Q. Please state your name, business address with PacifiCorp dba Rocky Mountain Power.

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

Qualifications

Q. What is your current position at the Company and what is your employment history?

A. I am currently employed as the director of revenue requirements for the Company. I have been employed by Rocky Mountain Power or its predecessor companies since 1983. My experience at Rocky Mountain Power includes various positions within regulation, finance, resource planning, and internal audit.

Q. What are your responsibilities as director of revenue requirements?

A. My primary responsibilities include overseeing the calculation and reporting of the Company's regulated earnings or revenue requirement, assuring that the inter-jurisdictional cost allocation methodology is correctly applied, and explaining those calculations to regulators in the jurisdictions in which the Company operates.

Q. What is your educational background?

A. I received a Master of Accountancy from Brigham Young University with an emphasis in Management Advisory Services in 1983 and a Bachelor of Science degree in Accounting from Brigham Young University in 1982. In addition to my formal education, I have also attended various educational, professional, and electric industry-related seminars.

Q. Have you testified in previous proceedings?

A. Yes. I have provided testimony before the Utah Public Service Commission, the Washington Utilities and Transportation Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Wyoming Public Service Commission, and the Utah State Tax Commission.

Purpose of Testimony

Q. What is the purpose of your direct testimony?

A. My direct testimony explains and supports the Company's application to recover the increased revenue requirement of $33.7 million for two major plant additions, namely, the Ben Lomond to Terminal transmission line and the Dave Johnston Unit 3 pollution control investments. I also explain the Company's proposal to defer these costs for later recovery as allowed by statute. In addition to my testimony, several Company witnesses provide testimony supporting the development of these projects, along with the expected costs and benefits. I will identify these Company witnesses and the subject of their respective testimony.

Q. Please explain the circumstances that gave rise to this filing.

A. In the Company's most recent case, Docket No. 09-035-23, the Company and intervening parties reached an agreement May 14, 2009, that specified a filing schedule for major plant addition cases in 2010 and the Company's next general rate case in 2011. The settlement agreement was approved by the Commission June 1, 2009. Paragraph 10(a) of that agreement states:

> 10. <u>Single Item Rate Cases</u>.
>
> a. <u>Ben Lomond to Terminal Transmission Line Segment and Dave Johnston Scrubber Projects</u>. The Company anticipates that (i) the capital additions of scrubbers to the Dave Johnston Power Station will be completed by May 2010 and (ii) the Ben Lomond to Terminal Transmission Line Segment will be

> completed by June 2010. No projected costs or revenues associated with the foregoing projects will be included in the Company's 2009 General Rate Case. The Company intends to file an application on or after February 1, 2010 for single item rate recovery of the foregoing capital projects pursuant to Utah Code Anno. § 54-7-13.4 (the "Act"). The Parties agree not to oppose the Company's right to file or time of filing (assuming consistency with the 90 and/or 150 days stated in the Act) of the Company's application for approval of rate recovery for the foregoing projects. All Parties reserve and retain the right to take or make any and all substantive positions, claims or objections going to the merits, prudency (if a prudency review has not already been made under the Energy Resource Procurement Act) or amount of recovery in connection with such filings.

Consistent with that agreement, the Company is filing this application to address the cost recovery of the costs associated with pollution control equipment at Dave Johnston Unit 3 and the Ben Lomond to Terminal transmission line.

Q. Do the investments qualify for alternative cost recovery for major plant additions as outlined in Utah Code Section 54-7-13.4?

A. Yes. One percent of the Company's Utah rate base approved by the Commission in Docket No. 08-035-38 was $44.9 million. One percent of Utah's rate base included in the Company's rebuttal filing in Docket No. 09-035-23 is $46.3 million and each of the plant additions exceed this threshold. Additionally, the filing is being made within the eighteen month window required by the statute whether based on the revenue requirement or final order in Docket No. 08-035-38 or on the current rate case docket.

Revenue Requirement Summary

Q. What is the revenue requirement related to the two major plant additions addressed in this application?

A. The following table summarizes the overall requested revenue requirement of each of the projects, allocated to Utah:

$ millions

Dave Johnston Unit #3 Scrubber	$	18.3
Ben Lomond to Terminal Transmission Line	$	15.4
Total Revenue Requirement	$	33.7

Total Company revenue requirement components are allocated among the Company's jurisdictions using the Revised Protocol allocation method, as approved by the Utah Public Service Commission ("Commission") in Docket No. 02-035-04. However, pursuant to the Stipulation reached between the Company and participants in the Multi-State Process, and approved by the Commission, Utah revenue requirement is currently limited to the lesser of the amount derived using the Revised Protocol method or the amount derived using the Rolled In method multiplied by 101 percent (the Rate Mitigation Cap).

The capital included in this major plant addition filing is allocated on a system generation ("SG") factor which is the same under both revised protocol and rolled-in allocation methodologies. The rate change in Docket No. 08-035-38 and the proposed rate change in Docket No. 09-035-23 were both calculated using the capped revenue requirement based on the Rolled In allocation multiplied by 101 percent. Consequently, I have computed the Utah allocated revenue requirement for each project in this application consistent with the rate changes in those dockets using Rolled In multiplied by 101 percent. Exhibit RMP___(SRM-1) provides further numerical details supporting the Utah-allocated revenue requirement of each project.

Q. What is the return on equity ("ROE") used in this application?

A. The Company has used an ROE of 11 percent consistent with the Company's rebuttal filing in Docket No. 09-035-23. The Company anticipates submitting an updated revenue requirement model in this filing incorporating the authorized ROE and capital structure as a result of the Commission's pending order. At that time the Company would revise the net revenue requirement of the two projects included in this application.

Revenue Requirement Preparation

Q. Please describe Exhibit RMP___(SRM-1).

A. Exhibit RMP___(SRM-1) contains the numerical details and calculations supporting the revenue requirement of each project and the allocation to Utah. Page 1.0 is a summary by project of the net incremental revenue requirement, in a format similar to that used by the Company in its previous general rate cases. The first column on page 1.0 ties to the Utah Rolled In results from Docket No. 09-035-23, Exhibit RMP___(SRM-2R), page 9.2. As mentioned above, the Rolled In amounts are used because rates in the above mentioned docket are based on 101 percent of Rolled In. The next two columns show the impact of the two plant additions. The far right column shows the incremental results after the adding the two major plant additions.

Pages 2.0 through 2.6 contain the detailed numerical calculations for the Dave Johnston Unit 3 scrubber, and pages 3.0 through 3.5 contain the same details for the Ben Lomond to Terminal transmission line. Pages 4.1 through 4.3 contain the inter-jurisdictional allocation factors used to allocate revenue requirement components to Utah.

Q. Please explain how the revenue requirement of the plant additions was prepared.

A. The revenue requirement of each plant addition was calculated using the same model and methods employed by the Company in its general rate cases. Each plant addition was treated as an incremental adjustment to a "base case" revenue requirement for the Company's Utah jurisdiction. The Company utilized the Jurisdictional Allocation Model ("JAM") to allocate the various individual revenue requirement components to the state of Utah and compute the net increase in revenue requirement for each project. The working model used to prepare these pages has been included in folder D.1 of the Filing Requirements CD.

Q. What did the Company use for the "base case" mentioned above?

A. The starting point in this case is the Company's rebuttal filing from Docket No. 09-035-23. This is the most recent general rate case filed by the Company, and the rebuttal results represent the most current filing by the Company for which complete model runs were filed for revenue requirement and net power costs. These base scenarios are needed as the starting point from which to calculate the incremental impacts of the individual plant additions.

Q. How were the major plant additions incorporated into the "base case" results?

A. As mentioned, each project was treated as an incremental adjustment to the "base case" and entered into the JAM similar to adjustments in past Company filings.

Adjustment lead sheets and supporting calculations are provided on pages 2.0 through 2.6 and pages 3.0 through 3.5 of Exhibit RMP___(SRM-1). Each adjustment includes the incremental change to rate base, depreciation expense, operation and maintenance expenses (including any impact on system net power costs), and other items such as property taxes, miscellaneous revenue, and income taxes. Incremental rate base was computed using average balances, with electric plant in service and accumulated depreciation reserve on a 13-month average.

Q. Do your calculations include the impact on overall revenue requirement of any changes in inter-jurisdictional allocation factors resulting from these plant additions?

A. Yes. Consistent with Filing Requirement C.5 of Utah Code Section 54-7-13.4, allocation factors were allowed to remain dynamic in the JAM, and were updated coincident with the inclusion of each plant addition in the JAM. Page 4.3 of Exhibit RMP___(SRM-1) details the change in allocation factors compared to the Company's rebuttal filing in Docket 09-035-23.

The one exception to the above is the "IBT" factor, which has been held consistent with the values included in the Company's rebuttal position in Docket No. 09-035-23. It was necessary to hold this factor constant since not all components in the case, including expected revenue from other states, were updated.

Dave Johnston Unit 3 Pollution Control Equipment

Q. Please describe the various components comprising the revenue requirement calculation for the Dave Johnston Unit 3 pollution control investment.

A. The following data inputs were used to calculate the revenue requirement for the Dave Johnston Unit 3 investment:

- In-service date of May 31, 2010.
- Capital additions totaling $293.4 million on a 13-month average basis from June 30, 2010 through June 30, 2011.
- Capital retirements totaling $19.9 million are removed from results as of the May 2010 in-service date.
- Depreciation expense totaling $7.8 million is included in results for the 12-month period ending June 2011 by applying a Dave Johnston plant specific composite depreciation rate of 2.86 percent to projected net capital additions.
- Depreciation reserve totaling $14.7 million is also included on a 13-month average basis consistent with net capital additions.
- Incremental O&M expense totaling $1.45 million is included in for the first year of operation. These expenses represent incremental costs the Company will incur during the first year to operate the newly installed scrubber. These incremental costs include maintenance, re-agent (chemicals), and waste disposal.
- Incremental revenue from the sale of SO2 emission allowances totaling $1.04 million is included in results on a monthly basis which includes sales of 6,600 tons priced at $157/ton and amortized over a four year period consistent with the Commission order in Docket No.

97-035-01. Please see the direct testimony of Mr. Chad A. Teply for a more detailed discussion on SO2 emissions.

- Incremental net power costs totaling $1.6 million are included based on the degradation of plant output related to the scrubber. Please see the direct testimony of Dr. Hui Shu for a more detailed discussion regarding net power costs.
- All tax-related entries necessary to include the capital additions and related book and tax depreciation adjustments were calculated consistent with the methodology used in Utah Docket No. 09-035-23.

Ben Lomond to Terminal Transmission Line

Q. Please describe the various components comprising the revenue requirement calculation for the Ben Lomond to Terminal transmission line.

A. The following data inputs were used in calculating the revenue requirement for the Ben Lomond to Terminal transmission line segment investment:

- In-service date of June 30, 2010.
- Capital additions of $49.3 million are included in results as of December 2009 and an additional $218.9 million through June 30, 2010 on a 13-month average basis through June 30, 2011 for a total capital addition investment of $268.2 million. Consistent with the language in the test period stipulation mentioned above, none of the costs of this project were included in the revenue requirement in Docket No. 09-035-23.
- Capital retirements totaling $1.7 million are removed from results as of December 2009 with an additional $700 thousand in June 2010.

- Depreciation expense totaling $5.2 million is included in results for the 12-month period ending June 2011 by applying a transmission-specific composite depreciation rate of 2.03 percent to projected net capital additions.
- Depreciation reserve totaling $1.3 million is also included on a 13-month average basis consistent with net capital additions. An additional $3.3 million of removal costs associated with the December 2009 retirements are included as an offset to depreciation reserve.
- Incremental O&M expense is included in results totaling $16,500. These expenses represent incremental costs the Company will incur during the first year of operation, including two fly-over inspections and one ground patrol inspection.
- Property tax expense totaling $1.4 million is included in results by taking into account the anticipated increase in assessed value and tax expense through June 30, 2011. Property tax expense was estimated by applying historical jurisdictional specific tax rates and assessment ratios to each project's total capital costs.
- All tax related entries necessary to include the capital additions and related book and tax depreciation adjustments were calculated consistent with the methodology used in Utah Docket No. 09-035-23.

Method of Cost Recovery

Q. Is the Company requesting approval to change retail rates as a result of this application?

A. No, not at this time. The Company is requesting authority to defer for later cost recovery the revenue requirement resulting from these two major plant investments, effective July 1, 2010.

Q. Please explain the deferred accounting treatment.

A. The Company is requesting to defer the incremental revenue requirement for the Dave Johnston Unit 3 investment and the Ben Lomond to Terminal transmission line investment for inclusion in retail rates at a later time. The deferral will be booked monthly, beginning with the effective date of a Commission order, which is anticipated to be effective July 1, 2010. Interest at the rate of return on rate base most recently approved by the Commission will be added to the deferral monthly based on the beginning balance for that month. The deferred revenue requirement would be accumulated as a regulatory asset on the Company's books until it is amortized in rates in a future rate change proceeding. The Company proposes that rates be adjusted in the future following a second application for cost recovery for major plant additions. Currently, the Company anticipates filing a second major plant additions filing in August 2010, and would likely propose that retail rates be adjusted effective January 1, 2011. That rate adjustment could be set to begin recovering the revenue requirement from both major plant addition applications and any associated carrying charges at that time.

Witnesses

Q. Please identify the other Company witnesses in this application and the purpose of their direct testimony.

A. The following Company personnel have provided direct testimony addressing various issues in this application:

- Mr. John A. Cupparo, vice president of transmission for PacifiCorp, provides an overview of the Ben Lomond to Terminal transmission line and the Company's transmission system and expansion plan, and demonstrates how the Ben Lomond to Terminal transmission line is beneficial to customers.
- Mr. Darrell T. Gerrard, vice president of transmission system planning for PacifiCorp, provides additional details and technical information on the Company's decision to build the double-circuit 345kv Populus to Terminal transmission line and on the construction of the line.
- Mr. Chad A. Teply, vice president of resource development and construction for PacifiCorp Energy, provides information on the necessity and prudence of environmental improvements made to the Dave Johnston Unit 3 power plant and describes the impacts this investment will have on plant.
- Dr. Hui Shu, manager of net power costs, presents the net power cost impact of the major plant additions.
- Mr. Bruce N. Williams, vice president and treasurer of PacifiCorp, describes how the Company financed the construction of the major plant additions.

Q. Does this conclude your direct testimony?

A. Yes.