

Docket No. 22-035-01

DPU EXHIBIT 1.1 Dir – PUBLIC
EXECUTIVE SUMMARY

January 1, 2021 – December 31, 2021

2022 EBA AUDIT REPORT FOR ROCKY MOUNTAIN POWER

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EXECUTIVE SUMMARY – NON-CONFIDENTIAL

The Utah Division of Public Utilities (Division or DPU) and its outside consultant, Daymark Energy Advisors, Inc. (Daymark), have completed the 2022 audit of Rocky Mountain Power's (RMP, Company) Energy Balancing Account (EBA) for the calendar year 2021 (2021 Deferral, Deferral Period). The Division recommends a recovery amount of \$88.9 million for the 2021 Deferral Period. This recommended recovery is \$1.8 million less than the recovery amount requested by the Company in its application filing and includes a \$787 deferral reduction to correct the Company's inclusion of (51,000) kWh of Production Tax Credits (PTCs), a correction of \$189,551 for the interest rate used in the Company's model to calculate accrued interest in 2022, and Daymark's \$1.6 million recommended outage adjustments described below.

Summary observations with recommended adjustments:

1. The Company's level of documentation was generally comparable to that provided in prior filings.
2. The Company was generally complete and timely in its Data Request responses.¹ As needed during the audit, the Company's personnel were available and generally responsive to the Division's requests.
3. The Company reported a large Utah allocated 2021 EBA deferral of \$107.6 in Net Power Costs above the base set in the 2020 general rate case. After the Company's adjustments and calculated accrued interest, the net requested EBA recovery, as filed, totaled \$90.6 million.² This is more than double the Company's largest previously requested net deferral recovery of \$36.8 million for EBA deferral year 2019.³

Actual 2021 NPC were higher than Base due to:

\$42 million reduction in wholesale sales,
\$125 million increase in purchased power expense,
\$52 million increase in natural gas expense,
\$30 million increase in coal fuel expense,
\$13 million increase in wheeling and other expenses.

¹ Completeness and timeliness here refer to the data requests themselves, not to the question of whether the responses satisfy prudence standards.

² CONFIDENTIAL RMP Attachment C – RMP Painter Workpapers and Exhibit 3-15-2022, tab TABLE 1.

³ CONFIDENTIAL RMP Attachment 37- Webb Exhibits and Workpapers 3-16-2020, tab TABLE 1.

4. The Company informed the Commission during the April 26, 2022, EBA Interim Rate hearing that the Company’s application contained an error in the calculation of the interest carrying charge for 2022. The Division calculated an adjusted decrease to the requested recovery of \$189,551 to correct this error.

	Application Total	Corrected Total	Calculated Difference
Interest Accrued January 1, 2022 through March 31, 2022	871,124	682,053	189,071
Interest Accrued April 1, 2022 through April 30, 2022	229,736	229,255	481
Requested EBA Recovery	\$ 90,617,662	\$ 90,428,110	189,551

5. As a result of the 2021 General Session of the 64th Legislature, Utah Code 54-7-13.5 was revised to expressly authorize the Commission to allow interim rate treatment of EBAC subject to the Commission’s authority to later order a refund or surcharge. The Code was also amended to limit the annual review and final Commission order to 300 days after the Company’s annual application filing date.

On April 29, 2022, the Commission approved the Company’s request for an interim rate to recover the application requested amount of \$90.6 million in allowed energy balancing account deferred costs (EBAC) effective May 1, 2022, to be amortized through a lengthened 14-month period ending June 30, 2023.⁴

6. The Company included Production Tax Credits from approved wind resources as allowed by Commission order, Docket No. 20-035-04. As part of its review, the Division tested the Company’s models incorporating PTCs, including the confidential Attachment C workpapers presented with Mr. Painter’s direct testimony.⁵ In Attachment C’s tab (9.1), the Division set the actual PTC results and the SG allocation factor percentage equal to the 2020 GRC base. The model calculated the total deferral amount attributed to the inclusion of PTCs in the EBA at \$10.9 million for the deferral year⁶ as follows:

⁴ Docket No. 22-035-01, April 29, 2022, Commission Order approving interim rates.

⁵ CONFIDENTIAL RMP Attachment C – RMP Painter Workpapers and Exhibit 3-15-2022, tab (9.1) PTC.

⁶ DPU Confidential Exhibit 1.5 Dir, dark red colored tabs.

PTC Variance Impact on Total Deferrable EBA	\$	10,588,142
Interest Accrued through December 31, 2021		234,605
Interest Accrued January 1, 2022 through March 31, 2022		82,461
Interest Accrued April 1, 2022 through April 30, 2022		27,717
Resulting Total EBA Deferral	\$	10,932,925
Unrealized 2021 wind generated PTCs		9,189,328
Accrued Interest		308,902
<i>SG Allocation % Base to Actual Difference (43.997% & 45.577%)⁷</i>	\$	1,398,814
<i>Accrued Interest</i>		35,882

The Company's requested Deferral Period recovery includes \$9.5 million in unrealized PTCs, including accrued interest. In addition to the unrealized PTCs due to unrealized wind generation, the difference in the SG allocation percentage from the 2020 GRC base, created an additional \$1.4 million in deferral, including accrued interest.

The results demonstrate that if the Company had received the same generation in the deferral year as the 2020 GRC PTC Base, the Company would still have a deferral increase of over \$1.4 million, including accrued interest, from the inclusion of PTCs in the EBA due to the SG allocation interest rate difference.

- The Company included PTCs for the first time in its confidential Attachment C workpapers presented with Mr. Painter's direct testimony. Tab 9.1 of Attachment C provided the annual summary amounts for the base PTCs and monthly totals for the actual PTC results. In Data Request set 2 and 7, the Division requested the full calculated actual results and 2020 GRC base PTCs on a monthly basis for each approved wind resource.⁸ The Division recommends that the Company provide this additional detail and comparison on future EBA reports to the Commission.

⁷ CONFIDENTIAL RMP Attachment C – RMP Painter Workpapers and Exhibit 3-15-2022, tab (9.1) PTC.

⁸ RMP data request set 2 response attachment - Attach DPU 2.4-1, data request set 7 response attachment – DPU 7.1.

8. An adjustment totaling \$787, including \$33 of interest, is recommended to correct (51,000) kWh of negative wind generation at TB Flats 2 for January 2021⁹ reported in the Company’s 2022 application filing. Although this is a de minimis amount, this negative generation occurred prior to the resource service commencement date and should not be included in PTCs.

The adjustment is calculated as follows:

	January 2021
TB Flats Wind 2 (kWh)	(51,000)
Total Production to Adjust (kWh)	(51,000)
Credit Rate Per kWh	0.025
Production Tax Credit Adjustment	(1,275)
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Federal/State Combined Tax Rate	24.587%
Net to Gross Bump up factor = (1/(1-tax rate))	1.3260
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	Total
PTC Adjustment	\$ (1,275)
PTC Adjustment Tax Affected	\$ (1,691)
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Utah Actual SG Allocation Factor	44.577%
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Utah Allocated Adjustment	\$ (754)
Accrued Interest ¹⁰	\$ (33)
Total Utah Allocated Adjustment	\$ (787)

9. The Division provided Daymark with a scope of work to perform. The Division asked Daymark to review variants of actual Net Power Cost (NPC) versus Base NPC, outages, PTCs, natural gas and power transactions, a high-level review of Energy Imbalance Market (EIM) benefits, and changes to energy risk management policies. The results of this review are provided in Daymark’s separately issued Testimony, Executive Summary, and 2022 EBA Audit Report.¹¹

⁹ 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.

¹⁰ Accrued interest calculated using RMP’s application attachment - CONFIDENTIAL RMP Attachment C – RMP Painter Workpapers and Exhibit 3-15-2022.

¹¹ Daymark Exhibits 2.0, 2.2, and Confidential Exhibit 2.3.

10. Based on its report, Daymark recommends an adjustment to reduce the Company’s requested deferral on a Utah allocated basis of \$1.6 million, including accrued interest. This includes the loss of generation and PTCs due to outages and a small correction for the negative generation recorded at TB Flats 2 in January 2021.¹²

The Division adopts Daymark’s \$1.6 million total adjustment. Adding this adjustment to the \$189,551 accrued interest rate adjustment for 2022 mentioned above, the Division recommends reducing the Company’s proposed recovery of \$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>
Net Adjusted DPU Total Recommended Recovery	<u><u>\$88,855,697</u></u>

¹² 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.