ROCKY MOUNTAIN
POWER
A DIVISION OF PACIFICORP

201 South Main, Suite 2300
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April 2, 2014

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: Docket No. 14-035-31
Errata Testimony In the Matter of Rocky Mountain Power's Application to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism

Rocky Mountain Power hereby submits for filing the Errata Direct Testimony of Steven R. McDougal in the above reference matter. An original and twelve copies of this filing will be provided via overnight delivery. Redlined and corrected versions will also be provided. Page 11 of the original Direct Testimony inadvertently contained incorrect information.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

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By regular mail: Data Request Response Center
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Portland, OR 97232

Informal inquiries may be directed to Dave Taylor at (801) 220-2923.

Sincerely,

Jeffrey K Larsen /KB

Jeffrey K. Larsen
Vice President, Regulation & Government Affairs

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of April 2014, a true and correct copy of the foregoing was served by email on the following:

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Redlined Version

Errata Direct Testimony of Steven R. McDougal

$3.12~~82~~ million.

As shown in Exhibit RMP___(SRM-6). This amount is comprised of three components.

- Approximately $2.20~~98~~ million incremental transmission revenue received for service provided during 2013. This amount is being credited to customers at 100 percent.
- Approximately $0.45~~38~~ million adjustment of transmission revenue received during 2013 for service provided during 2012 for transmission wheeling, Schedule 5—Operating Reserve – Spinning Reserve Service, and Schedule 6—Operating Reserve – Supplemental Reserve Service. This adjustment reflects a true-up of 2012 rates subject to refund and a usage level true-up. Rates for these services decreased in 2012, since the price for these services did not increase, the amount is being credited to customers at 70 percent.
- Approximately $0.4~~6~~7 million incremental transmission revenue received and service provided in 2012 under interim rates for Schedule 1—Scheduling, System Control and Dispatch Service; Schedule 2—Reactive Supply and Voltage Control from Generation or other Resource Service; Schedule 3—Regulation and Frequency Response Service; and Schedule 3a—Generator Regulation and Frequency Response Service. Since these rates were still interim during 2012, the associated revenues were included in the 2013 EBA subject to the 70 percent sharing band. Now that the increased rates have been made permanent, the additional 30 percent on the incremental revenue is being credited to customers in the 2014 EBA.

Rocky Mountain Power
Docket No. 14-035-__
Witness: Steven R. McDougal

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Steven R. McDougal
Allocation of EBA Costs

March 2014

Q. Please state your name and business address with PacifiCorp dba Rocky Mountain Power (the "Company").

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 Director of Revenue Requirement 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 calculating the Company's revenue requirement, applying the appropriate inter-jurisdictional cost allocation methodology to costs, reporting of the Company's regulated earnings, and providing technical expertise in regulatory filings supporting 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 Public Service Commission of Utah ("UPSC"), the Washington Utilities and Transportation Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public Utility Commission and the Wyoming Public Service Commission.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support and address the allocation of Energy Balancing Account Costs ("EBAC") to Utah as part of the EBA deferral filing. EBAC include both Net Power Costs ("NPC") and wheeling revenue. My testimony also addresses the Company's treatment of incremental wheeling revenue that resulted from the now concluded Federal Energy Regulatory Commission ("FERC") Rate Case (as defined below).

Q. Are there additional Company witnesses in this case?

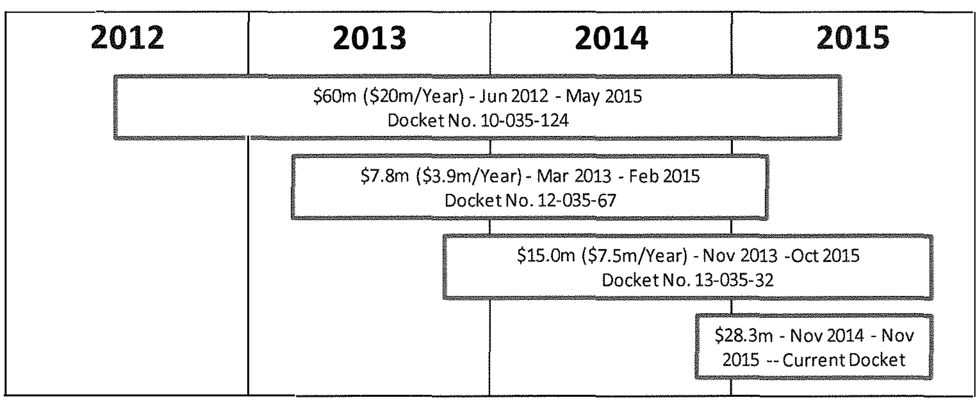
A. Yes. The following witnesses will also provide direct testimony in this case:

- Mr. Brian S. Dickman, Manager of Net Power Costs, is sponsoring testimony supporting the Company's calculation of the EBA deferral amount for calendar year 2013.
- Ms. Joelle R. Steward, Director of Pricing, Cost of Service, and Regulatory Operations, is sponsoring testimony regarding the rate spread and rate design of the EBA surcharge.

EBAC Recovery

Q. Please explain how this filing works in conjunction with other EBA collections currently in place.

A. The Company is currently collecting $60 million over three years as part of the 2011 GRC Stipulation, with the $20 million per year collection starting on June 1, 2012 based on the order in Docket No. 12-035-67. The Company is also collecting $7.8 million over two years, or $3.9 million per year, starting on March 1, 2013 based on the approved settlement in Docket No. 12-035-67, and $15.0 million over two years, or $7.5 million per year, starting November 1, 2013, based on the approved settlement stipulation in Docket No. 13-035-32. The current request for $28.3 million starting on November 1, 2014, is in addition to the amounts already being collected. The chart below illustrates the interaction among the four filings.



Allocation of EBAC to Utah

Q. How are total company EBAC allocated to Utah in the EBA?

A. Utah's allocation of net power costs under the EBA have been calculated using four different methods in response to previous settlement agreements or commission orders to provide additional information. I will first explain the method used by the Company as the basis for the request for recovery of $28.3 million in this filing and then I will explain each of the alternative methods.

Primary Allocation Method for Cost Recovery

Q. Please explain the method used as the basis for cost recovery in this filing.

A. The method used by the Company as the basis for the request for recovery of $28.3 million in this filing was done using the Utah allocation scalars. This method was first introduced in the general rate case, Docket No. 10-035-124 ("2011 GRC") and included as Exhibit B in that GRC Stipulation. The premise of the scalar was to take the total Company monthly NPC on a $/MWh basis, and use the same shape for the Utah $/MWh. The scalar was introduced as an adjustment to total Company $/MWh so that the annual total of Utah allocated NPC are equal to the amount calculated using the 2010 Protocol allocation method – the scalar is required since not all components of NPC are allocated on an energy basis.

The scalar method was also agreed to by the parties and included as Exhibit A1 in the stipulation in Docket No. 11-035-200 ("2012 GRC Stipulation"), and is included for reference as part of Exhibit RMP___(SRM-1) in this docket. The 2012 GRC Stipulation was approved by the Commission in its September 19, 2012, Report and Order. Base NPC used to calculate the EBA deferral in this case were determined in the 2012 GRC, which used a test period of the 12-months ending May 2013. Total Company Base NPC were set at $1.479 billion. The calculation of the EBA deferral supporting the Company's requested recovery of $28.3 million is further discussed in Mr. Dickman's testimony.

Q. Is the scalar method used in this filing consistent with the fixed scalar method used in the 2012 EBA docket?

A. Yes.

Q. In addition to the scalar method used to calculate the EBA deferral in this docket, are other methods presented?

A. Yes. The Company has prepared calculations under three other methods for informational purposes only as identified below. Two of these are consistent with the 2012 GRC Stipulation, the third is consistent with the Commission's Report and Order in Docket No. 09-035-15.

<u>Docket No. 09-035-15 Method</u>

Q. Please explain the second method of allocation of EBAC you have included.

A. For informational purposes only, the Company has included the allocation calculation using the method described in the Commission's order in Docket No. 09-035-15. This was also addressed in the Commission's order in the 2012 GRC which states:

> Our approval of the Settlement Stipulation, as in similar cases, is not intended to alter any existing Commission policy or to establish any Commission precedent. In this instance, however, we note a minor inconsistency which may arise from implementation of the Settlement Stipulation. Specifically, the calculation of base NPC shown in Exhibit A2 of the Settlement Stipulation is inconsistent with the method required in our March EBA Order in Docket No. 09-035-15. From testimony at hearing, it is clear the intent of this exhibit is to comply with our March EBA Order. While the differences may be immaterial, we will continue to require the Company to also perform the base and actual EBA cost per megawatt hour for each month correctly, that is, by applying the appropriate annual allocation factor to each category of cost in each month. The purpose of this requirement is to consistently evaluate this method during the EBA pilot program period.[1]

[1] UPSC Order in Docket No. 11-035-200, September 19, 2012, page 27.

As mentioned in the aforementioned order, the method in Docket No. 09-035-15 is similar to method A2 below, with the total Company amounts calculated in the same manner. However, under the Docket No. 09-035-15 method, the monthly Utah-allocated NPC are calculated by applying the annual SG and SE factors to monthly costs as defined by 2010 Protocol. Using the A2 method below, the Utah-allocated monthly costs are calculated in the same proportion as total company monthly costs rather than looking at specific costs by month. The Docket No. 09-035-15 method calculation is provided in Exhibit RMP___(SRM-2).

Stipulation Exhibit A2 Method

Q. Please explain the third method of allocation of EBAC you have included.

A. For informational purposes only, the Company also calculated base monthly NPC as set forth in Exhibit A2 in the 2012 GRC Stipulation. Under the Stipulation Exhibit A2 method, annual Utah-allocated NPC are calculated using the annual SE and SG factors, and monthly Utah-allocated NPC are prorated based on monthly total company NPC. As mentioned above, this method is similar to the Docket No. 09-035-15 method above, except in how the annual Utah allocated costs are split among the individual months. The Stipulation Exhibit A2 method calculation is provided in Exhibit RMP___(SRM-3).

Stipulation Exhibit A3 Method

Q. Please explain the fourth method of allocation of EBAC you have included.

A. For informational purposes only, the Company also calculated monthly NPC as set forth in Exhibit A3 in the 2012 GRC Stipulation. This method calculated separate SE and SG factors for each month using monthly energy and jurisdictional coincident peaks, rather than using annual factors as prescribed by the 2010 Protocol and as used in both the Docket No. 09-035-15 and Exhibit A2 methods above. The Utah-allocated NPC calculated using the monthly SE and SG factors is then trued-up to the annual amount calculated under the 2010 Protocol by prorating the monthly amounts. The Stipulation Exhibit A3 method calculation is provided in Exhibit RMP___(SRM-4).

Q. How did you calculate actual allocation factors used to allocate actual total company NPC to Utah?

A. The 2013 allocation factors were calculated using actual energy and coincident peak information, consistent with the Commission's January 20, 2012, prehearing order in Docket No. 11-035-T10 on page 4 where it states:

> "That is, the approved allocation factors and their *general rate case values* will be used to determine Utah's share of the *base* power-related expenses and revenues approved for balancing account treatment, and the approved allocation factors calculated using *actual company load conditions* during the period of balancing account accrual will be used to determine Utah's share of the Company's *actual* power-related expenses and revenues eligible for the EBA."

Utah's SG and SE factors using 2013 actual jurisdictional loads are 43.53 percent and 42.89 percent, respectively. I have provided the calculation of the 2013 allocation factors in Exhibit RMP___(SRM-5).

FERC Transmission Rate Case

Q. What commitments did the Company make regarding the amount of wheeling revenues to be credited to customers as a result of the proposed settlement in the Company's transmission rate case, Docket No. ER11-3643-000, before the Federal Energy Regulatory Commission?

A. At the time Rocky Mountain Power filed the 2011 GRC (Docket No. 10-035-124) the Company did not have final resolution of rates in the pending FERC transmission rate case ("FERC Rate Case"). To address this issue, the Company agreed that additional revenue related to the FERC Rate Case would be deferred and credited to customers through the energy balancing account ("EBA") without application of the 30 percent sharing mechanism (i.e., 100 percent of the transmission rate adjustment will accrue to customers). Specifically the Stipulation in Docket No. 10-035-124 states:

> 48. Additional wheeling revenues that may result from the Company's transmission rate case, Docket No. ER11-3643, before the Federal Energy Regulatory Commission ("FERC") are not reflected in the agreed upon revenue requirement. Any such additional revenues resulting from increased price or utilization that accrue from the time the new FERC transmission rates go into effect through the end of the test period in the General Rate Case (i.e. June 30, 2012) shall be deferred and credited to customers in the 2013 EBA annual filing without application of the 30 percent sharing mechanism.

The FERC Rate Case still had not been resolved at the time Rocky Mountain Power filed the 2012 GRC (Docket No. 11-035-200) and the Company agreed to continue the deferral treatment established in the previous case. Specifically the 2012 GRC Stipulation states:

> 51. The Parties agree that the Company will defer for later refund to or collection from Utah ratepayers Utah's allocated share of all revenues booked in the Company's FERC Account 456.1 resulting from its pending Federal Energy Regulatory Commission ("FERC") rate case in FERC Docket No. ER11-3643-000 including refunds, incremental to the FERC revenues projected by the Company in this docket, for the entire period from July 1, 2012 through the effective date of the 2014 GRC, in a manner consistent with the treatment of FERC revenues in Docket No. 10-035-124. Once FERC has issued a final order in FERC Docket No. ER11-3643-000, the Company will include the deferred balance in the next annual EBA filing as a credit to the EBA balance to reflect a 100 percent pass-through of all such incremental revenues to customers. The FERC deferral account will not accrue a carrying charge.

Q. Are those deferred revenues being passed back to customers as part of this filing?

A. Yes. $1.1 million in additional revenues resulting from the FERC Rate Case are shown on Table 1 in the direct testimony of Company witness Mr. Dickman. This amount reflects the 30 percent of the incremental wheeling revenue above the change in wheeling revenue already reflected in the 70 percent sharing of the change in EBA Costs related to the FERC Rate Case price change.

Q. Please provide an overview of the FERC Rate Case.

A. On May 26, 2011, PacifiCorp filed revised Open Access Transmission Tariff ("OATT") sheets with the FERC to adopt and implement a cost-of-service formula rate for Network Integration Transmission Service ("NIT Service"), Point-to-Point Transmission Service ("PTP Service"), and Ancillary Service Schedule 1 (Scheduling, System Control and Dispatch Service). PacifiCorp's filing also proposed to amend its OATT to: (1) revise the rates for Ancillary

Service Schedules 2, 3, 5 and 6; (2) add a new Schedule 3A to provide for Generator Regulation and Frequency Response Service; and (3) revise the transmission service real power loss factors in Schedule 10.

Q. What was the outcome of that docket?

A. In an order issued August 8, 2011, the FERC accepted for filing and suspended the proposed tariff sheets subject to refund and the outcome of hearing and settlement judge procedures. PacifiCorp commenced invoicing transmission customers at the proposed rates January 1, 2012, subject to refund. As part of settlement negotiations, PacifiCorp worked with parties to the FERC Rate Case and achieved an unopposed settlement agreement which was filed with the FERC on February 22, 2013. On May 23, 2013, the FERC approved the settlement.

Q. What was the impact on 2012 and 2013 wheeling revenues?

A. For 2012, the settled and approved wholesale transmission rate decreased from the originally filed rate of $24.774/kW/yr. ("as-filed rate") to $21.217/kW/yr. Pursuant to the approved formula rate mechanism, the transmission rate increased starting June 1, 2013 to $25.856/kW/yr. based on the 2013 annual update for rate year ending May 31, 2014.

Q. What is the amount of wheeling revenues directly associated with the FERC Rate Case that is being credited to customers through the EBA in this case?

A. The amount of wheeling revenues credited to customers through the EBA in this case was calculated consistent with the commitments made in the 2011 GRC and 2012 GRC. Specifically, the incremental transmission wheeling revenue associated with the FERC Rate Case credited back to customers is approximately

$3.12 million.

As shown in Exhibit RMP___(SRM-6). This amount is comprised of three components.

- Approximately $2.20 million incremental transmission revenue received for service provided during 2013. This amount is being credited to customers at 100 percent.
- Approximately $0.45 million adjustment of transmission revenue received during 2013 for service provided during 2012 for transmission wheeling, Schedule 5—Operating Reserve – Spinning Reserve Service, and Schedule 6—Operating Reserve – Supplemental Reserve Service. This adjustment reflects a true-up of 2012 rates subject to refund and a usage level true-up. Rates for these services decreased in 2012, since the price for these services did not increase, the amount is being credited to customers at 70 percent.
- Approximately $0.47 million incremental transmission revenue received and service provided in 2012 under interim rates for Schedule 1—Scheduling, System Control and Dispatch Service; Schedule 2—Reactive Supply and Voltage Control from Generation or other Resource Service; Schedule 3—Regulation and Frequency Response Service; and Schedule 3a—Generator Regulation and Frequency Response Service. Since these rates were still interim during 2012, the associated revenues were included in the 2013 EBA subject to the 70 percent sharing band. Now that the increased rates have been made permanent, the additional 30 percent on the incremental revenue is being credited to customers in the 2014 EBA.

Q. Please explain how the amount was calculated for 2012.

A. The amount of wheeling and ancillary services revenues credited to customers for 2012 was initially based on a 70 percent split. With the FERC Rate Case settlement, an additional 30 percent is credited for the rate increases to the following PacifiCorp Open Access Transmission Tariff services: Schedule 1—Scheduling, System Control and Dispatch Service; Schedule 2—Reactive Supply and Voltage Control from Generation or other Resource Service; Schedule 3—Regulation and Frequency Response Service; and Schedule 3a—Generator Regulation and Frequency Response Service. For these services the additional credit is based on the revenues reported in 2012 for these services compared to the revenue reported in base rates multiplied by 30 percent and multiplied by the Utah state allocation factor.

Q. Please explain how the amount was calculated for 2013.

A. The amount of wheeling and ancillary services revenues credited to customers for 2013 was based on 100 percent of the revenues reported compared to the amount of revenues credited in base rates, less adjustments for out-of-period items reported in 2013 multiplied by the Utah state allocation factors.

Q. Does this conclude your direct testimony?

A. Yes.