Q. Please state your name and business address.

A. My name is Steven R. McDougal and my business address is 201 South Main, Suite 2300, Salt Lake City, Utah, 84111.

Q. Are you the same Steven R. McDougal who submitted pre-filed direct, rebuttal, and supplemental rebuttal testimony in this proceeding?

A. Yes.

Purpose of Testimony

Q. What is the purpose of your surrebuttal revenue requirement testimony ("Testimony") in this proceeding?

A. My Testimony will respond to the Washington Public Utility Tax issue raised by Ms. Donna Ramas in her pre-filed rebuttal testimony for the Office of Consumer Services, clarify the Company's projected McFadden Ridge I costs, and update the Company's position regarding the treatment of legal and settlement fees.

Washington Public Utility Tax

Q. Please describe the issue Ms. Ramas raises with regard to the Washington Public Utility Tax ("WPUT").

A. Ms. Ramas points out that in the last Washington general rate case this tax was situs assigned directly to Washington using the West Control Area ("WCA") allocation methodology.

Q. Does the Company agree with Ms. Ramas that the Utah Public Service Commission should consider the WCA allocation method in determining revenue requirement allocations in this case?

A. No. The fact that the state of Washington uses a different allocation method to calculate revenue requirement is completely irrelevant to this general rate case for Utah. There are many differences between the WCA allocation methodology and Revised Protocol as described below, all of which should be ignored in this case.

Q. Please briefly describe the West Control Area allocation methodology.

A. The WCA method isolates the Company's resources located in California, Oregon and Washington jurisdictions[1] and allocates the costs associated with these resources based on Washington's relative contribution to the west control area load. This methodology, used only by the state of Washington, results in Washington ratepayers paying a higher percentage of the Company's west side generating assets than they would under an all-inclusive allocation methodology such as Revised Protocol or Rolled-In. Conversely, Washington ratepayers' electric rates do not include any of the Company's east side assets or the costs associated with those assets. It is irrelevant to isolate one cost item that the Company incurs and compare its treatment between WCA and Revised Protocol. Ms. Ramas' faulty logic should also lead one to conclude that because Washington rates do not include any of the costs for east control area assets, such as Lake Side, Currant Creek, Hunter and other generating plants located in the east control area, Utah customers should be allocated a higher proportion of these costs than currently results under the Revised Protocol or Rolled-In allocation methods.

[1] Generation and transmission resources assigned to the west control area consist of company-owned resources located within the west control area (California, Oregon and Washington) or with physical capability to deliver energy into the west control area.

Q. Has the Company been able to demonstrate that system allocation of the WPUT is the prescribed treatment under the currently approved allocation methods in Utah?

A. Yes. In Exhibit RMP___(SRM-1SR), the Company provides documentation demonstrating that system allocation of WPUT is consistent with the Rolled-In methodology as approved by the Utah PSC. The Exhibit is an excerpt from the April 16, 1998 Utah PSC Report and Order illustrating the treatment of the WPUT under Rolled-In. This document, provided to the parties in response to DPU 64.1, clearly states that the WPUT was to be allocated on an SO factor. The treatment of the WPUT is explicitly identified in documentation supporting the Rolled-In methodology, and implicit in the Revised Protocol since the Revised Protocol methodology is Rolled-In with specific changes made per the Revised Protocol agreement. The Company notes that for ratemaking purposes in this case revenue requirement is calculated as Rolled-In plus a rate mitigation premium. Deviations from the prescribed treatment of the WPUT under both the Revised Protocol and Rolled-In methodologies, such as the change suggested by both Mr. Matthew Croft and Ms. Ramas would be more appropriately raised through the MSP standing committee and not within this case.

Projected McFadden Ridge I Costs

Q. Please summarize the position that your rebuttal testimony addressed regarding the cost of the McFadden Ridge I project.

A. In my rebuttal testimony, I described that the Company agrees with the DPU that the appropriate amount to be placed in rates for the McFadden Ridge I project should be $59.2 million ($60.3 million less the $1.1 million contingency cost). The Company disagreed with DPU witness Ms. Joni S. Zenger's characterization that such a change to the estimated capital costs of the McFadden Ridge I project is an "adjustment." Rather, the change to the estimated capital costs is merely the result of updating to the then-current forecast.

Q. Does the Company have a more recent forecast that forms the basis of the Company's current position regarding the cost of the McFadden Ridge I project?

A. Yes. The forecast that resulted in the $59.2 million cost referenced above included $1,879,847 of cost that was being accrued for a system spare transformer until that cost could be transferred to a separate project account. In response to DPU Data Request 61.6 the Company provided information about the spare transformer, and identified that this spare transformer was also included as a separate project in the Company's case. The spare transformer project in the case can be seen on Page 8.10.9 of Exhibit RMP___(SRM-2). Removing this accrued amount from the forecast results in a current forecast for McFadden Ridge I of $57,320,153.

Q. What is the McFadden Ridge I project cost that the Company is proposing to the Commission for inclusion in rates?

A. The Company is proposing that $57,320,153 be included in rates for the McFadden Ridge I project to avoid duplication of costs associated with the spare transformer.

Q. Has the Company quantified the impact on this case for further updating the McFadden Ridge I wind project forecast?

A. Yes. Exhibit RMP___(SRM-2SR) is the adjustment that would need to be applied to revenue requirement, including the capital costs and related depreciation expense and reserve. This adjustment would reduce the Company's requested price change by approximately $100,000.

Settlement Fees

Q. What did Ms. Ramas propose in her direct testimony with regards to settlement fees?

A. Ms. Ramas recommended that the legal and settlement fees included in the case for Colstrip and the Avian settlement be removed. These items combined represent a $700,135 reduction to Utah's revenue requirement.

Q. What was the Company's response to her recommendation as stated in your rebuttal testimony?

A. The Company rejected Ms. Ramas' recommendation and proposed full recovery reasoning that the nature of the electric utility industry requires a certain level of settlement and legal expense in order to provide adequate electric power to its customers. The Company also argued that in the past three historical calendar years, the Company has averaged approximately $2.2 million in these types of settlement fees.

Q. Does the Company wish to revise its position regarding the treatment of these particular settlement fees?

A. Yes. In the preparation of data request OCS 24.9, the Company identified some settlement fees that were included in the calculation of the $2.2 million average that should not have been included. The Company continues to assert that the settlement fees in question by Ms. Ramas were in the best interest of the Company's ratepayers because they facilitated a favorable resolution of disputed litigation, reducing the Company's potential exposure for excessive compensatory and punitive damages. However, the Company feels it is appropriate to revise its position regarding the fees for the Colstrip and Avian settlements.

Q. What is the Company's revised position regarding the legal and settlement fees for the Colstrip and Avian settlements?

A. The Company will accept the proposal by Ms. Ramas to remove the Avian Settlement, but will include the Colstrip settlement amortized over a period of three years. Exhibit RMP___(SRM-3SR) provides the details of this adjustment, which would reduce the Company's requested price change by approximately $536,000.

Q. Does this conclude your surrebuttal testimony?

A. Yes.