

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF ROCKY MOUNTAIN POWER'S
APPLICATION FOR APPROVAL OF THE 2023
ENERGY BALANCING ACCOUNT

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DOCKET No. 23-035-01
Exhibit No. DPU 1.0 R
Rebuttal Testimony
Gary Smith

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

Rebuttal Testimony of

Gary Smith

January 8, 2024

CONTENTS

INTRODUCTION 1
SUMMARY 1
RESPONSE..... 2

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.**

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

5 **Q. ARE YOU THE GARY SMITH WHO PREFILED DIRECT TESTIMONY FOR THE**
6 **DIVISION IN THIS PROCEEDING?**

7 A. Yes.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. The Division.

10 **SUMMARY**

11 **Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR REBUTTAL TESTIMONY.**

12 A. The purpose of my rebuttal testimony is to address certain items mentioned in Rocky
13 Mountain Power's (RMP or Company) response testimony. Specifically, I update the
14 Division's position after a review of RMP's 2022 Energy Cost Adjustment Mechanism
15 Confidential Investigative Report (Investigative Report) prepared at the direction of
16 the Idaho Public Utilities Commission (IPUC) as part of its annual Energy Cost
17 Adjustment Mechanism for 2022 under IPUC's Case Number PAC-E-23-09.

18 **RESPONSE**

19 **Q. HAS THE DIVISION RECEIVED AND REVIEWED THE INVESTIGATIVE**
20 **REPORT?**

21 A. Yes, RMP filed its Investigative Report with the Public Service Commission of Utah
22 (Commission) on December 22, 2023. The Division has reviewed this report along
23 with its included exhibits.

24 **Q. PLEASE PROVIDE A SUMMARY OF THE INVESTIGATIVE REPORT.**

25 A. The Investigative Report consisted of 22 pages (excluding the Table of Contents,
26 etc.), and two attachments. It focused on issues related to lower coal generation and
27 coal supplies, the deployment of the Company's coal fleet, and the impacts on net
28 power costs (NPC) during calendar year 2022. The Investigative Report provided a
29 summary of the Company's optimization models and information on the Company's
30 coal acquisition process, coal market conditions, and coal supply agreements. The
31 Report stated that in calendar year 2022 coal generation and deployment was
32 challenged by numerous circumstances, including the war in Ukraine, extreme
33 weather, and force majeure events from the Company's coal suppliers.¹ PacifiCorp
34 did not receive the full amount of coal supply under the existing coal service
35 agreements for the Huntington plant due to multiple factors including force majeure
36 claims, transportation issues, mine geologic difficulties, and other challenges in the

¹ RMP December 22, 2023, Investigative Report, Pages 5-9, DPU Exhibit Conf 1.1 R.

37 Utah coal market. RMP explained that coal stockpiled at the Rock Garden safety pile
38 was used to supplement Huntington's supply.²

39 Due to these events and challenges, RMP decided at the end of 2022 to raise the
40 dispatch prices at the Hunter and Huntington plants significantly to render those
41 plants less economically favorable to dispatch within the Company's operational
42 optimization models. RMP explained that this was necessary to maintain coal
43 stockpile levels and ensure reliability during high-demand periods.³ The Company
44 did not quantify or explain in their Report what scenarios or market situations (in
45 terms of \$/MWh) would constitute high-demand periods or prudent use of these
46 reserves. This is an area where the Division will seek additional clarity in future EBA
47 filings and related matters. The Division will seek to understand and address how the
48 Company manages coal supply, coal storage, and under what circumstances it
49 should deviate from targeted coal supply amounts. The Division may have
50 recommendations concerning these points in future matters.

51 **Q. WHY DID THE DIVISION SEEK THE INVESTIGATIVE REPORT AND REQUEST**
52 **TIME TO REVIEW ITS CONTENTS IN ITS PREFILED DIRECT TESTIMONY?**

53 A. The 2022 EBA deferral year was significant in its complexity and deferral size. The
54 Company's request of over \$175 Million on a Utah allocated basis is by far the
55 largest since the adoption of the EBA. The Division, the IPUC,⁴ and the Oregon

² RMP December 22, 2023, Investigative Report, Page 15, DPU Exhibit 1.1 R (CONF).

³ Ibid, Pages 8-9.

⁴ Idaho Public Utility Commission, Case Number PAC-E-23-09, Staff Report & Final Order, DPU Exhibit 1.2 R.

56 Public Utility Commission⁵ (possibly others) recognized that even though coal plant
57 generation in 2022 was essentially equal to base, coal plant generation was not fully
58 dispatched during peak high-demand periods, including those occurring in
59 December 2022. The decreased coal generation during these high-demand periods
60 required the company to dispatch higher priced gas plants and engage in market
61 purchases to meet demand, contributing to its request for these increased expenses
62 over the base. The Company did not provide any specific details in its application
63 testimonies related to the challenges it faced on this matter.

64 The Division filed 19 data requests with the Company to understand the challenges
65 and reasons for such a large EBA deferral, including the decreased coal generation
66 during these high-demand periods. The Company was generally responsive and
67 timely in responding to these requests but did request an extension for one of the
68 Division's data requests beyond the scheduled date to file the Division's direct
69 testimony.⁶ Even with timely responses, the nature of the data requests and the
70 response time shortens the actual time available within the allowed 190 days to
71 understand and evaluate the Company's application and its requested deferral
72 recovery.

73 As the IPUC had already ordered an Investigative Report related to this issue, the
74 Division requested the Report. As it was uncertain when the Report would be
75 available and what it would look like in terms of comprehensiveness, the Division
76 requested time to review its contents. Historically, EBA filings have regularly

⁵ Oregon Public Utility Commission, UE 421, Staff Exhibit 100, Pages 6-10, DPU Exhibit 1.3 R.

⁶ Division to RMP, data request 17.

77 contained the Company's out of period adjustments and collections.⁷ Included in the
78 Company's 2023 EBA application for recovery is almost \$2 Million on a Utah
79 allocated basis from the 2021 deferral year.⁸ While the Division understands the
80 Company's concerns with deferring consideration of an item to a future EBA year,
81 the Company makes use of out-of-period adjustments for its own purposes, it
82 supported the brief statutory time frame and minimized the complexity of its
83 operations and power cost management during a challenging deferral year.

84 **Q. DOES THE DIVISION REQUIRE ADDITIONAL TIME TO REVIEW THE**
85 **INVESTIGATIVE REPORT?**

86 A. No, The Division relies on the information included in the Report to conclude that
87 there are likely plausible reasons for the Company's large, requested deferral.
88 Nevertheless, the Division is concerned that there may be insufficient flexibility in the
89 Company's treatment of coal storage. Reliability is one reason for maintaining coal
90 storage at a specific level. Price stability is another reason. If storage is insufficiently
91 flexible, ratepayers can end up paying high prices for market purchases. As noted
92 above, the Division will continue its review and discussion of these practices and
93 may have recommendations in future dockets.

⁷ Direct Testimony of Jack Painter, lines 122-136.

⁸ Ibid, lines 25-26, 41-42, and Table 1.

94 **Q. JACK PAINTER'S RESPONSE TESTIMONY MENTIONED DIFFERENCES IN THE**
95 **UTAH EBA PROCESS, THE IDAHO ECAM PROCESS, AND THE PROCESS**
96 **ADOPTED IN OREGON. ARE THERE ADDITIONAL DIFFERENCES THAT WERE**
97 **NOT MENTIONED?**

98 A. Yes. The Idaho ECAM and the Oregon PCAM balancing accounts have retained
99 their sharing band risk/benefit of 90% customer and 10% company. In addition to the
100 sharing band, Oregon also has the following recovery parameters that differ from
101 Utah: 1) An asymmetric deadband, which requires the company to absorb the NPC
102 difference between negative \$15 Million and positive \$30 Million; 2) Earnings test
103 that provides that if PacifiCorp's earned return on equity (ROE) is within plus or
104 minus 100 basis points of its allowed ROE, there is no recovery from or refund to
105 customers; and 3) An amortization cap, that limits the amortization of deferred
106 amounts to six percent of the revenue for the preceding calendar year.

107 **Q. DOES THE DIVISION HAVE ADDITIONAL REBUTTAL TESTIMONY TO**
108 **ADDRESS RMP'S RESPONSE TESTIMONY?**

109 A. Yes. The Division is filing additional rebuttal testimony addressing issues raised with
110 the Direct Testimony and exhibits of Mr. Philip DiDomenico and Mr. Dan F. Koehler.

111 **Q. PLEASE PROVIDE A SUMMARY OF THE CHANGE TO THE DIVISION’S DIRECT**
112 **TESTIMONY RECOMMENDED ADJUSTMENTS.**

113 A. As detailed in the Rebuttal Testimony of Mr. Philip DiDomenico and Mr. Dan F.
114 Koehler, the Division’s revises its direct testimony outage recommended adjustment
115 as follows:

DPU REVISED ADJUSTMENT TABLE 1

	Direct Testimony	Rebuttal Testimony
<u>May 2023 Requested Deferral</u>	<u>\$175,029,815</u>	<u>\$175,029,815</u>
Total Outage Adjustment	(\$753,447)	(\$393,716)
Total Outage Adjustment - Accrued Interest	(25,235)	(11,607)
Total Hedging Adjustment	(\$6,284,307)	(\$6,284,307)
Total Hedging Adjustment - Accrued Interest	(101,386)	(201,386)
Net Adjustment	<u>(\$7,264,376)</u>	<u>(\$6,891,016)</u>
Net Adjusted DPU Total Recommended Recovery	<u>\$167,765,439</u>	<u>\$168,138,799</u>

116

117 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

118 A. Yes.