

1 **Q. Please state your name and business address with Rocky Mountain Power**
2 **(“the Company”), a division of PacifiCorp.**

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

5 **Qualifications**

6 **Q. What is your current position with the Company, and what is your**
7 **employment history?**

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

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

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

18 **Q. What is your education background?**

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

24 **Q. Have you testified in previous proceedings?**

25 A. Yes. I have provided testimony before the Utah Public Service Commission, the
26 Washington Utilities and Transportation Commission, the California Public
27 Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public
28 Utility Commission, the Wyoming Public Service Commission, and the Utah
29 State Tax Commission.

30 **Purpose of Testimony**

31 **Q. What is the purpose of your testimony?**

32 A. The purpose of my testimony is to explain the calculation of the REC Balancing
33 Account (“RBA”). Specifically I describe the components that make up the \$4
34 million deferral balance to be returned to customers through Schedule 98 that is
35 requested in this filing including:

- 36 • the determination of the beginning RBA balance at January 1, 2011,
- 37 • the allocation of calendar year 2011 REC revenues,
- 38 • the calculation of the calendar year 2011 REC revenues included in base
39 rates,
- 40 • the amount of surcredits that were given to Utah ratepayers, and
- 41 • the calculation of carrying charges that were applied to the deferral
42 balance.

43 **Q. Please provide a brief summary of the how the RBA is calculated.**

44 A. On September 13, 2011, a stipulation (“the 2011 Stipulation”) was approved by
45 the Commission that resolved several dockets including Docket Nos. 10-035-14
46 (“UAE REC Docket”) and 10-035-124 (“2011 General Rate Case”). In the 2011

47 Stipulation, the parties established a REC balancing account mechanism to track
48 the difference between REC revenues included in rates and actual REC revenues
49 collected. Under the RBA, the variances are identified and deferred each month
50 for one full calendar year (“the Deferral Period”). In this RBA filing, the deferral
51 period was January 1, 2011 through December 31, 2011. On March 15th of each
52 subsequent year, an RBA is filed to present these differences, including applicable
53 carrying charges, with a 100 percent true up of the difference between the
54 amounts in rates and actual sales occurring through Schedule 98.

55 **Q. Please describe the Company’s RBA filing.**

56 A. Employing the methodology described above, the deferral balance to be credited
57 to customers through Schedule 98 is approximately \$4 million. The table below
58 provides a summary of how the Company arrived at this amount.

Summary of Utah REC Balancing Account (Schedule 98)

Description	Amount
REC Revenue Deferred Balance @ December 31, 2010	\$ 39,489,521
2011 Utah Allocated Booked REC Revenues	41,742,979
2011 REC Revenues in Base Rates	(21,846,744)
2011 Schedule 98 Surcredit	(37,506,654)
Estimated Schedule 98 Surcredit January 1 - May 31, 2012	(20,437,785)
2011 Carrying Charges	2,231,701
Estimated Carrying Charges January 1 - May 31, 2012	<u>355,892</u>
Deferral Balance to be Credited to Customers	<u>\$ 4,028,910</u>

59 Exhibit RMP____(SRM-1) is an electronic version of the table shown above and is
60 linked to Exhibit RMP____(SRM-2) and the workpapers supporting the
61 calculations.

62 **Q. Please describe how Exhibit RMP___(SRM-2) is organized.**

63 A. Exhibit RMP___(SRM-2) presents the supporting documents for the Company's
64 proposed change to tariff Schedule 98 and provides the detailed calculation of the
65 \$4 million deferral balance presented in this filing. Page 2.1 shows the calculation
66 used to determine the Utah allocated actual 2011 REC revenues, illustrating the
67 reallocation of revenue for renewable portfolio standard ("RPS") eligibility. Page
68 2.2 provides the calculation of the SG allocation factor that was used on page 2.1
69 as the basis to allocate REC revenue to Utah. The allocation factors are consistent
70 with those used in the energy balancing account ("EBA") filing.

71 **Q. How did the Company determine the REC revenue deferred balance as of**
72 **December 31, 2010?**

73 A. The REC revenue deferred balance for December 31, 2011 was originally filed
74 with the Commission as Company Exhibit RMP___(SRM-6R), page 2 of 2 in
75 Docket No. 10-035-24. The settlement in that docket established the initial credit
76 balance of \$39.5 million consistent with that exhibit. This amount represents the
77 Utah-allocated amount of REC revenues deferred from February 22, 2010 through
78 December 31, 2010, and is the January 1, 2011 beginning balance of the RBA.

79 **Q. Please describe how the 2011 Utah allocated booked REC revenue was**
80 **calculated.**

81 A. During calendar year 2011, the Company booked \$72.8 million from REC sales
82 on a total Company basis. Utah's allocated share of REC revenue is determined
83 using the SG factor, including a reallocation of revenue initially allocated system
84 wide to reflect compliance with state renewable portfolio standards. The resulting

85 Utah allocated amount of REC revenue during 2011 was \$41.7 million.

86 **Q. Does the Utah allocated REC revenues represent a final amount?**

87 A. No. The total Company REC sales are final. However, allocation of REC revenue
88 among the Company's jurisdictions depends on the resources to which the REC
89 sales are attributed. This assignment of Company resources to RECs sold occurs
90 after the fact, once output from Company facilities is known and as various REC
91 sales contracts are settled. Although total REC revenue for calendar year 2011 is
92 known, at the time of filing this RBA the assignment of RECs sold to individual
93 resources in November and December 2011 is not finalized. The Company's
94 filing relies on an estimate of the resource assignment for these two months. Once
95 actual resource assignments are known, any difference related to the final
96 resource allocation will flow through in subsequent true ups. The update will not
97 affect the total Company amount, but will have a minimal impact on the Utah
98 allocated amount. Company witness Ms. Stacey J. Kusters provides further details
99 of the resource assignments for 2011 REC sales.

100 **Q. How was the 2011 REC revenue in base rates determined?**

101 A. The REC revenue in rates during 2011 was determined using the REC revenue
102 amounts as set in Docket No. 09-035-23 ("the 2009 general rate case"), as adjusted
103 by the Major Plant Addition Stipulation in Docket No. 10-035-89 ("MPA
104 Stipulation"), for the Period from January 1, 2011 through September 20, 2011.
105 Starting September 21, 2011 the REC revenues in base rates are calculated using
106 the 2011 Stipulation. The 2009 general rate case established a total amount of REC
107 revenue in rates of \$9.90 million Utah allocated, which was revised in the MPA

108 Stipulation to include \$0.76 million additional revenue for a total in rates amount
109 of \$10.66. Thus, the monthly amount of REC revenues shown in Exhibit
110 RMP____(SRM-2) for January 1, 2011 through September 20, 2011 reflects a
111 monthly level of this amount. The 2011 Stipulation established a total amount of
112 REC revenue in rates of \$50.9 million Utah allocated. Accordingly, the monthly
113 amount of REC revenues shown in Exhibit RMP____(SRM-2) for September 21,
114 2011 through December 31, 2011 reflects the amount included in rates as a result
115 of the 2011 Stipulation.

116 **Q. What does the amount referred to as 2011 Schedule 98 surcredit represent?**

117 A. The MPA Stipulation established a \$3.0 million monthly surcredit to be passed
118 back to Utah ratepayers beginning January 1, 2011. Utah ratepayers continued to
119 receive a surcredit as a result of the MPA Stipulation until the rates from the 2011
120 Stipulation became effective September 21, 2011. The 2011 Stipulation
121 established a new surcredit amount beginning September 21, 2011 through May
122 31, 2012 with the intent to return the entire deferred REC balance to ratepayers by
123 May 31, 2012. Since the surcredit varies by month and since actual 2011 REC
124 sales were not known at the time of the 2011 Stipulation, it was agreed that any
125 remaining balance would be subject to true up in this RBA filing. In total, Utah
126 ratepayers received approximately \$37.5 million in surcredits through Schedule
127 98 during calendar year 2011.

128 **Q. Please describe what the Estimated Schedule 98 January 1 - May 31, 2012**
129 **represents?**

130 A. This represents an estimate of the surcredits that will be returned to ratepayers

131 during January – May 2012 as a result of the 2011 Stipulation described above.
132 With the exception of January 2012, the monthly amounts shown on
133 RMP____(SRM-2), line 16 are estimated as the actual amounts were not known at
134 the time of filing. The Company will update the RBA filing once the actual
135 surcredits become known.

136 **Q. If this filing is intended to true up calendar year 2011 REC revenues, why**
137 **are the Estimated Schedule 98 credits for the January through May of 2012**
138 **included in your deferral calculation?**

139 A. As discussed earlier, the deferral balance established in the 2011 Stipulation was
140 to be returned to customers through May 31, 2012 and trued up in this RBA
141 filing. Thus, it is necessary to deduct the 2012 surcredits to correctly represent the
142 May 31, 2012 ending balance.

143 **Q. Please explain why a portion of the Estimated Schedule 98 January 1 – May**
144 **31 appears in the June 2012 section of Exhibit RMP____(SRM-2)?**

145 A. This represents the amount that is related to customer usage prior to June 1, 2012,
146 but due to billing cycle lag, will not be included on customer bills until June 2012.

147 **Q. Did you include carrying charges in this filing? If so, please describe how**
148 **they were calculated.**

149 A. Yes. Approximately \$2.2 million in carrying charges for 2011 were applied to
150 arrive at the total deferral balance. The Company's most recently approved cost of
151 debt was applied to the monthly deferral balance to calculate the monthly carrying
152 charge. The cost of debt rates used were 5.98 percent for January – August 2011
153 and 5.71 percent for September 2011 – May 2012 that were approved in the 2009

154 and 2011 general rate cases, respectively.

155 **Q. Please describe how this carrying charge was calculated for the January 1,**
156 **2012 through May 31, 2012 period?**

157 A. Carrying charges for January through May 2012 were calculated in the same
158 manner as the calendar year 2011 carrying charge. However, the carrying charges
159 for this time period will change slightly when the February through June 2012
160 surcredit amounts are updated.

161 **Q. Does this conclude your direct testimony?**

162 A. Yes.