–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR APPROVAL OF THE 2025 ENERGY BALANCING ACCOUNT	))))))))	**DOCKET NO. 25-035-01** **Exhibit No. DPU 1.0 DIR** **Direct Testimony and Exhibits** **Gary Smith**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Direct Testimony of

Gary Smith

November 5, 2025

CONTAINS CONFIDENTIAL EXHIBITS

SUBJECT TO UTAH PUBLIC SERVICE COMMISSION RULE 746-1-601, 602 & 603

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INTRODUCTION

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

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

Q. Please provide a brief overview of your professional experience and educational background.

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

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Division.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to summarize the Division's audit findings for Rocky Mountain Power's (Company) Energy Balancing Account (EBA) for the period January 1, 2024, through December 31, 2024 (2024 EBA).

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

A: The Division is sponsoring a total of three witnesses. As part of the review process, the Division hired outside consultants from Daymark Energy Advisors, Inc

(Daymark). Mr. Philip DiDomenico and Mr. Dan Koehler from Daymark will discuss their review of the filing and the proposed adjustments in their testimony and report. I will present the Division's audit results, proposed adjustment, and the results of the proposed Daymark adjustment to the Company's requested EBA recovery.

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

A. As stated above, the Division contracted with Daymark to review and provide recommendations and testimony on certain aspects of the Company's EBA filing. The scope of Daymark's assignment was to ascertain whether the actual costs included in the EBA filing for calendar year 2024 were incurred pursuant to an in-place policy or plan, were prudent, and were in the public interest. Daymark reviewed Actual versus Base Net Power Cost (NPC) and Production Tax Credits (PTCs); investigated plant outages; evaluated a sample of trading transactions for accuracy, completeness, and prudence; reviewed the effect of PacifiCorp's membership in the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM); and reviewed the Company's risk management policies and compliance monitoring practices.

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

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

A. Yes. Additional Division staff members reviewed and worked on various aspects of the Company's EBA filing.

REPORT SUMMARY

Q. Can you please summarize the Division's findings?

A. Yes. The Division made the following findings:

1. The Company reported its largest EBA deferral to date; the Utah allocated unadjusted 2024 EBA deferral totaled $551 million in EBA Costs (EBAC) above the Base set in the 2020 general rate case (2020 GRC). After accounting for all variances in the Commission approved EBA items, the 2024 EBA deferral totaled $474.9 million (before the inclusion of the Company's interest, credits, and adjustments). After the Company's adjustments and calculated accrued interest, the net requested recovery, as filed, totaled $471.6 million. The Company is seeking recovery from Utah ratepayers at 100% according to the Utah Code.

   The Company outlined in testimony the reasons for the increased NPC, including:

   a) Coal fuel supply issues that began in 2022 continued through 2024 causing constraints and drastically decreased generation resulting in lower coal fuel expense compared to the 2020 Base.[1] The lack of coal fuel supply and

[1] Direct Testimony of Jack Painter, at 43.

generation resulted in the reliance on more expensive replacement power and lower wholesale sales;

b) Increased reliance on market power purchases at higher average market prices resulted in a significant increase in market purchases, the largest component of the total deferral; [2]

c) Increased natural gas fuel expense, due to overall lower coal fuel availability and plant dispatch. The Company adjusted its overall system operations through increased natural gas resource output to replace a portion of the Company's diminished coal plant generation;[3] and

d) the lowest wholesale sales volumes since the Base was set in 2020 due to the lack of available plant generation.[4]

2. The Company's EBA deferral application contained certain changes to the EBA deferral calculations that have not previously been a part of the EBA, including:

a) the inclusion of Electric Service Schedule 60, Electric Vehicle Infrastructure Program (EVIP) revenues;[5]

b) a PTC Update;[6] and

[2] Direct Testimony of Jack Painter, at 363.
[3] Ibid, at 335.
[4] Ibid, at 349.
[5] Ibid, at 298.
[6] Ibid, at 50.

c) the inclusion of interest expected to accrue through the rate effective period of July 1, 2025, through June 30, 2026.[7]

On June 30, 2025, the Commission approved the Company's request for an interim rate totaling $471.6 million in allowed EBAC, effective July 1, 2025.[8] This amount is over 520% ($381 million) more than that requested for EBA deferral year 2021. The 2021 deferral year was the first year the EBA filing used the 2020 EBA Base (EBA Base or Base) set in the 2020 GRC.

[7] Direct Testimony of Jack Painter, at 56.
[8] Order Approving Interim Rates (June 30, 2025).

EBA DEFERRAL HISTORY

Calendar Year	Docket Number	RMP Requested Recovery
2024	25-035-01	$471,615,000
2023	24-035-01	$455,000,000
2022	23-035-01	$175,029,815
2021	22-035-01	$90,617,662
2020	21-035-01	$6,606,074
2019	20-035-01	$36,820,057
2018	19-035-01	$23,877,352
2017	18-035-01	$2,766,676
2016	17-035-01	($6,542,837)
2015	16-035-01	$18,948,273
2014	15-035-03	$30,871,465
2013	14-035-31	$28,339,553
2012	13-035-32	$17,394,963
2011	12-035-67	$29,286,005
2010	10-035-124	

Q. Can you please summarize Daymark's recommendations?

A. Yes. The Division provided Daymark with a scope of work to perform. The results of its review are provided in Daymark's separately issued testimony, executive summary, and 2024 EBA Audit Report.[9]

Based on its report, Daymark recommends an approximate $9 million reduction, including accrued interest, to the Company's requested deferral on a Utah allocated

[9] Daymark Exhibits 2.0, 2.2, and Confidential Exhibit 2.3.

basis, incorporating disallowances for hedge transactions that violate corporate governance policy and principles.

In addition to Daymark's $9 million recommended reduction for transactions that violated policy, Daymark noted that the Company's 2024 deferral recovery request included an estimated $20 million increase (relative to the associated P50 forecast) due to unrealized Production Tax Credits (PTCs). This is the fourth consecutive year of underperforming wind assets since PTCs were approved to be included in the EBA deferral calculation. While disallowance is likely too harsh for projects the Commission pre-approved on the Company's optimistic estimations, the continued underperformance of these wind plants illustrates the Division's concern in at least two key areas.

First, when evaluating proposed projects, especially when their benefits are primarily economic, not operational, the Commission must fully evaluate the effect of inaccurate projections on project benefits. Whether on the cost side, the production side, or market price projections, the Company should file, and the Commission should demand a broad analysis to understand how sensitive benefits are to factors. The gas and carbon price matrices that supported these PTC eligible projects were insufficient for such an evaluation to occur.

Second, the Company should seek in its planning processes to primarily address operational needs at reasonable costs, rather than pursue speculative economic benefits that require shuttering existing facilities on the hope estimated benefits will materialize. With the Company’s risk mitigated by preapproval, the Commission’s role in ensuring sufficient analysis and supporting evidence is vital.

Further, the Commission may wish to explore whether its authority in future approval dockets extends far enough to impose performance measures on pre-approvals to better align shareholder and ratepayer incentives. The retention of some band of shareholder risk can help provide incentives for accurate projections. Annual variability is to be expected, but over a longer period, under-performing years should be balanced by years with higher production and more positive actual PTC results. Such risks should not be borne solely by ratepayers. We recommend the Commission strongly consider ways to share this risk more equitably in future proceedings.

Wind plant generation performance should continue to be monitored and evaluated for the inaccurate forecast of PTC benefits. The Commission may wish to monitor projections in other filings to ensure projections more closely align with the Company’s actual wind plant generation.

CONCLUSION

Q. Can you please summarize the Division’s recommended adjustments to the Company’s requested EBA recovery?

A. Yes. The Division adopts Daymark’s $9,018,316 in Utah allocated adjustments and accrued interest for hedge transactions that violate corporate governance policy and principles.

The Division recommends reducing the Company's proposed recovery and interim rate approved amount of $471.6 million by $9,018,316, resulting in a recommended adjusted total recovery of $462,596,993, calculated as follows:

May 2025 Requested Deferral	$471,615,308
Interim Ordered Recovery (subject to adjustment and true-up)	$471,615,308
Total Corporate Governance Policy Trade Adjustment	(8,568,086)
Total Corporate Governance Policy Trade Adjustment - Accrued Interest	(450,230)
Net Adjustment (Post Interim Rate)	($9,018,316)
Net Adjusted DPU Total Recommended Recovery	**$462,596,993**

Q. Does this conclude your testimony?

A. Yes.