Q. Please state your name and business address with Rocky Mountain Power ("the Company"), a division of PacifiCorp.

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 education 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 Oregon Public Utility Commission, the Wyoming Public Service Commission, and the Utah State Tax Commission.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address issues raised in the Commission's January 20, 2012, Prehearing Order in the Company's tariff compliance filing Docket No. 11-035-T10, filed in compliance with the Commission's September 13, 2011 order approving the Settlement Stipulation in Docket Nos. 10-035-124, 09-035-15, 10-035-14, 11-035-46, and 11-035-47 ("the September Order"). Specifically I discuss whether the proposed tariff adequately details the types of costs that will be recorded in the Energy Balancing Account ("EBA"), consistent with the Commission's corrected report and order issued on March 3, 2011 in Docket No. 09-035-15 ("the EBA Order") and the September Order, and whether the proposed tariff's treatment of carrying charges is consistent with the carrying charge provisions of the EBA Order.

Q. Does the Company's proposed tariff adequately detail the types of costs that will be recorded in the EBA?

A. Yes. The proposed tariff lists the FERC accounts included in the EBA. The EBA is designed to capture the Company's net power costs ("NPC"), consistent with the costs included in the Company's general rate cases and used to establish the base EBA, plus wheeling revenues as outlined in the EBA order. The proposed tariff defines those costs and the FERC accounts in which the amounts are recorded on the Company's books. In addition, the tariff identifies specific items booked to those same FERC accounts for accounting purposes that will not be included in the calculation of the EBA.

Q. Is the Company's proposed tariff consistent with the carrying charge provisions of the EBA order?

A. Yes. The Company's proposed tariff filed on December 12, 2011, includes the following definition of the EBA carrying charge on page 94.5:

> **EBA CARRYING CHARGE:** the EBA Carrying Charge will be calculated and applied to the monthly balance in the EBA Deferral Account as follows:
>
> *EBA Carrying Charge* $_{month}$ = *[Ending Balance* $_{previous\ month}$ + *(Deferral* $_{current\ month}$ × *0.5)− (EBA Revenue* $_{current\ month}$ × *0.5)] × 0.5%*

The formula above corrects a minor typo in the original filing, which incorrectly had .0.5 percent for the interest rate. This formula is consistent with the Commission's formula included on page 76 of the EBA Order. The only two differences are that: 1) the Company has elected to state the monthly interest as 0.5 percent instead of the equivalent 0.005 amount included in the EBA order; and 2) the Company has broken the term deferral into "deferral" and "EBA revenue" to show that the deferral in any month is the net amount of any new deferrals offset by EBA collections.

Q. Is there a possible overlap between the EBA carrying charge and cash working capital as calculated in the lead lag study?

A. No. The EBA accounts for the difference between actual net power costs and the level of net power costs included in base rates, and the carrying charge compensates the Company or customers for the timing difference in the collection of the difference between actual EBA costs and the amount included in rates.

The lead-lag study, on the other hand, addresses the net difference between the time the Company takes to pay its bills and the time it takes to collect money from customers. The lag in payment for services received by the Company benefits customers and that benefit is recognized through the net lag days computed in a lead-lag study and applied to operating expenses in a rate case. The EBA carrying charge, as opposed to the lead-lag study which is applied to operating expenses in the rate case, is only applied to the differential between base rates and actual costs, after application of the sharing bands.

Q. Will the lead-lag study need to be modified because of the EBA carrying charge?

A. No. The Company does not and will not include the EBA balance in calculating the lead-lag study. The lead lag study in the current case was computed before the establishment of the Utah EBA. However, even if the EBA had been in existence during the historic period used for the lead-lag study there would be no need for an adjustment. The EBA carrying charge ends as customers are billed each month. The lead lag study associated with customers accounts receivable starts when customers are billed. There is no overlap or double count.

Q. Does this conclude your testimony?

A. Yes.