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

A. My name is Steven R. McDougal, and my business address is 1407 West North Temple, Suite 330, Salt Lake City, Utah 84116. I am currently employed as the Director of Revenue Requirement.

**Qualifications**

**Q. Briefly describe your educational and professional background.**

A. I received a Master of Accountancy degree 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. I have been employed by the Company or its predecessor companies since 1983. My experience at the Company includes various positions within regulation, finance, resource planning, and internal audit.

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

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. Have you testified in previous regulatory proceedings?**

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

Commission of Wyoming, and the Public Utility Commission of Oregon.

**Purpose and Overview of Testimony**

**Q. What is the purpose of your testimony in this proceeding?**

A. My testimony summarizes the analysis performed by the Company to evaluate allocation alternatives, explains how the 2017 Protocol is calculated and reflected in results of operations, and provides a summary of the Appendices included with the testimony of Mr. Jeffrey K. Larsen.

**2017 Protocol Analysis**

**Q. Please describe some of the analysis the Company performed and provided to the Broad Review Work Group ("BRWG") to help develop the 2017 Protocol.**

A. In preparation for the transition from the 2010 Protocol to a new allocation method for filings made after December 31, 2016, the BRWG began meeting in November 2012 to support the development of a new allocation methodology by evaluating alternative allocation methods. The BRWG met regularly over a three-year period to analyze and discuss various alternatives. The Company prepared foundational studies in 2013 and then updated the base data in the foundational study in 2014 to reflect more current data and to incorporate changes such as new depreciation rates. At the request of the BRWG, various scenarios and sensitivity studies were identified to study the impact of: 1) high load growth; 2) low load growth; 3) varying gas and electric purchase prices; and 4) adding new resources versus front office transactions. Structural separation scenarios were also analyzed by comparing a slice-of-the-system approach versus a control area assignment of resources by the area in which they are physically located. The BRWG also explored the impact of allocating generation resources on separate factors using differing demand and energy weightings and numbers of coincident peaks and peak weightings rather than the System Generation factor, as currently defined.

The Company also provided experts to explain the transmission system and transfer capabilities between the East and West balancing authority areas. Analyses were also performed regarding the variability of the Embedded Cost Differential ("ECD") and the demand-side management ("DSM") activities in each state, along with the possibility of system versus situs treatment of those costs.

**2017 Protocol**

**Q. How will the 2017 Protocol Adjustment be included in the Company's Results of Operation reports?**

A. The 2017 Protocol Adjustment is a single line item added to each state's annual revenue requirement. The impact relative to current revenue requirements in each state is an incremental increase by the amount of the 2017 Protocol Equalization Adjustment. California's annual 2017 Protocol Adjustment is zero, because the Baseline ECD is exactly offset by the Equalization Adjustment ($0.324 million incremental increase); Idaho's 2017 Protocol Adjustment increases its revenue requirement by $0.986 million ($0.150 million incremental increase); Utah's 2017 Protocol Adjustment increases its annual revenue requirement by $4.4 million ($4.4 million incremental increase); and Wyoming's 2017 Protocol Adjustment reduces its annual revenue requirement by $0.251 million ($1.6 million incremental increase). Oregon's 2017 Protocol Adjustment will depend on the amount of the dynamic ECD calculation but it is banded within the ranges discussed in the 2017

Protocol. Table 1 below summarizes the Baseline ECD, Equalization Adjustment and 2017 Protocol Adjustment for each state:

**Table 1**
Revenue Requirement ($000)

| **Revenue Requirement ($000)** | **Total Company** | **California** | **Oregon** | | **Utah** | **Idaho** | **Wyoming** |
|---|---|---|---|---|---|---|---|
| 2017 Protocol Baseline ECD ** | (9,578) | (324) | (8,238) | * | 0 | 836 | (1,851) |
| 2017 Protocol Equalization Adjustment | 9,074 | 324 | 2,600 | | 4,400 | 150 | 1,600 |
| 2017 Protocol Adjustment | | (0) | (5,638) | | 4,400 | 986 | (251) |

* Oregon's 2017 Protocol Baseline ECD is dynamic and will change over time with the parameters described in the 2017 Protocol. For the other states, the 2017 Protocol Baseline ECD is fixed and does not change over time.

** 2017 Protocol Baseline ECD amounts shown in the table for California, Oregon, and Wyoming are based on the test year data as filed by the Company in the 2015 Wyoming general rate case (Docket No. 20000-469-ER-15) on March 3, 2015. The amount for Idaho's 2017 Protocol Baseline ECD is its 2010 Protocol Fixed ECD amount. Utah's 2017 Protocol Baseline ECD is zero based on its 2010 Protocol agreement.

**Multi-State Process ("MSP") 2017 Protocol Appendices**

**Q. Please summarize the 2017 Protocol Appendices.**

A. The 2017 Protocol has four appendices: Appendix A contains the defined terms used in the protocol; Appendix B summarizes the allocation factors utilized by each Federal Energy Regulatory Commission ("FERC") account; Appendix C summarizes the algebraic derivations of the allocation factors; and Appendix D explains two alternative allocation treatments for special contracts.

**Q. Please describe Appendix A.**

A. Appendix A of the 2017 Protocol is a summary of frequently used terms. Rather than defining each term in the Protocol itself Appendix A is provided as a quick reference resource for defined terms. During the development of the 2017 Protocol, Appendix A was reviewed to identify defined terms no longer used or new terms added to the 2017 Protocol. Terms no longer used were deleted and new terms were added to the 2017 Protocol.

**Q. Please describe Appendix B - Allocation Factors Applied to each Component for Revenue Requirement.**

A. Appendix B is a summary by FERC account of the appropriate allocation factors used to allocate either the costs or revenues recorded to that account. Only minor changes were made to the 2017 Protocol Appendix B from the 2010 Protocol. These changes included removing any account/factor combinations no longer used or adding new account/factor combinations that have been added since 2010 Protocol was approved. For example, FERC accounts 230 and 254105 are new accounts added to Appendix B that prior to 2013 the costs were booked to FERC account 22842.

**Q. Please describe Appendix C - Allocation factor - Algebraic Derivations.**

A. Appendix C is a summary of the algebraic derivations of the factors used in the 2017 Protocol. The derivations of the factors is the same as the derivations used in the 2010 Protocol and no new factors were added to the 2017 Protocol Appendix C.

**Q. Please describe Appendix D - Special Contracts.**

A. Appendix D is consistent with the 2010 Protocol, with no differences between this Appendix in the 2010 Protocol and 2017 Protocol. The appendix has two options for special contracts designed to provide consistency between the allocation of revenues, costs and benefits derived from adjusting allocation factors. Under option 1, the costs of the contract are embedded in the tariff price, resulting in the jurisdiction approving the contract absorbing the full cost of the program, similar to DSM costs. Since the costs are absorbed by the jurisdiction approving the contract, it also receives the benefits associated with the program through reduced allocation factors. Under option 2, the contract costs are separately identified and allocated to all states. Since the costs are allocated to all states and not to a specific jurisdiction, the monthly load used to calculate allocation factors is calculated assuming no curtailment occurs.

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

A. Yes.