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. My business address is 1407 West North Temple Street, Suite 330, Salt Lake City, Utah 84116. My present position is Director of Revenue Requirement for PacifiCorp.

Q. Please briefly describe your education and business experience.

A. I received a Bachelor of Science degree in Accounting and a Master of Accountancy degree from Brigham Young University with an emphasis in Management Advisory Services. I have also attended various educational, professional, and electric-industry related seminars in connection with my employment.

I have been employed with the Company and its predecessor, Utah Power and Light Company, since 1983. My experience includes various positions with regulation, finance, resource planning and internal audit. My primary responsibilities currently 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 these calculations to regulators in the jurisdictions in which the Company operates.

Q. Have you previously testified before this Commission or other state public utility commissions?

A. Yes. I have provided testimony in many dockets before this Commission. I have also provided testimony before the California, Idaho, Oregon, Washington and Wyoming public utility commissions.

Summary of Testimony

Q. Please summarize your testimony.

A. The purpose of my testimony is to support the Company's application for approval of the Energy Services Agreement ("the Contract") between the Company and Kennecott Utah Copper LLC ("Kennecott"), as described in detail in the testimony of Mr. Paul H. Clements. I will demonstrate why the allocation of revenues and costs of this Contract will have a minimal impact on Utah customers and will not negatively impact customers in any other state. My testimony will also describe the regulatory treatment of the Contract, including the impact of the contract on: 1) allocation factors, 2) general business revenues, 3) transmission revenue, and 4) net power costs.

Q. Please provide an overview of the analysis performed by the Company demonstrating that the new Contract would be beneficial to other Utah customers.

A. The Company performed an analysis looking at the impact of the new contract. The Company analyzed the impact on each jurisdiction in which it operates looking at the incremental impacts on the system with the Contract, as compared to a scenario in which Kennecott were to leave the PacifiCorp system. The analysis showed that the impact of the new Contract on Utah customers is negligible and that the Contract is a net benefit on a total system basis.

Inter-jurisdictional allocations

Q. How will the Contract load be treated for Inter-jurisdictional allocation purposes?

A. The Kennecott load served by the Company will be included as Utah jurisdictional load for allocation purposes. The Company will include both the Kennecott impact on monthly coincident peaks and the impact on energy in calculating Utah jurisdictional allocation factors.

Q. [redacted]

A. Yes. For allocation purposes, [redacted]. All Kennecott load, net of the self-generation, will be treated identically to other Utah jurisdictional loads.

Q. How will the revenues and expenses associated with the Contract be treated for allocation purposes?

A. As with past contracts, revenues and expenses under this Contract will be treated similarly to all other retail customers. The revenues will be directly assigned to Utah. All of the costs associated with serving the Contract load, such as net power costs and transmission costs, will continue to be treated the same as with other retail customers and will be allocated using the approved allocation methodology.

Impact on other Utah customers

Q. What is the impact of the Contract on other Utah customers?

A. Using the 2017 Protocol allocation method the Contract has a negligible impact on other Utah customers. Confidential Exhibit RMP___(SRM-1) shows the impact the Contract will have on the total Company and each state. The impacts on the Company and on Utah customers of retaining Kennecott as a contract customer are set forth in Confidential Exhibit RMP__(SRM-1) and described below.

1) Inter-jurisdictional Allocations. The impact on the SG and SE allocation factors from including the Contract load in Utah is shown on lines 21 through 29. The dollar impact on each state from the change in allocation factors is included on line 35. Including the Contract increases Utah's allocation of system costs by approximately [redacted].

2) Net Power Costs. As calculated on lines 9 and 10, net power costs are estimated to increase [redacted] in 2017. This increase in net power costs will be allocated to all states, as shown on line 36, with approximately [redacted] allocated to Utah.

3) Transmission Revenues. If Kennecott were to leave the system it would be obligated to purchase power and have it delivered to its facility, resulting in increased transmission revenues to the Company, with a decrease in revenues recovered in retail rates to cover an allocation of transmission expenses. Since Kennecott is remaining as a contract customer, there will be a reduction to transmission revenues of approximately [redacted] when compared to a leave scenario, with an impact on Utah of approximately [redacted] as shown on line 37. This amount assumes that Kennecott uses transmission for the load included in

the new contract, and could be lower if Kennecott were to displace additional load rather than purchase from market.

4) Revenues. As shown on lines 39 and 40, by serving Kennecott the Company will receive approximately [redacted] of revenues from the Contract. [redacted]. This is a conservative amount because it assumes that the Company renewed the contract with Kennecott using *existing* terms.

The net Kennecott contract has virtually no impact on Utah customers, with a net change in revenue requirement of less than [redacted]. Therefore, Utah customers will not be materially impacted by the new Contract.

Q. What is the impact of the Contract on other states?

A. The Contract has no material impact on any other state as shown on line 41 of Confidential Exhibit RMP__(SRM-1).

Q. Should the Commission approve the Contract?

A. Yes. The Company recommends the Commission approve the contract because, as shown in my and Mr. Clements' testimony, the Contract provides system benefits with a negligible impact on other Utah customers using the 2017 Protocol allocation method.

Q. Does that conclude your direct testimony?

A. Yes.