BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of the 2017 Protocol

) Docket No. 15-035-86

)) HEARING

May 26, 2016 9:02 a.m.

)

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Location: Utah Public Service Commission 160 East 300 South, 4th Floor Salt Lake City, UT 84111

Job No: 287646 Reporter: Teri Hansen Cronenwett Certified Realtime Reporter, Registered Merit Reporter

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APPEARANCES

Board Members: Thad LeVar, Chairman David Clark, Jordan White Daniel E. Solander For Rocky Mountain Power: Rocky Mountain Power 201 S. Main, Suite 2300 Salt Lake City, UT 84111 (801) 220-4014 daniel.solander@pacificorp.com Justin C. Jetter For the Division of Public Utilities: Assistant Attorney General 160 E. 300 South, 5th Floor P.O. Box 140857 Salt Lake City, UT 84114-0857 (801) 366-0335 jjetter@utah.gov For the Office of Rex W. Olsen Consumer Services: Assistant Attorney General 160 East 300 South, 5th Floor P.O. Box 140857 Salt Lake City, UT 84114-0857 (801) 366-0353 rolsen@utah.gov For the Utah Gary Dodge Association of Energy Hatch James & Dodge Users: 10 West Broadway Suite 400 Salt Lake City, UT 84101 (801) 363-6363 (801) 363-6666 gdodge@hjdlaw.com INDEX Witness Page JEFFREY K. LARSEN Direct Examination by Mr. Solander 5 Cross-Examination by Mr. Dodge 18 Redirect Examination by Mr. Solander 25

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Page 4 May 26, 2016 9:02 a.m. 1 2 PROCEEDINGS 3 MR. LEVAR: Good morning. We're here for Docket 15-035-86, In the Matter of the Application of 4 5 Rocky Mountain Power for Approval of the 2017 protocol. Why don't we start with appearances. 6 7 MR. SOLANDER: Good morning, Chairman LeVar. 8 Daniel Solander appearing on behalf of Rocky Mountain Power, and I have with me at the counsel table our two 9 10 witnesses, Jeffrey Larsen, vice president of regulation, and Steve McDougal, director of revenue requirement. 11 12 MR. LEVAR: Okay. Thanks. 13 MR. JETTER: Good morning. I'm Justin Jetter 14 with the Utah Attorney General's office. I represent 15 the Utah Division of Public Utilities, and with me at counsel table is Dr. Artie Powell. 16 17 MR. LEVAR: Okay. Thank you. MR. OLSEN: I'm Rex Olsen. I represent the 18 Office of Consumer Services, and at counsel table with 19 20 me is Michelle Beck, the director of the Office of Consumer Services. 21 2.2 MR. LEVAR: Okay. Thank you. 23 MR. DODGE: Gary Dodge on behalf of UAE, and our witness, Neal Townsend, is with me at the table. 24 25 Okay. Thank you. Is anyone aware MR. LEVAR:

Page 5 1 of any preliminary matters we should deal with before we 2 just go right into the testimony? Mr. Solander? 3 MR. SOLANDER: Not that I'm aware of. 4 MR. LEVAR: No? I am not seeing any other 5 indications, so we will go ahead with Mr. Solander. MR. SOLANDER: Thank you. Rocky Mountain 6 7 Power would like to call its first witness, Jeffrey 8 Larsen, in support of its application for approval of 9 the 2017 protocol. 10 MR. LEVAR: Mr. Larsen, do you swear to tell the truth? 11 12 THE WITNESS: Yes, I do. 13 MR. LEVAR: Thank you. 14 JEFFREY K. LARSEN, 15 called as a witness at the instance of Rocky Mountain Power, having been first duly sworn, was examined and 16 testified as follows: 17 DIRECT EXAMINATION 18 BY MR. SOLANDER: 19 20 Good morning. Q. Α. 21 Morning. 22 Would you please state and spell your name for Q. 23 the record. 24 Α. Yes. My name is Jeffrey K. Larsen. J-E-F-F-R-E-Y, K middle initial, and Larsen, 25

1	L-A-R-S-E-N. Page 6
2	Q. And by whom are you employed and in what
3	capacity?
4	A. I am employed by PacifiCorp in Rocky Mountain
5	Power division, and I am the vice president of
6	regulation.
7	Q. And as the vice president of regulation, were
8	you involved in the negotiations that led to the 2007
9	protocol?
10	A. Yes, I was.
11	Q. And did you file testimony along with one
12	exhibit in support of that
13	A. Yes, I did.
14	Q 2017 protocol? And have you prepared a
15	summary of your testimony that you would like to share
16	with the commission today?
17	A. Yes, I would. And I do have one correction on
18	my testimony.
19	Q. And what is that correction?
20	A. On page 22, Line 476, very top. The sentence
21	should read, after eligible, there should be customer.
22	So the eligible customer will not be used by will not
23	be used by other customers as a direct result of the
24	eligible customer transferring service.
25	Q. And with that one correction, if I ask you the

Page 7 same questions that are in your prefiled testimony 1 2 today, would your answers be the same? 3 Α. Yes. MR. LEVAR: If I -- I am not sure I understand 4 5 the correction. I am looking at Line 476, and maybe if you could walk us through that correction again. 6 7 THE WITNESS: Yeah. 8 MR. LEVAR: Because I have the phrase "an 9 eligible customer elects on my, on my copy. 10 THE WITNESS: Yeah. So starting in Line 475, 11 No. 2, cost of facilities used to serve the eligible 12 customer that will not be used by other customers as a direct result of the eligible customer transferring 13 service. So there is a "customer" missing after 14 15 "eligible" in that line. MR. LEVAR: I wonder if my line numbers are 16 17 different. MR. TOWNSEND: I think that line 482 may be 18 19 where you might --20 MR. LEVAR: Four eighty --21 MR. TOWNSEND: 482. 2.2 THE WITNESS: We have differing line numbers? 23 MR. TOWNSEND: Yeah. I think so. It's under 24 bullet point two. THE WITNESS: Bullet number two. 25

Page 8 1 MR. LEVAR: Okay. Would you read through the 2 language again. THE WITNESS: Yeah. Cost of facilities used 3 to serve the eligible, insert customer, that will not be 4 5 used by other customers. MR. LEVAR: 6 Okay. Thank you. That's on Line 7 483 of my copy. 8 THE WITNESS: Okay. 9 MR. LEVAR: Thanks. Sorry for the 10 interruption. 11 MR. SOLANDER: Thank you. 12 All right. Α. (By Mr. Solander) With that second correction, 13 ο. please proceed with your summary. 14 15 Α. All right. Good morning, Chairman LeVar, Commissioners Clark and White. I am very pleased to be 16 17 here representing the company this morning to support the company's application for the approval of the 2017 18 protocol stipulation that's been reached by certain 19 20 parties in this docket and present the company's view of the stipulation and the 2017 protocol. 21 2.2 As you know, we filed December 31, 2015, for 23 the approval of the application. This really culminates 24 the work of over three years of parties participating in 25 the multi-state process, and particularly the broad

1	Page 9 review work group that's been working since 2012
2	reviewing and analyzing various issues and proposed
3	modifications to the existing 2010 protocol.
4	And I appreciate the work that all the parties
5	put into it. Significant work, meetings, discussions
6	have occurred over the last three years to come to a
7	point where we reached an agreement with a number of
8	parties. In Utah in particular, we reached agreement
9	with the Division of Public Utilities and the Office of
10	Consumer Services.
11	And in our other states, we had agreements
12	with various parties in Wyoming, Idaho and Oregon
13	supporting the 2017 protocol and the stipulation that
14	was reached.
15	Through the process, the parties worked with
16	the intent to continue to achieve equitable resolutions
17	of multi-jurisdictional allocation issues that would be
18	in the public interest, and we believe that the 2017
19	protocol reaches, reaches that goal. And I support it
20	as being in the public interest.
21	My testimony covers kind of the process that
22	we went through to reach the agreement, as well as
23	introduces and explains the various provisions of the
24	2017 protocol.
25	And so just stepping back and giving a little

Page 10 bit of history and the process that we went through, the MSP process was really instituted and started in about 2002 with the MSP work group established and the broad review work group, looking at inter-jurisdictional allocation issues across our six state jurisdictions really to consider the cost allocation of a multi-jurisdictional utility.

8 From that work, the first agreement that was 9 established was a revised protocol that then led to the 10 2010 protocol, and that's been in place since about 2010 11 and has been used for allocations and establishment of 12 revenue requirement for the company in its -- in four of 13 its jurisdictions primarily that were signatories to 14 that and also has been used in California.

15 And that's the current method, but in that 2010 protocol, there was a time certain when that 16 17 agreement would expire. That agreement was to be used for any applications filed by the company through 18 December 31, 2016, and so, you know, potentially it 19 20 could go into 2017 in terms of rate setting if an application was filed before December 31, 2016. But we 21 22 definitely had an end date to where we needed to review 23 and agree on a new allocation methodology.

And so the parties, as I said, have worked for three years in trying to identify and come up with a

Page 11 1 more durable agreement and a process after 2016 to be used for rate setting purposes. And in that process, 2 3 parties were really working and trying to identify a 4 more durable, permanent solution that we could use going forward. 5 But there were a number of issues and 6 7 challenges, a number of items that were still creating 8 some uncertainty in term of impacts to our cost 9 structures. And so the parties worked to find an 10 interim agreement that we could use for a shorter period 11 of time while the company continued to evaluate a number 12 of issues. And those were identified in the agreement, 13 14 such things as, you know, the potential for a divisional 15 allocation methodology or structural separation, looking at the impacts of the clean power plan, 111(d) EPA 16 requirements, and other issues that would have the 17 potential for impacting the allocation of common costs 18 19 that are shared amongst the states. 20 And so we agreed to a more shorter term interim agreement, if you will, while we worked through 21

21 Interim agreement, if you will, while we worked through 22 some analysis. And we have established a process that 23 we would then bring back and review, on an annual basis, 24 information that we have identified and studied that we 25 would be doing. Page 12 In going through the process, the broad review work group established a number of principles to help the group drive the analysis and the discussions, and those are identified in my testimony.

5 Allowing states to maintain their own autonomy in terms of reviewing the costs, being able to have the 6 7 flexibility to set their own class cost of allocations 8 within the states, equitable solutions that allowed the 9 companies -- the company to recover its costs, while 10 having principles of cost causation that underlie the allocation of the costs, a method that would be 11 12 sustainable and promote rate stability and would be easy 13 to administer.

14 Through that process, ultimately we reached 15 the agreement of the 2017 protocol. And in doing so, we really started with, from the basis of the 2010 protocol 16 as kind of a foundation to begin the discussions. And 17 being that we were doing a very short-term agreement for 18 two years with a methodology that would run for cases 19 20 filed January 1, 2017 through cases filed by December 31, 2018, with the potential of the commission's 21 22 approval for a one year extension, we reached a 23 methodology using the 2010 protocol as the starting point, and then reviewed the components of the 2010 24 25 protocol for any changes or modifications that were

Page 13 1 warranted. 2 And so the agreement should be generally familiar to the commission based on what you saw in the 3 approval docket for the 2010 protocol with some -- with 4 5 some additional changes. And I'll just identify those. As we consider the settlement agreement, the 6 7 components of it walks through various paragraphs, but 8 to summarize the agreement, paragraphs 3 through 8 of the protocol, and that's attached as Exhibit A to 9 10 RPMJKL1. Paragraphs 3 through 8 really outline the allocation of the costs, talking about system resources 11 12 versus state resources, the generation components. Walks through the transmission, distribution costs A and 13 14 G, special contracts. 15 And incorporated in that there is a new component that wasn't considered previously, which was 16 17 an equalization adjustment. And I'll touch on that in just a moment. 18 Paragraph 9, similar to what was in the prior 19 20 agreement, which talks about the gain and loss of sale 21 of assets and transmission allocations. Paragraph 10 in the 2010 protocol addressed direct access and had some 22 23 structure around what may happen if a state was implementing direct access. 24 25 Since that time, Oregon actually implemented

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1	Page 14 direct access rules and an approach there, and so the
2	agreement addresses how that will be handled, as well as
3	if any other states, including Utah, were to address
4	customers that are eligible to leave its system and how
5	that would be handled. And it largely leaves that
6	neutral for future consideration if those events happen
7	with no prejudgment there.
8	Section 11 then, or paragraph 11, talks about
9	the loss of load, if it's greater or less than 5
10	percent, similar to what was in the 2010 protocol.
11	Paragraph 12 covers the company's planning for
12	resource acquisitions, that it would continue to be a
13	system-wide least cost basis.
14	Paragraph 13 outlines the governance over the
15	2017 protocol and establishes an annual commissioners
16	forum that would be held January of each year with the
17	first one in January of 2017 where the company will
18	bring forward its initial results on a number of studies
19	and a new view of what could be potentially proposed for
20	a new allocation method.
21	As a result of that meeting, following up from
22	January then, there would be a decision that would need
23	to be made by March of 2017 on whether the agreement
24	should be extended for one additional year. And it
25	identifies that, you know, the commissions in all

Page 15 jurisdictions could establish whatever process they deem necessary in advance of that decision, whatever type of public input process they would want to undertake in order to make such decision.

5 And then paragraph 14 establishes the specific 6 state terms that were negotiated, and this is a bit 7 different than how the 2010 protocol was handled. An 8 initial agreement was reached in the 2010 protocol, and 9 then filings were made in each state, and negotiations 10 were undertook which led to a number of differences in 11 how the agreement actually got implemented.

12 And so as we approach the 2017 protocol, we wanted to have transparency with all states 13 14 understanding what the deal was, what had been 15 negotiated, and how each state was being handled going into the agreement. And so Section 14 of the 16 17 stipulation, or of the 2017 protocol document outlines how each state is being treated and incorporates into it 18 what's called the equalization adjustment. 19

20 And as we initially started this settlement 21 discussions and looking for methodologies, there was a 22 range of options that were being looked at, a number of 23 changes to coincident peaks or demand energy weightings 24 and so forth. And since this was a sort of short-term 25 agreement, the parties really focused on an outcome that

Page 16 they could support without specifically identifying how 1 2 we got to that end results or permanent changes to the number of coincident peaks that are used in the 3 allocations or changes to the demand and energy. 4 And witness Artie Powell for the DPU talked 5 about a range of outcomes and showed the percentage 6 7 change that could be the potential from changing those 8 type of inputs. So the parties worked through, reached an 9 10 agreement, which generally resulted in about a two tenths percent change for each jurisdiction in terms of 11 12 the revenue requirement impact and the cost sharing. The company didn't get its hole, the allocation hole 13 14 from differing results from each state. So we had a 15 share in that, as well as each state moving a little bit towards the center in terms of a common approach. 16 17 And so the way that that equalization adjustment is implemented is outlined in Section 14, 18 whether there's a rate case that would implement it, or 19 20 if not, then deferral mechanisms and various agreements across the states in terms of the timing of when 21 deferrals would kick off and the treatment of those 22 23 dollars. 24 And so that's probably the main issue is that we really establish kind of a base line on where states 25

Page 17 were at with the 2010 protocol, with where they were at 1 2 with their embedded cost differential adjustment, like 3 those in Wyoming and Idaho. Utah was still consistently treated with where 4 5 it was at with a zero ECD. And then added to that, the adjustment for the equalization adjustment to come up 6 7 with what the adjustment would be for the revenue requirement determinations and for deferrals. 8 Oregon's methodology established bands around 9 10 what their ECD value could be during the term of the 11 agreement. 12 With that then, I think that would conclude my summary, just asking the commission to seriously 13 14 consider and approve the 2017 Protocol as being in the 15 public interest for use by the company for rate setting purposes through December 31, 2018. And that concludes 16 17 my summary. MR. SOLANDER: Thank you. Mr. Larsen is 18 available for cross-examination by the parties or 19 20 questions from the commission. 21 Okay. Thank you, Mr. Solander. MR. LEVAR: 2.2 Mr. Jetter? 23 MR. JETTER: No questions from the division, 24 thank you. 25 MR. LEVAR: Mr. Olsen?

Page 18 MR. OLSEN: No questions from the office. 1 2 MR. LEVAR: Mr. Dodge? 3 MR. DODGE: Yes. Thank you, Mr. Chairman. 4 CROSS-EXAMINATION 5 BY MR. DODGE: Mr. Larsen, you filed for approval of the 2017 6 ο. 7 Protocol in your other jurisdictions; is that correct? 8 Α. Yes. 9 And are any parties opposing approval of the 0. 10 protocol in any other states? In Idaho, we have received comments now from 11 Α. the Idaho commission staff recommending approval of it. 12 We have received comments from Monsanto in Idaho 13 recommending approval. Those were the two parties, I 14 15 believe, in Idaho. That will follow my modified procedure where the commission takes the comments in and 16 then will make a decision there. 17 In Wyoming all the parties were supportive, 18 the Wyoming staff, the Office of Consumer Advocate, the 19 20 Wyoming Industrial Energy Consumers. In Oregon, the stipulation was contested by the industrial customers of 21 22 Northwest Utilities and an environmental group, I 23 believe. 24 0. To this point no state has approved the protocol; is that correct? 25

Page 19 1 Not at this point. Α. 2 0. And is it your suggestion to this commission that they condition an order in this case, if they 3 choose to approve it, on the outcome of those other 4 state proceedings? 5 I don't believe it's necessary to condition 6 Α. 7 the order that -- there's no new terms, we believe, that 8 would come forward. All of the parties negotiated the 9 components. They are all incorporated into the document 10 so the parties would have visibility, so there's in my view no need for holding a condition in case there's 11 12 favored nations type of clauses, because the components are identified within the agreement. 13 But if some state were to reject it, then you 14 Q. 15 wouldn't have an agreement among all the states. Don't you think that would be of interest to the commission? 16 Certainly it would. Someone has to go first 17 Α. and make a decision. But, you know, in -- as I 18 19 indicated, in the other states we don't think approval 20 is going to be a challenge, given that especially in Idaho and Wyoming, there is no parties contesting the 21 22 agreement. 23 But again, there are two parties in Oregon 0. 24 contesting? 25 Α. That's correct.

Page 20 Thank you. No further questions. 1 MR. DODGE: 2 MR. LEVAR: Okay. Thank you. Commissioner 3 Clark, do you have any questions for him? MR. CLARK: Continuing with the subject, can 4 you be a little more precise for us on the status of the 5 proceedings in the other states, if schedules exist for 6 reaching a determination in those states? 7 8 THE WITNESS: Yes. In -- so in Oregon, we 9 have now completed the hearings. Those were actually 10 held last week, so a decision is now -- you know, will be forthcoming and is pending. 11 12 As I indicated, in Idaho now, the case really is fully submitted. The comments have been filed, so 13 14 now it will be up to the commission to take that up in 15 one of their decision meetings based on the evidence and the comments that have been filed to make a decision. 16 So we anticipate that we would see a decision there by 17 our requested July time frame. 18 19 In Wyoming, I don't believe that we have seen 20 a schedule established yet, and so we are waiting to see a schedule produced by the commission staff in Wyoming. 21 2.2 MR. CLARK: And if a state were to decline to 23 approve the changes, what would -- and other states approved it, what -- how would that work in your mind? 24 25 THE WITNESS: Well, clearly we would have to

1	Page 21 evaluate the impacts, what their decision directs us to
2	do. You know, it is a short-term agreement in nature,
3	and so we would have to evaluate whether we continue
4	with the states that agreed to it and then go back to
5	the table and try to get the parties back in agreement.
6	As you are aware, we do have one state, the
7	state of Washington, that participated in the MSP
8	process and discussions. They continue to look at and
9	advocate for a divisional allocation approach, and so we
10	were unable to get them into the agreement. So we
11	continue with the state of Wyo or Washington on a
12	separate methodology, which is the western control area.
13	And we continue to work with that state to see if we
14	can't find some type of resolution to get a common
15	allocation approach.
16	And, you know, so I guess I couldn't say at
17	this point that it would put an end to the 2017
18	protocol, but we would continue to work with the state
19	that chose not to support it and try and bring them into
20	a common agreement in the next round.
21	MR. CLARK: A question that relates to your
22	testimony about page 16 regarding the ECD or embedded
23	cost differential. And there you, you talk about the
24	2017 protocol eliminating or mitigating unintended
25	allocation consequences that were experienced under the
1	

Page 22 2010 protocol. 1 2 And I just would like you to, if you can, be a little more specific about the nature of the unintended 3 consequences and how those are mitigated in the -- or 4 5 eliminated in the 2017 protocol. 6 THE WITNESS: Sure. And Mr. McDougal may have 7 more specifics on the numbers, but generally what we are seeing is the embedded cost differential growing over 8 time, largely depending on which side of the system 9 10 investments were made or if we are adding more investments, such as scrubbers, SCRs on the generation 11 12 plant. 13 Just by the nature of the calculation, any 14 costs that were added to the generation, and you are 15 comparing on a dollar per megawatt hour the difference between your other generation versus hydro, that as your 16 17 other generation costs grew, by definition then, through the calculation, the embedded cost differential was 18 growing over time. 19 20 And so we saw that as a challenge, and there was a lot of variability and fluctuation to it, and 21 2.2 that's where we saw the unintended consequences, where 23 we thought the ECD and the -- really that allocation hole that we had as a result of that, would be stable, 24 25 and instead we have seen it unpredictable and harder to

Page 23 1 forecast and growing over time. 2 And so the fix that we have then is that the ECD for the states that have it is either fixed for 3 Idaho and Wyoming, and in the prior methodology in the 4 5 2010 protocol, Wyoming had a dynamic ECD, which meant that it was moving over time, where Idaho in the 6 7 original 2010 protocol agreement was that the ECD would be a fixed number for the duration of the agreement. 8 And so it's been locked in for Idaho and 9 10 Wyoming, and Utah is zero from your decision. And then for Oregon, which is the significant component of the 11 12 ECD; they have the greatest share of it, it's been agreed that it's dynamic. But it's got bands on it 13 between 8.2 and about 10 and a half million. Or if we 14 15 go into year three, it would be 11 million, and so it's got that range and caps on it so that we've got more 16 predictability about the value that they are getting 17 from that. 18 And with the equalization adjustment then, 19 20 that then is applied to each state and moves all the 21 states, whether they are at one end of the extreme with 22 the dynamic allocation method, or in the case of Utah,

23 at a rolled-in method with no ECD, this agreement was 24 helping to bring parties to more of a midpoint in terms 25 of a rolled-in allocation with a adjustment overlaid on

	Page 24
1	it that was taking into consideration the discussions we
2	were having on whether CPs should change, whether
3	weightings of demand and energy should change, whether
4	we should go to, you know, 4 CP, 8 CP, weighted
5	coincident peaks on summer months.
6	Just a lot of issues that really came down to
7	not finding what specific methodology should be applied,
8	but a dollar amount the parties could agree was in the
9	public interest and represented a fair outcome while
10	still supporting a rolled-in type of approach,
11	especially here in Utah.
12	MR. CLARK: Thank you. That concludes my
13	questions.
14	MR. LEVAR: Okay. Thank you. And before I go
15	to Commissioner White, I forgot to go to Mr. Solander,
16	if you had any redirect after Mr. Dodge's questions.
17	MR. SOLANDER: If it would be okay, could I
18	wait until after the commission's questions, or would
19	you like me to ask it now?
20	MR. LEVAR: I think it would be fine either
21	way, but if you have redirect from Mr. Dodge, maybe we
22	can go ahead with that.
23	MR. SOLANDER: I don't have any redirect from
24	Mr. Dodge, but I do have one question based on
25	Commissioner Clark's questions.

Page 25 1 MR. LEVAR: If you want to go with that, that 2 would be fine. 3 REDIRECT EXAMINATION BY MR. SOLANDER: 4 Just to clarify, is the equalization 5 ο. adjustment tied to or based on the ECD? 6 7 Α. No, it's not. It was a negotiated number 8 amongst all the parties that's basically on a percentage 9 basis comparable across each jurisdiction. 10 MR. SOLANDER: Thank you. That's all I have. MR. LEVAR: Okay. Thank you. Mr. White? 11 12 MR. WHITE: Yeah, just one question. Ι recognize this agreement is essentially bridging during 13 14 a time of flux with respect to a potential clean power 15 plan, expansion, etc. Is the current state of the clean power plan affecting the company's analysis in this 16 respect in the context of the MSP agreement? I mean, is 17 there a continuing ongoing analysis, notwithstanding 18 this current state? 19 20 THE WITNESS: Yes. You know, we continue to evaluate and analyze the clean power plan and how the 21 2.2 company would move forward with the implementation, 23 looking at rate based versus mass based. And ultimately we believe that it will continue in some form, so we are 24 25 looking at how we will address it and meet our

Page 26 1 compliance obligations. 2 MR. WHITE: That's all I have. 3 MR. LEVAR: Okay. I just have one. What is your view of the implications to the utility or to the 4 5 other states from the position of the State of Washington with respect to this? 6 7 THE WITNESS: I hate to speak for the state 8 representatives. From the company's point of view, it 9 is a significant challenge. Now, you know, their 10 methodology, if you understand the western control area, is that they don't pay for common resources that are in 11 12 the eastern control area. But they pay for a greater share then of resources that are in the west control 13 14 area. 15 So instead of paying, you know, 9 percent of, you know, say the Hunter and Huntington plants, they pay 16 zero of that. But then they are paying upwards of, you 17 know, probably close to 20 percent or greater on a 18 divisional basis of the units such as Bridger and others 19 20 that serve their control area. 21 So they do underpay on one hand, overpay on 22 the others. But the net impact is that the company is 23 still short significantly in its cost recovery. We continue to evaluate that and try to find options and 24 25 methodologies to address that.

Page 27 We have taken a number of issues to great 1 2 lengths to find a way to get proper cost recovery and 3 continue to struggle with that. Now, they are only about 8 or 9 percent of the system, but, you know, 4 5 that's still significant in terms of the shortfall. It has not to this point impacted the rating 6 7 agency's view of the company being able to have 8 sufficient revenues to cover its debt obligations or its 9 ratings for debt borrowing. But that would probably, I 10 think, be probably the first place that you would be concerned is, are they sufficiently covering those costs 11 12 or not impacting those so that it's not driving up costs for the other states. 13 14 MR. LEVAR: Okay. Thank you. That's the only 15 question I have. Mr. Solander? MR. SOLANDER: I would just move that 16 17 Mr. Larsen's testimony and the exhibit thereto be entered into the record. 18 MR. LEVAR: If there's any objection, indicate 19 20 I am not seeing any, so that will be entered. to me. 21 Thank you. 2.2 MR. SOLANDER: Thank you. Rocky Mountain 23 Power would like to call Mr. McDougal as its second witness. 24 25 MR. LEVAR: Mr. McDougal, do you swear to tell

Page 28 1 the truth? 2 THE WITNESS: Yes, I do. 3 MR. LEVAR: Thank you. 4 STEVEN MCDOUGAL, 5 called as a witness at the instance of Rocky Mountain Power, having been first duly sworn, was examined and 6 7 testified as follows: 8 DIRECT EXAMINATION BY MR. SOLANDER: 9 10 Q. Good morning, Mr. McDougal. 11 A. Good morning. 12 Could you please state and spell your name for Q. the record? 13 14 Yes. My name is Steven McDougal, S-T-E-V-E-N, Α. 15 M-C-D-O-U-G-A-L. 16 And by whom are you employed and in what 0. 17 capacity? I am employed by Rocky Mountain Power as the 18 Α. director of revenue requirement. 19 20 Q. And did you file both direct and rebuttal testimony in this proceeding? 21 2.2 Α. Yes, I did. 23 And are there any exhibits to your testimony? Q. 24 Α. No, there are not. 25 And do you have any corrections or additions Q.

Page 29 to your testimony that you filed? 1 2 Α. There is one minor correction on my rebuttal 3 testimony. In my version the footnote on the bottom says direct instead of rebuttal. 4 And with that one correction, if I asked you 5 ο. those questions today, would your answers be the same? 6 7 Α. Yes, they would. 8 MR. SOLANDER: At this time I'd like to move the admission of Mr. McDougal's direct and rebuttal 9 10 testimony. 11 MR. LEVAR: Okay. Please let me know if any party has any objection. I am not seeing any, so that 12 will be entered. Thank you. 13 14 MR. SOLANDER: Thank you. 15 0. (By Mr. Solander) And Mr. McDougal, have you prepared a summary of your testimony that you would like 16 to share with the commission? 17 Yes. Good morning, Chairman LeVar, 18 Α. Commissioners Clark and White. Mr. Larsen has already 19 20 went through most of the 2017 protocol, so I'll try to avoid duplicating what he has already discussed. 21 This 22 has already been mentioned. I filed both direct and 23 rebuttal testimony in this case. In my direct testimony, I basically summarize 24 25 the analysis that occurred during the process of the MSP

Page 30 1 protocol hearings over the last three years. During 2 those three years, there was a lot of broad review work 3 group meetings that were held.

We discussed a lot of options. Many of those have already been mentioned by Mr. Larsen. We reviewed different methods for correcting or for consolidating the allocation method to come up with a consistent method among states.

9 At the end of the day, what we ended up doing 10 was coming up with this two year agreement that can be 11 extended for a third year. And as part of this 12 agreement, there will be a single line item that will be 13 added to the Utah revenue requirement calculation 14 basically identifying the equalization adjustment and 15 adding that into the revenue requirement calculations.

16 This was settled as part of a negotiated 17 amount where, because we could not come up with other 18 agreements in short-term nature, it was decided that 19 this was the best way to try and get everybody to a 20 common allocation method.

In addition to talking about the analysis, I talk about the four appendices to the 2017 protocol. Basically the appendices describe all of the defined terms, the calculation of the allocation factors, both algebraically and by FERC count, giving what all those

Page 31 calculations are. 1 2 So those are Appendix A, B, C, and then there's also an Appendix D that explains the alternative 3 allocation treatment for special contracts. So those 4 5 are all defined in my testimony. They are also in Mr. Larsen's exhibit. 6 7 In addition to the direct testimony, I filed rebuttal testimony. In the rebuttal testimony I 8 responded to the direct testimony of Mr. Townsend who 9 10 recommended this commission reject the 2017 protocol. What I addressed there was that, as part of the 2017 11 12 protocol, there is no change in the allocation of 13 generation costs, including hydro cost. 14 They are allocated identically under both the 15 2017 protocol and the current allocation methodology. So I don't view that there is any transfer of 16 17 hydro-related risk or any change in those risks to Utah customers. So I don't believe that that is something 18 that should be considered or that would impact the 19 20 allocation method. 21 I also talk about the equalization adjustment, and that it is not a calculation of an embedded cost 2.2 23 differential or ECD. It is basically a negotiated amount that was done to try and fill or come to a common 24 25 allocation methodology.

1	Page 32 In addition to my rebuttal testimony, while
2	not a party to this proceeding, Kennecott Utah Copper
3	submitted public comments in which they construe the
4	meaning of Section 10 or Section X. It's a Roman
5	numeral. I address those issues and just briefly state
6	the company's position that the language was negotiated.
7	All the language states that this commission reserves
8	the right to make the decision.
9	A stated objective of the cost allocation
10	method is really the development to arrive at a solution
11	that is fair, just, reasonable and in the public
12	interest. And I believe that the 2017 protocol
13	accomplishes that task. And I would also add mine to
14	Mr. Larsen that I would encourage this commission to
15	consider it and to approve the 2017 protocol as filed.
16	Thanks.
17	Q. Does that conclude your summary?
18	A. Yes, it does.
19	MR. SOLANDER: Mr. McDougal is available for
20	questions from the commission or cross-examination by
21	the parties.
22	MR. LEVAR: Thank you. Mr. Jetter?
23	MR. JETTER: No questions from the division,
24	thank you.
25	MR. LEVAR: Thank you. Mr. Olsen?

Page 33 MR. OLSEN: No questions from the office. 1 2 MR. LEVAR: Mr. Dodge? 3 MR. DODGE: Thank you, Mr. Chairman. 4 CROSS-EXAMINATION 5 BY MR. DODGE: Good morning, Mr. McDougal. 6 ο. 7 Α. Good morning. 8 0. The 2010 protocol, as adopted among the states 9 that do apply it, leaves the company with an allocation 10 hole, correct? 11 That is correct. Α. 12 And it's because of differing treatment of the Q. embedded cost differential among the states, correct? 13 14 That is correct. If you look at the Α. 15 allocation method as currently applied in our different states, all of the states approved the 2010 protocol, 16 but the 2010 protocol, as originally agreed to, included 17 a fixed embedded cost differential or ECD. 18 19 In approving that, Utah's embedded cost 20 differential is basically zero, leaving it at rolled in. 21 And then Wyoming and Oregon both approved it, but rather 22 than approving a fixed embedded cost differential, they 23 went and used a dynamic that is recalculated every year, and that is creating a difference. 24 25 And in the 2017 protocol negotiations, the 0.

Page 34 1 attempt in part, or at least as it ended up resulting 2 with the equalization adjustment, was an attempt to plug 3 that hole to a certain point, correct?

A. I wouldn't say it was really to plug the hole or to change the equalization or to fix the ECD. What really the original intent was was to come up with an allocation methodology that all states could agree on that gave the company the opportunity to recover a hundred percent of our costs.

10 So in looking at the methodology and trying to 11 come up with a way that the company has the opportunity 12 to recover all of our prudently incurred costs, as described by Mr. Larsen, there was a whole bunch of 13 14 different options. There were options where we were 15 looking at changing the number of coincident peaks, changing the demand energy weighting, changing 16 allocations of certain components. 17

And there was a whole bunch of discussions. All of them were designed to come up with a consistent allocation method. At the end of the day what ended up occurring is that, because of the short-term nature, because of the uncertainty regarding environmental legislation, that it was decided to come up with more of an interim agreement.

And as part of that interim agreement, what it

25

1	Page 35 was decided was to look at how we can try to come up
2	with a compromise in a short-term nature, and so that's
3	how the equalization adjustment came about. And the
4	equalization adjustment was really made so it was around
5	.2 percent of all states' revenue requirement just to
6	fix that allocation gap on a temporary basis.
7	Q. Mr. McDougal, I am going to try hard. You and
8	Mr. Larsen both have characterized settlement
9	discussions in a particular way that I think is
10	inaccurate, and I am un disinclined to go into that
11	in detail because I think they are settlement
12	discussion. But you raised the issue, so I think I at
13	least need to explore it.
14	Isn't it a fact that the equalization
15	adjustment was proposed specifically to help fill that
16	gap created by the different way the ECD was applied?
17	It wasn't done to settle differences in 4, 8 or 12 CPs
18	or anything else because people couldn't agree on that.
19	The only agreement could be reached was that we would
20	try and plug that hole partially. Is that not a fair
21	statement?
22	A. I think it is in the extent that, yes, we were
23	trying to plug the hole on an interim basis. And to the
24	extent that hole is caused by differences in the ECD, we
25	did come up with the equalization adjustment, and it

	Daga 26
1	Page 36 does fill the hole on a temporary basis.
2	Q. In fact, if you look at page 4 of your
3	rebuttal, between line 74 and 75 where you show the
4	calculations, it starts with the total company hole, if
5	you will, created by the ECD, right, on that first line
6	in that table?
7	A. Yes. Because what we did is, we started with
8	everybody's all states' revenue requirement the way
9	it is currently calculated, and so that is the
10	adjustment that all states are using today.
11	Q. Right. So in other words, it's the ECD that
12	creates the 9.5 million dollar hole, and then the second
13	line is how much of that hole the parties are going
14	to well, the net of those. On the third line is the
15	amount that the parties are some of the parties
16	agreed they would pay to try and fill that hole created
17	by different ECD adjustments.
18	A. That is correct. And that is the what will
19	be going on in the revenue requirement. And it was done
20	using this methodology as part of a negotiated
21	settlement because, as you mentioned, there was a lot of
22	discussions on alternative allocation methods during the
23	last three years. And nothing could be resolved in
24	those issues as of right now so
25	Q. If you turn to page 7 of your rebuttal,
Page 37 Mr. McDougal. Beginning at Line 146 you quote from 1 2 Mr. Townsend's testimony in support of adoption or approval of the 2010 protocol, correct? 3 That is correct. 4 Α. And first of all, you indicate there, as you 5 ο. quote him -- and I'll read this and ask you to tell me 6 7 if I read anything wrong. 8 But first UAE believes it is important for the 9 various states served by the company to at least attempt 10 to develop reasonable and generally consistent cost allocation methodologies. 11 Did I read that part right? 12 That is correct. And that's really what we 13 Α. were attempting to do, I think, with the equalization 14 15 adjustment was, all the states were trying to come up with a reasonable and consistent allocation methodology. 16 At the end of the day, after all of the years of 17 negotiation, that was not possible. So we came up with 18 19 this equalization adjustment as a method to develop 20 reasonably and generally consistent cost allocation 21 methodologies among states. Thank you. Now, the answer to my question was 22 Q. 23 yes, I read that correctly, right? 24 Α. Yes. 25 Okay. The reasonably -- the reasonable and 0.

Page 38 1 generally consistent cost allocation methodologies among 2 the states from the 2010 protocol included Utah going straight to rolled-in with no adjustments, correct? 3 That is what the final order was. 4 Α. It included in Oregon and in Wyoming the 5 ο. concept of an ECD but a dynamic one where it changed 6 7 from year to year, correct? 8 Α. That is correct. In the final orders all of 9 the states -- Mr. Larsen went through the history of 10 that, and yes, within the 2010 protocol, all the states 11 agreed to a generic framework. It was filed, and then 12 these differences arose as the 2010 protocol was getting 13 approved. And then Idaho adopted it with a fixed ECD, 14 Q. 15 correct? 16 Correct. Idaho is the one state that approved Α. 17 it as originally filed. So the agreement that Mr. Townsend was saying, 18 0. 19 the agreement that allows generally consistent and 20 reasonable allocation methodologies contemplated and allowed for a fairly wide variation in how the states 21 22 adopted and implemented the allocation, the 2010 23 protocol, correct? 24 Α. That is correct. What this really was was a 25 statement of a goal, and we believe that that goal -- we

Page 39 should be, to the extent possible, should be consistent 1 2 among states because, as I said earlier, we believe the 3 company should be allowed at least the opportunity to 4 recover our prudently incurred costs. And in the 2017 protocol, the goal is the 5 ο. same, to get generally consistent and reasonable 6 allocation methodologies, correct? 7 8 Α. That is correct. There are some minor 9 variations. We all use the equalization adjustment. 10 But there are minor, I wouldn't say variations. 11 Everybody does it the same way, but it does not add up to a hundred percent. There will be some minor 12 variations, as noted in that table we talked about 13 earlier, in the calculation of the ECD within the state 14 15 of Oregon. 16 Yeah. For example, Oregon is going to 0. continue to use a form of a dynamic ECD allocator, where 17 if the trend from the last six years continues, that ECD 18 19 will grow even greater, correct? 20 Α. Oregon will continue to use a dynamic ECD. There are some caps and floors, so it will not grow 21 22 nearly the same rate. Based upon our current 23 projections, we think that the ECD is actually somewhat levelized off or is slowing down as far as the impact. 24 25 And it all has to do with the underlying costs

Page 40 1 within that calculation. So within the state of Oregon, 2 they agreed to a baseline and a cap, and it's a fairly 3 narrow cap.

Q. But the point is, my question was, if the 20 -- 2010 to 2016 numbers were to continue -- I am not asking you to project -- it would mean that ECD would continue to grow in Oregon, and the allocation hole grow even greater because other parties are not agreeing to a dynamic ECD, correct?

10 Α. It could continue to grow. But even if it were, the allocation hole will be much smaller under 11 12 this methodology than it is under the current methodology. So no matter what happens within Oregon, I 13 14 think what the states have done is come up with a 15 compromise that will help, at least over the next two to three years, until '18 or '19, depending on when we move 16 17 to the next methodology; it's going to help to shrink the size of that gap. 18

Q. But as in 2010, if commissions were to impose
slight differences, it -- the agreement can still
tolerate generally consistent principles that may result
in slightly different results, correct?

A. I think that it could tolerate things, but I
would point out that this agreement was reached as a
negotiate whole. All of the states were very interested

Page 41 1 in each other's agreements and within each other's 2 parts; and so the 2017 protocol, I think, has to be 3 looked at as a negotiated whole. And I think it should be approved by all of the states as filed. 4 And so given that, you would agree that this 5 ο. commission should wait and see that the other states 6 approve it as filed before it approves it, if it's 7 8 inclined to? 9 I believe that all states should approve it as Α. 10 a negotiated whole, and all states should approve it as filed. As mentioned by Mr. Larsen, Idaho and Wyoming, 11 12 nobody is opposing it. In Oregon there were hearings held last week that I participated in. And those are 13 14 getting close to a decision so... 15 So they won't have to wait too long probably 0. to know what Wyoming will do, or Oregon will do. 16 It should be -- closing briefs are being filed 17 Α. 18 within the next few days so ... 19 Mr. McDougal, do you -- in that same, your 0. 20 page 7 of your rebuttal where you are quoting Mr. Townsend's testimony, do you have a copy of that 21 22 2010 testimony? 23 T do not. Α. It's on the record in the commission's docket 24 0. 25 in the referenced case, which is the 02-03-504 case, and

Page 42 the commission can take administrative notice of it. 1 2 But did you read that entire or other parts of his testimony in that case or just the one sentence, the 3 4 paragraph that you cited? 5 I did not read the full testimony. I read, I Α. 6 would say, large parts of it, but not the full 7 testimony. 8 0. You note in -- on Line 147 -- well, on 146 and 147, the quote starts, "From UAE's perspective there are 9 10 at least two reasons why the agreement should be approved," and first is the one you quoted, right? 11 12 Α. Yes. And let me read what second was and see if 13 0. this is consistent with your memory. Second, and I am 14 15 reading now from Mr. Townsend's testimony in the 2010 protocol docket, which again is on the record of the 16 17 commission. "Second, in Pacific Corp. -- in PacifiCorp's 18 19 energy balancing account proceedings, UAE has 20 consistently argued that a rolled-in allocation methodology should be used in Utah rate proceedings if 21 22 an EBA is to be used in Utah in order to match risk and 23 reward. The commission has now authorized an EBA pilot, and the MSP agreement will ensure that a rolled-in 24 25 methodology will be used during that pilot period."

Page 43 1 Did you read -- do you remember that from his 2 testimony? 3 Yes, I do, and as stated in my rebuttal Α. testimony, we believe that this is a rolled-in method, 4 5 and so we believe that we are still consistent with 6 that. 7 It's a rolled-in method plus 4.4 million 0. 8 dollars, correct? Well, it's a rolled-in method. The 4.4 9 Α. 10 million is mentioned is my testimony, and as mentioned in the testimony of Dr. Powell, there was a lot of 11 12 variations on what rolled-in means. You can calculate rolled-in using different CPs, using different demand 13 14 energy. And so I still view this as a consolidated rolled-in method. It's just, this is how we came up 15 with an agreement that everybody could buy into with --16 from the multiple states. 17 It's as it's rolled in as this commission has 18 0. 19 applied it over the last six years plus 4.4 million 20 dollars, is it not? Yes. It is --21 Α. 22 It's not rolled in as it's been applied to ο. 23 this point. You are trying to change the word "rolled-in" to say it includes this non-cost-based 4.4 24 million dollars, aren't you? 25

Page 44 1 What I am trying to say is that rolled-in can Α. be defined a lot of different ways. And if you define 2 rolled-in and Mr. -- Dr. Powell went and quoted that the 3 various definitions or various calculations of rolled 4 5 in, some of them could have increased Utah's revenue 6 requirement by up to 3 percent. 7 This change is around a .2 percent divert is 8 slightly above there. And so you know, it is a 9 definition. We are using the same calculation as today. 10 And rather than changing the calculation, we are using the equalization adjustment. 11 Nobody would agree to a change in the --12 Q. in those allocation factors, could they, in the MSP 13 14 process? 15 Α. That is correct. All of the statements were discussing various changes, and I would just say it was 16 very polarized between states. 17 Indeed. And so however you want to color it 18 0. and regardless of the magnitude, this is the old 19 20 rolled-in procedure we have been using for six years in the state plus a 4.4 million dollar add. 21 2.2 MR. SOLANDER: I believe Mr. McDougal has already answered that question. 23 24 0. (By Mr. Dodge) That's correct, is it not, 25 though, Mr. McDougal?

Page 45 1 MR. LEVAR: And I think I'm going to agree 2 that it's a repetitive question. 3 MR. DODGE: He tends -- he won't say yes. He has to explain things. So I am trying to get him to say 4 5 I don't think he ever said that. ves. THE WITNESS: I agreed to it and then 6 7 explained what it was really doing. 8 MR. DODGE: I apologize. I didn't hear him 9 ever say yes. I just heard him try and give his spin on 10 it, but okay. No further questions. Thank you. MR. LEVAR: Okay. Mr. Solander, any redirect? 11 12 MR. SOLANDER: Yes, thank you. 13 REDIRECT EXAMINATION 14 BY MR. SOLANDER: 15 0. So you mentioned that Dr. Powell analyzed a broad range of numbers that could still be considered a 16 17 rolled-in calculation; is that right? That is correct. If I said he analyzed, it 18 Α. 19 was actually analyzed as part of the company, and the 20 company submitted it. And he referred to it in his 21 testimony. 22 Okay. And those analyses showed a wide range ο. 23 of potential outcomes; is that right? That is correct. 24 Α. 25 And what was the range? 0.

Page 46 1 The range, as quoted in his testimony, was a Α. 2 negative .05 percent to a positive 3 percent, if I 3 remember correctly. And 3 percent is what on a dollar basis? 4 0. 5 Three percent would be over \$50 million Utah Α. 6 allocated. 7 0. Would you say that the 4.4 million dollar 8 number that was agreed to is a reasonable compromise? 9 I definitely agree that it's a reasonable Α. 10 compromise. 11 MR. SOLANDER: Thank you. I have no further 12 questions. 13 MR. LEVAR: Any recross? 14 MR. DODGE: No. Thank you. Okay. Thank you. Commissioner 15 MR. LEVAR: Clark? 16 17 MR. CLARK: No questions. Thank you. MR. LEVAR: Commissioner White? 18 19 MR. WHITE: No questions. Thank you. 20 MR. LEVAR: I would like to ask about one 21 issue, and I don't want to the climb too far down this 2.2 rabbit hole, but on page 9 of your rebuttal, you state 23 that you disagree with Dr. Powell's conclusions with 24 respect to the merger fairness premium. 25 And I'd like to understand. Is your

Page 47 disagreement that you disagree with the 1990 and 1992 1 2 orders that the commission issued? Or do you believe 3 Dr. Powell has inaccurately summarized those decisions? THE WITNESS: I don't think it's really that 4 5 he's summarized them incorrectly. I don't believe -well, I mentioned two things. One, I don't think it's 6 7 completely relevant here. Two, in those decisions it 8 was always designed that there would not be an immediate cut to rolled-in, that the commission would get there 9 10 over a number of years. What he is looking at and what he calls a 11 12 fairness premium is the difference between rolled in and what we did allocate as if we had immediately changed 13 14 allocation methods. I don't think that was ever 15 anticipated. There was always an anticipation that there would be charges because Utah's rates were 16 17 considerably less -- were considerably higher than the Pacific Power states at the time of the 1989 merger. 18 19 So it's just, you know, how -- it's more the 20 wording or the characterization. 21 MR. LEVAR: Okay. Thank you. Mr. Solander? 2.2 MR. SOLANDER: Thank you. That concludes 23 Rocky Mountain Power's case in chief. 24 MR. LEVAR: Okay. Thank you, Mr. McDougal. 25 THE WITNESS: Thank you.

Page 48 MR. LEVAR: Mr. Jetter? 1 2 MR. JETTER: Thank you, Mr. Chairman. The division would like to call Dr. Artie Powell as its 3 4 witness today. 5 MR. LEVAR: Dr. Powell, do you swear to tell the truth? 6 7 THE WITNESS: Yes. 8 MR. LEVAR: Thank you. 9 ARTIE POWELL, 10 called as a witness at the instance of the Division of Public Utilities, having been first duly sworn, was 11 12 examined and testified as follows: DIRECT EXAMINATION 13 BY MR. JETTER: 14 15 0. Good morning, Dr. Powell. Would you please state your name and occupation for the record. 16 My name is Artie Powell. I work for the 17 Α. Division of Public Utilities. I am the manager of the 18 19 energy section. 20 MR. LEVAR: Is your microphone on? 21 THE WITNESS: It looks like it's on but --2.2 MR. LEVAR: Maybe pull it a little closer. 23 THE WITNESS: Here? 24 MR. LEVAR: That's better. 25 THE WITNESS: Okay.

Page 49 1 (By Mr. Jetter) In the course of the past few 0. 2 years, have you had the opportunity to participate in the negotiations that led up to this agreement, as well 3 4 as the review of the application by the company in this 5 docket? 6 Α. Yes. 7 And did you create and cause to be submitted 0. 8 to the commission both direct and rebuttal testimony? 9 Yes, I did. Α. 10 0. And that included three exhibits, DPU Exhibit 11 1.1, 1.2 and 1.3D in your direct testimony; is that 12 correct? That's correct. 13 Α. Do you have any corrections or edits that you 14 Q. 15 would like to make to either of those? 16 Not that I am aware of. Α. 17 And if asked the same questions contained 0. within each of those prefiled testimonies, would you 18 19 answer the same as they are in the testimonies? 20 Α. Yes, I would. MR. JETTER: I would move with that to enter 21 2.2 both the direct and rebuttal testimony of Dr. Powell 23 into the record. 24 MR. LEVAR: Thank you. I'll ask any party to indicate if you have any objection. I'm not seeing any 25

Page 50 objection, so that would be entered. 1 2 MR. JETTER: Thank you. (By Mr. Jetter) Would you like to briefly 3 ο. summarize the testimony that you provided in this 4 5 document? Yes. I think I can be very brief. The 6 Α. 7 company's witnesses have already gone over the 8 settlement agreement, and I think they did a good job in summarizing that. Basically my summary is really on the 9 10 last page of my testimony, lines 264 to 270. The division is recommending that the 11 12 commission approve the protocol as filed. As I talked about in my testimony, it is a full rolled-in allocation 13 14 method that the commission has stated on numerous times 15 since the original merger in 1989 that it would like to It's consistent with cost causation principles. 16 get to. 17 And with the -- consistent also with the planning and operation of a single system. 18 I also tried to demonstrate that the 19 20 equalization adjustment that has been talked about this morning is reasonable. And we believe that since the 21 22 protocol is short lived and it insulates Utah from the 23 decisions that other states are making at this time, that it's in the public interest. And that would 24 25 conclude my summary, I believe, at this time.

1	Page 51 MR. JETTER: Thank you. I have no further					
2	questions for Dr. Powell, and he's available for					
3	commission questions or cross-examination from the other					
4	parties.					
5	MR. LEVAR: Okay. Thank you. Mr. Solander?					
6	MR. SOLANDER: No questions. Thank you.					
7	MR. LEVAR: Thank you. Mr. Olsen?					
8	MR. OLSEN: No question.					
9	MR. LEVAR: Mr. Dodge?					
10	MR. DODGE: No questions.					
11	MR. LEVAR: Commissioner White?					
12	MR. WHITE: No questions.					
13	MR. LEVAR: Mr. Clark?					
14	MR. CLARK: No questions. Thank you.					
15	MR. LEVAR: Okay. Thank you. I don't have					
16	anything for you.					
17	THE WITNESS: Okay.					
18	MR. LEVAR: Thank you. That was easy.					
19	Anything further, Mr. Jetter?					
20	MR. JETTER: No, Mr. Chairman. The					
21	division that's the only witness for the division					
22	today.					
23	MR. LEVAR: Okay. Thank you. Mr. Olsen?					
24	MR. OLSEN: Thank you. The office would like					
25	to call Michelle Beck.					
1						

Page 52 1 MR. LEVAR: Miss Beck, do you swear to tell 2 the truth? 3 THE WITNESS: Yes, I do. 4 MR. LEVAR: Thank you. 5 MICHELLE BECK, called as a witness at the instance of the Office of 6 Consumer Services, having been first duly sworn, was 7 8 examined and testified as follows: 9 DIRECT EXAMINATION 10 BY MR. OLSEN: Miss Beck, could you state your full name for 11 0. the record, please, and your position with the office. 12 My name is Michelle Beck, and I am the 13 Α. Yes. 14 director of the Office of Consumer Services. 15 0. In the course of your duties with the office, did you have occasion to participate in the negotiations 16 regarding the MSP allocation that's been discussed here 17 today? 18 Yes, I did. The office fully participated in 19 Α. 20 all of the various meetings in reviewing the different sets of analyses that were released as part of that. I, 21 personally, attended many of the meetings, especially 22 23 the ones held at the end during which the compromise was crafted. 24 25 Thank you. And did you, as a cause, did you Q.

Page 53 1 create or cause to be created direct testimony in which 2 you submitted to the commission on March 16th, 2016? 3 Yes, I did. Α. 4 ο. If I were to ask you all the questions again, 5 would your answers still be the same? 6 Α. Yes, they would. 7 So do you have any other -- any kind of 0. correction or modification at this time? 8 9 Α. No. 10 MR. OLSEN: I ask that the direct testimony be submitted at this time. 11 12 MR. LEVAR: I'll ask any party who objects to indicate to me. I am not seeing any objection, so that 13 14 will be entered. Thank you. 15 MR. OLSEN: Thank you. (By Mr. Olsen) Do you have a summary for the 16 0. commission? 17 A very brief one. Basically, I am here today 18 Α. to support the office's position in favor of the 2017 19 20 protocol. As I stated in my testimony, we have a few primary reasons for supporting this protocol. 21 The 2017 22 protocol essentially sets our Utah rates using the 23 rolled-in allocation method unchanged from before in terms of allocation factors or the other inputs. 24 25 But instead of any of those sorts of changes,

1	Page 54 it does include the monetary adjustment that's been					
2	discussed in front of you already. The company will					
3	continue to plan and operate its generation and					
4	transmission system on an integrated basis to achieve a					
5	least cost, least risk resource portfolio for customers.					
6	The office has always believed that this integrated					
7	system provides benefits to customers.					
8	And finally, the agreement is short term in					
9	nature. It includes some studies and a process for					
10	moving forward. And we think it is in the public					
11	interest to move the discussion forward with this					
12	short-term agreement. So in summary, we recommend its					
13	improvement its approval, and we believe it will					
14	result in just and reasonable rates.					
15	Q. Do you have anything further?					
16	A. No.					
17	MR. OLSEN: Miss Beck is available for					
18	cross-examination or questions from the commission.					
19	MR. LEVAR: Thank you. Mr. Solander?					
20	MR. SOLANDER: No questions. Thank you.					
21	MR. LEVAR: Okay. Mr. Jetter?					
22	MR. JETTER: No questions. Thank you.					
23	MR. LEVAR: Mr. Dodge?					
24	MR. DODGE: Yes, very briefly. Thank you.					
25	CROSS-EXAMINATION					

1	Page 55 BY MR. DODGE:						
2	Q. Ms. Beck, just one set of questions. The time						
3	the office agreed to support the 2017 protocol, were you						
4	aware of the company's intent legislatively to try and						
5	change the EBA sharing mechanism?						
6	A. No. I was not aware of that during the any						
7	of the discussions.						
8	Q. And is that something you think that you would						
9	like to have been have known about at the time you						
10	agreed to support this?						
11	A. Yes. I actually think I have been pretty						
12	consistent, and some might say vocal, about my						
13	disappointment in not having heard about that until						
14	after the discussions were complete.						
15	MR. DODGE: Thank you. No further questions.						
16	MR. LEVAR: Any redirect, Mr. Olsen?						
17	MR. OLSEN: Just one.						
18	REDIRECT EXAMINATION						
19	BY MR. OLSEN:						
20	Q. Miss Beck, Mr. Dodge has referred to a						
21	circumstance that which you were not aware at the						
22	time you signed. Does that fact in any way change						
23	your the office's position in support of this						
24	submittal?						
25	A. No. We, I and the office, continue to believe						

2 the positions taken by the various parties in the MSP 3 that the 2017 is a reasonable and good outcome. 4 MR. LEVAR: Thank you. Is that all? 5 MR. OLSEN: That's all. Thank you. 6 MR. LEVAR: Any recross? 7 MR. DODGE: No, thank you. 8 MR. LEVAR: Commissioner White? 9 MR. LEVAR: Commissioner White? 9 MR. WHITE: No questions. 10 MR. LEVAR: Mr. Clark? 11 MR. CLARK: I don't have a question. But 12 since this may be my last opportunity, I just want to 13 acknowledge the efforts of the parties in the area of 14 the multi-state process. I just recognize it's very 15 challenging, it's very cumbersome since it involves so 16 many states, so many parties, so many stake holders. 17 And I just wanted to express my personal 18 appreciation for all who continue to work very 19 diligently to protect and further Utah's interests as a 20 part of a multi-state system. So thank you for the 21 opportunity to do that. 22 MR. LEVAR: And I don't have anything else.	1	Page 56 that based on the circumstances of the negotiations and					
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25 MR LEVAR: Okay	24	MR. OLSEN: Nothing further.					
	25	MR. LEVAR: Okay.					

Page 57 MR. WHITE: Chair LeVar, could I just make a 1 2 clarification? Is there an opportunity at the end if 3 there's questions as a panel to other witnesses --I think, yeah, if you or -- if 4 MR. LEVAR: 5 either of the two commissioners have further questions for witnesses after everyone's done, I don't see any 6 7 reason not to do that. 8 MR. WHITE: Okay. Thank you. 9 Mr. Dodge? MR. LEVAR: 10 MR. DODGE: Thank you, Mr. Chairman. UAE calls Neal Townsend. 11 12 MR. LEVAR: Mr. Townsend, do you swear to tell the truth? 13 14 THE WITNESS: I do. 15 MR. LEVAR: Thank you. 16 NEAL TOWNSEND, 17 called as a witness at the instance of the UAE, having been first duly sworn, was examined and testified as 18 follows: 19 20 DIRECT EXAMINATION BY MR. DODGE: 21 22 Mr. Townsend, would you please give your full ο. 23 name and for whom you work and on whose behalf you are 24 appearing. 25 My name is -- is this on? Neal Townsend, Α.

Page 58 1 N-E-A-L, T-O-W-N-S-E-N-D. I am a principal with Energy 2 Strategies, a local consulting firm. I represent the 3 UAE intervention group in this proceeding. Mr. Townsend, did you cause to be filed in 4 ο. this docket UAE Exhibit 1.0 which is your direct 5 6 testimony? 7 Α. Yes, I did. 8 0. And does that testimony represent your sworn 9 testimony here today? 10 Α. Yes, it does. 11 Any changes to that testimony? 0. 12 Α. Not that I am aware of. MR. DODGE: Mr. Chairman, I move the admission 13 14 of UAE Exhibit 1.0. 15 MR. LEVAR: I'll ask any party who objects to indicate. And I am not seeing any indication, so that 16 will be entered. Thank you. 17 (By Mr. Dodge) Mr. Townsend, do you have a 18 Q. brief summary of your testimony? 19 20 Α. I do. Please offer that. 21 0. 2.2 In my testimony I recommend that the Α. 23 commission deny Rocky Mountain Power's application for approval of the 2017 protocol, including Section 14, the 24 25 Utah specific terms entered into among PacifiCorp, or

Page 59 RMP, the Division of Public Utilities and the Office of 1 2 Consumer Services. 3 The 2017 protocol should not be approved because it misaligns the cost and risk born by Utah rate 4 5 payers. Currently RMP has an energy balancing account that will soon allow it to fully recover a pro rata 6 7 share of the difference between the actual net power 8 cost and the normalized net power cost in base rates for 9 the Utah rate payers. One of the causes of this difference is the 10 cost associated with fluctuations in generation from 11 12 RMP's hydroelectric generating stations. Under the terms of the 2017 protocol, Utah would not only pick up 13 14 a pro rata share of RMP's generation costs under the 15 rolled-in dynamic allocation method, but also pick up an additional 4.4 million dollars a year to fill a share of 16 17 the hole caused by differing allocation methods used by each state in which PacifiCorp provides electric 18 service. 19 20 In my opinion, allowing RMP to fully recover a pro rata share of the actual net power costs from Utah 21 22 rate payers while at the same time burdening Utah 23 customers with an additional 4.4 million annually above 24 its pro rata share of system generation costs creates a misalignment of costs and risk. 25

1	Page 60 For this reason, I believe the 2017 protocol						
2	would not produce just and reasonable rates in Utah.						
3	Consequently, I recommend the commission deny the						
4	application, including the Utah state-specific terms.						
5	In its place, I recommend the commission direct RMP to						
6	use the rolled-in allocation method as it is currently						
7	defined. That concludes my summary.						
8	MR. DODGE: Thank you. Mr. Townsend is						
9	available for cross-examination.						
10	MR. LEVAR: Thank you. Mr. Solander?						
11	MR. SOLANDER: Yes. Thank you.						
12	CROSS-EXAMINATION						
13	BY MR. SOLANDER:						
14	Q. Could you turn to page 7 of your prefiled						
15	testimony.						
16	A. Sure. I am there.						
17	Q. On Line 138 you reference the benefits of the						
18	hydro system and then say that the 2017 protocol would						
19	move some of the benefits from Utah through the						
20	equalization adjustment; is that right?						
21	A. Yes.						
22	Q. And then on page 9 of your testimony,						
23	B beginning on Line 185, that last sentence, could you						
24	read that?						
25	A. "Given the current regulatory and other						

Page 61 1 circumstances, UAE cannot support the 2017 protocol 2 since it unfairly assigns additional revenue requirement obligations to Utah above the rolled-in allocation 3 4 method for hydro-related costs while leaving Utahns 5 subject to all of the net power cost risk of hydro 6 resources." 7 So in both cases you say that it is -- the EA 0. 8 is for hydro-related costs; is that right? 9 Not totally but in part. Α. 10 0. Is there anywhere -- can you point me to where 11 in the 2017 protocol document that it says that it's related to hydro cost? 12 Well, I think it's implicit if you look at the 13 Α. way that the numbers are presented. Included within 14 15 those numbers is a portion of hydro-related risk. So it's not in the 2017 protocol anywhere --16 0. 17 In words I don't think it is, but in numbers Α. it is. 18 19 And couldn't any other party argue that it's 0. 20 for other risks not related to hydro? 21 Α. I'd like to see that argument. I don't think 22 it's possible. 23 But it's -- that argument is just as much 0. contained in the 2017 protocol as your argument related 24 25 to hydro-related risks?

Page 62 1 I haven't thought of that. Ask that again. Α. 2 0. That's nothing in the 2017 protocol related to hydro-related risks or any other related risks that a 3 4 party might argue? 5 Well, I think if you look at the numbers, the Α. hydro-related risks are in there. 6 7 But it's not called out in the 2017 protocol 0. 8 as the agreement among the parties? Well, there's a bunch of numbers in the 2017 9 Α. 10 protocol. I think it is called out. 11 MR. SOLANDER: No further questions. 12 MR. LEVAR: Thank you. Mr. Jetter? 13 MR. JETTER: I have no questions for 14 Mr. Townsend. Thank you. 15 MR. LEVAR: Okay. Thank you. Mr. Olsen? We have no questions. 16 MR. OLSEN: Thank you. 17 MR. LEVAR: Any redirect? MR. DODGE: 18 No, thank you. MR. LEVAR: Commissioner White? 19 20 MR. WHITE: I want to be careful not to 21 conflate your testimony with Mr. Dodge's questions. But 2.2 it seemed to me that there is some notion or indication 23 that potentially the position of UAE would change if the 24 commission were to condition approval on, I quess, the 25 total approval by other states.

Page 63 1 Is that -- does that change the position of 2 UAE? Or is that -- am I reading too much into his 3 questions? 4 THE WITNESS: I think you are reading too much 5 into his questions. I think UAE's position is that as long as we have an EBA where Utah rate payers are 6 7 subject to hydro risk, that we should be using the 8 rolled-in method, however that's defined. And that's currently defined as a 12 CP and a 75, 25 percent 9 10 weighting demand energy. MR. WHITE: So there's no equivocation. 11 It's 12 just a straight recommendation for denial. It's not a potential --13 14 THE WITNESS: I suppose in the alternative, 15 you could approve it and then just set the Utah equalization adjustment to zero, and that would allow 16 17 the other terms of the 2017 protocol to go forward. But I don't think Utah should be saddled with a 4.4 million 18 19 dollar additional revenue requirement. 20 MR. WHITE: Let me ask you this, and this is 21 where my earlier question about potential questions of 22 the parties in terms of the understanding. With respect 23 to the other states, it is a -- what are the potential options for states in terms of this agreement with 24 25 respect to, is it approval? Approval with conditions?

Page 64 Denial? 1 2 THE WITNESS: You know, I think there's a wide range of outcomes the other states could take. I can't 3 honestly speak for those other states. But I think they 4 5 could go forward with it if they so desired, if they think it's in their interest, or they could modify it in 6 7 some way or reject it. I don't know what's going to 8 happen in the other states. MR. LEVAR: What does the agreement allow for? 9 10 I quess is it a complete unwind or -- and again, I am asking this with the understand of the parties. 11 THE WITNESS: You know, I think the agreement 12 13 contemplates some sort of a -- if a state were to reject 14 or modify it in some fashion, then talks could continue. 15 I think in the alternative, states could just adopt it as it was filed or modify it in some form. And it would 16 be up to PacifiCorp and those states to decide whether 17 18 to proceed. MR. WHITE: Chair LeVar, is it appropriate at 19 20 this time to turn that question over to the parties if they would like to address it, in terms of their 21 22 understanding of options both in the -- Utah and other 23 states? 24 In other words, I guess the question is, is it 25 an approval? Option of approval with conditions? I am

Page 65 1 just trying to understand. This is again prompted by 2 some of the questions by Mr. Dodge's indication that 3 both ICNU and environmental groups in Oregon have 4 opposed the agreement. 5 MR. LEVAR: If I could just tell the forum that I think I might suggest we conclude commission 6 7 questions for Mr. Townsend while counsel have a chance 8 to look at the question you have raised. And I don't 9 know if that's a question for counsel or for the 10 witnesses, but we can let them think about that. 11 It is probably a legal question, MR. WHITE: 12 and I don't mean to throw a legal question on you, Mr. Townsend. 13 14 THE WITNESS: Well, I am not a lawyer, so 15 we'll go on the record for that. MR. WHITE: So with that, that makes sense 16 17 then. 18 MR. LEVAR: Okay. So are you okay if 19 we move --20 MR. WHITE: Yeah. 21 MR. LEVAR: Complete questions for 2.2 Mr. Townsend and move on to that question. 23 MR. WHITE: No further questions. 24 MR. LEVAR: You don't have any more? 25 MR. WHITE: No.

	Page 66					
1	MR. LEVAR: Mr. Clark?					
2	MR. CLARK: No questions.					
3	MR. LEVAR: And I don't, so thank you.					
4	THE WITNESS: Thank you very much.					
5	MR. LEVAR: So we have a question from					
6	Commissioner White that seems to be directed to counsel.					
7	Why don't we start with Mr. Solander.					
8	MR. SOLANDER: Thank you. The agreement in					
9	paragraph get the number 13E does include a					
10	provision regarding the interdependency among states					
11	approvals that states that if it is materially deleted,					
12	altered or conditions approval, that if any commission					
13	materially deletes, alters or conditions approval of the					
14	protocol, parties shall meet and discuss the					
15	implications of the alteration.					
16	So I think it would depend on if it was a					
17	material alteration and the impact that it had in the					
18	opinion of the parties to the agreement.					
19	MR. WHITE: And again, that's if there's a					
20	alteration. If there's a denial, I guess it falls in					
21	the same category. If there's for example, if Oregon					
22	or another state would just completely deny, rather than					
23	to alter it, it would be the same.					
24	MR. SOLANDER: I would think so, yes.					
25	MR. WHITE: Is there any other parties that					

Page 67 1 want to --2 MR. DODGE: Just briefly, Commissioner White, 3 in response to your question Mr. Townsend in light of my earlier questions. Mr. Townsend properly stated UAE's 4 5 position in the docket. My questions were aimed at, I quess, the enforcement of this section E that 6 7 Mr. Solander just talked about. 8 And it would be UAE's proposal that if the 9 commission were to approve it or approve it with a 10 modification, a change in the equalization adjustment to 11 zero as Mr. Townsend suggested, either way, it still 12 ought to be conditional upon seeing what the other 13 states do. 14 Because I would think that would -- could and 15 should properly potentially affect either the parties who signed its support or the commission's decision to 16 17 support the allocation methodology. That was the thrust of my question. 18 19 MR. WHITE: Okay. Thank you. Is there anyone 20 who else wants to opine on the question? Mr. Jetter? 21 MR. JETTER: The only thing I suppose I would 2.2 note is my understanding of the agreement and what the 23 parties have actually signed the agreement to support the 2017 protocol is that we have agreed to continue to 24 25 support it so long as the other states don't materially

Page 68

1 alter it.

2 Approval of the commission and then subsequent 3 significant change in another state, it could be somewhat difficult to sort of unwind the approval. 4 But I think it's certainly plausible and possible. 5 The dollars aren't collected until at least a new rate will 6 7 go into effect, and so it wouldn't be a, sort of an 8 emergency immediate concern. But it's something we should certainly be watching and address as soon as 9 10 would happen. 11 And as far as Utah rate payers are concerned, 12 I think the alternative, I guess as I said, would be at the point which these go into rates. So we'd need to 13 14 monitor what's happening in other states. 15 MR. WHITE: That's very helpful. Thank you. MR. OLSEN: I think it's the likelihood -- I 16 17 mean, obviously, you, as the commission, would want to be apprised of the results of any other commission 18 action. And I suppose if -- the likely event, if it 19 20 appeared to be material to you, you would ask for, through your normal channels, to have perhaps the 21 22 division initiate an analysis and then perhaps have it re-reviewed. I don't -- I think would not be 23 particularly difficult to have that happen, since it 24 25 calls out that opportunity for you as the commission to

Page 69 look at it in its own -- of its own terms. 1 2 MR. WHITE: Thank you. I have no further 3 questions, Chair. MR. LEVAR: For any of the parties or any of 4 the witnesses? 5 MR. WHITE: No. I don't. Thank you. 6 7 MR. LEVAR: Do you have anything else, Commissioner Clark? 8 MR. CLARK: No questions. 9 MR. LEVAR: Thank you. And I don't. So is 10 11 there anything else from the parties that need to be 12 addressed before we adjourn? I am not seeing any 13 indication, so we are adjourned. Thank you. 14 15 (The hearing concluded at 10:24 a.m.) 16 17 18 19 20 21 2.2 23 24 25

1	Page 70 CERTIFICATE					
2	STATE OF UTAH)					
3	COUNTY OF SALT LAKE)					
4	THIS IS TO CERTIFY that the foregoing proceedings					
5	were taken before me, Teri Hansen Cronenwett, Certified					
6	Realtime Reporter, Registered Merit Reporter and Notary					
7	Public in and for the State of Utah.					
8	That the proceedings were reported by me in					
9	Stenotype, and thereafter transcribed by computer under					
10	my supervision, and that a full, true, and correct					
11	transcription is set forth in the foregoing pages,					
12	numbered 3 through 69 inclusive.					
13	I further certify that I am not of kin or otherwise					
14	associated with any of the parties to said cause of					
15	action, and that I am not interested in the event					
16	thereof.					
17	WITNESS MY HAND and official seal at Salt Lake					
18	City, Utah, this 6th day of June, 2016.					
19	T. II A H					
20	Tei Hansen Cronenwett					
21	Teri Hansen Cronenwett, CRR, RMR License No. 91-109812-7801					
22	My commission expires:					
23	January 19, 2019					
24						
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