCs, including  
57 \$1.4 million due to the actual SG allocation percent difference from the 2020  
58 GRC base.

59 3. The Company's filed report contained insufficient PTC information and  
60 calculations. The Division recommends that in future reports to the Commission

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<sup>1</sup> Direct Testimony of Jack Painter, Table 1.

<sup>2</sup> Docket No. 20-035-01, Direct Testimony of David G. Webb, Table 1.

61 the Company provide additional detail and comparative results like that  
62 provided by the Company in data request responses.

63 4. The Company's application contained an error in the calculation of the interest  
64 carrying charge for 2022. The Division calculated an adjusted decrease to the  
65 requested deferral recovery of \$189,551 to correct this error.

66 5. An adjustment totaling \$787, including interest, is recommended to correct  
67 (51,000) kWh of negative wind generation at TB Flats 2 for January 2021<sup>3</sup>  
68 reported in the Company's 2022 application filing. This negative generation  
69 occurred prior to the resource service commencement date and should not be  
70 included in PTCs.

71 6. The Division provided Daymark with a scope of work to perform. The results of  
72 its review are provided in Daymark's separately issued Testimony, Executive  
73 Summary, and 2022 EBA Audit Report.<sup>4</sup>

74 Based on its report, Daymark recommends a \$1.6 million reduction, including  
75 accrued interest, to the Company's requested deferral on a Utah allocated  
76 basis. This incorporates \$1.3 million from the loss of generation, \$233,225 from  
77 the loss of PTCs due to outages, and the \$787 adjustment for the negative  
78 generation recorded at TB Flats 2 in January 2021.

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<sup>3</sup> DPU Exhibit 1.7 Dir, RMP DPU data request set 7 response attachment - Attach DPU 7.1 and UAE data request set 4 response – UAE 4.1.

<sup>4</sup> Daymark Exhibits 2.0, 2.2, and Confidential Exhibit 2.3.

79 **CONCLUSION**

80 **Q. Can you please summarize the Division’s recommend total deferral?**

81 **A.** Yes. The Division adopts Daymark’s \$1.6 million total adjustment. Adding this  
82 adjustment to the \$189,551 accrued interest rate adjustment for 2022 mentioned  
83 above, the Division recommends reducing the Company’s proposed recovery of  
84 \$90.6 million by \$1.8 million to total \$88.9 million, as follows:

<u>March 2022 Requested Deferral</u>	<u>\$90,617,662</u>
Total Outage Adjustment	(\$1,313,706)
Total Outage Adjustment - Accrued Interest	(24,697)
Total Outage Adjustment - PTCs	(\$229,419)
Total Outage Adjustment - PTCs - Accrued Interest	(3,806)
2022 Accrued Interest Correction Adjustment	(189,551)
Removal TB Flats 2 - Jan 2021 Negative Generation - Adjustment	(\$754)
Removal TB Flats 2 - Jan 2021 Neg Generation - Accrued Interest	(32)
Net Adjustment	<u>(\$1,761,965)</u>
<b>Net Adjusted DPU Total Recommended Recovery</b>	<b><u>\$88,855,697</u></b>

85

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

87 **A.** Yes.