

1 **Q. Please state your name and business address.**

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

4 **Q. Are you the same Steven R. McDougal who submitted pre-filed direct and
5 test period rebuttal testimony in this proceeding?**

6 A. Yes.

7 **Purpose and Summary of Testimony**

8 **Q. What is the purpose of your test period surrebuttal testimony (“Testimony”)
9 in this proceeding?**

10 A. The purpose of my Testimony is to respond to the test period rebuttal testimony of
11 the Office of Consumer Services (“OCS”), Utah Association of Energy Users
12 Intervention Group (“UAE”) and the Utah Industrial Energy Consumers
13 (“UIEC”).

14 **Q. Please summarize your Testimony.**

15 A. My Testimony explains why the OCS, UAE and UIEC are incorrect in their claim
16 that the testimony of Mr. Matthew Croft supports using a test period closer in
17 time than the Company’s proposed test period from July 1, 2011 to June 30, 2012.
18 I also point out that these parties have provided no evidence in support of their
19 claim that a 2011 calendar-year test period reflects conditions during the rate-
20 effective period.

21 **Rebuttal Test Period Issues**

22 **Q. Do you agree with the conclusions the Division of Public Utilities (“DPU”)**
23 **reached with regard to the testimony of Mr. Croft?**

24 A. Yes. The DPU looked at the evidence and correctly concluded that the test period
25 proposed by the Company should be used in the case. DPU witness Dr. Joni
26 Zenger correctly concluded that “the key criteria for the Commission to consider
27 at this time is that the test year, based on the evidence presented, needs to reflect
28 the conditions that will be encountered by the Company during the rate-effective
29 period.”¹

30 **Q. Do you have any concerns with the conclusions reached by the OCS, UAE**
31 **and UIEC with regards to Mr. Croft’s testimony?**

32 A. Yes. The OCS, UAE and UIEC made their test period recommendations based
33 solely on their opinions, and are now trying to rely on Mr. Croft’s evidence to
34 support their proposed test periods, opposite of the conclusion of the DPU.

35 **Q. Even assuming Mr. Croft’s analysis is accepted, does it provide evidence that**
36 **the calendar-year 2011 test period proposed by UAE and UIEC better**
37 **reflects conditions during the rate-effective period than the Company’s**
38 **proposed test period?**

39 A. No. Even if Mr. Croft’s analysis is accepted as correct, it only calls into question
40 the accuracy of the Company’s forecasts. The analysis says nothing about
41 whether forecasts for 2011 would be any better than those for July 2011 through
42 June 2012 and, more importantly, it says nothing about whether a forecast for
43 2011 would reflect conditions during the rate-effective period in this case than a

¹ Joni S. Zenger, PhD, Rebuttal Test period Testimony, p. 2. lines 35-37.

44 forecast for the test period ending June 2012. That is the issue the Commission
 45 must decide in selecting a test period. Only the Company has provided evidence
 46 regarding what test period best reflects conditions during the rate-effective period.
 47 That evidence includes the Company’s application and all of the testimony filed
 48 in support of the application.

49 **Q. Do you have any concerns with the analysis done by DPU witness Mr. Croft**
 50 **comparing capital additions to prior cases?**

51 A. Yes. Mr. Croft looked at five sets of information filed in three different rate
 52 cases. Although the Company agrees with Mr. Croft’s conclusion that his
 53 findings do not support the need to select a test period closer in time, the
 54 Company does have several concerns with his analysis. Until the OCS, UAE and
 55 UIEC witnesses relied on his analysis as support for their recommended 2011 test
 56 period, I intended to address my concerns in revenue requirement testimony.
 57 However, now I will address them here.

58 First and foremost, judgment of the Company’s previous forecasts should
 59 be based on earned return on equity (“ROE”). The Company is regulated based
 60 on an approved ROE, and the most important comparison to be made is the
 61 earned versus authorized ROE. The following table compares the allowed ROE
 62 from the most recent Utah general rate cases to the results of operations during the
 63 period most closely aligned to the rate-effective period from each case.

	Docket No. 07-035-93	Docket No. 08-035-38	Docket No. 09-035-23
Rate Effective Period	August 13, 2008 - August 12, 2009	May 8, 2009 - May 7, 2010	February 18, 2010 - February 17, 2011
Results of Operations Period	January 1, 2009 - December 31, 2009	July 1, 2009 - June 30, 2010	January 1, 2010 - December 31, 2010
Authorized Return on Equity	10.25%	10.61%	10.60%
Actual Return on Equity	8.45%	8.32%	Not Available

64 Second, Mr. Croft compares actual capital additions to the amounts
65 originally filed in Company rate cases, not to the amounts ultimately approved by
66 this Commission. In recent cases utilizing a forecast test period in Utah, the
67 Company has agreed with adjustments proposed by the DPU to update capital
68 additions during the rate case process to reflect actual capital additions as they
69 become available. Consequently, the capital investments included in rates in
70 those cases have been more accurate than portrayed by Mr. Croft.

71 Third, Mr. Croft only considered gross capital additions and not net
72 electric plant in service (“EPIS”). Net EPIS includes not only capital additions
73 but the related accumulated depreciation and plant retirements. It is really net
74 EPIS that is the true impact on rate base of capital additions.² The table below
75 provides a comparison of the approved net EPIS (both total Company and Utah
76 allocated amounts) to the actual results for the same period. On a Utah-allocated
77 basis, the Company’s actual net EPIS has been higher than the level relied on to
78 set rates in those cases.

² The net impact of capital additions could also include the impact on accumulated deferred income taxes as referenced by DPU witness Dr. Zenger in her rebuttal testimony. I have not considered accumulated deferred income taxes here.

	Docket No. 07-035-93	Docket No. 08-035-38	Docket No. 09-035-23
	December 2008 Test Period	December 2009 Test Period	June 2010 Test Period
	Total Company	Total Company	Total Company
Approved			
Gross EPIS	17,208,886,683	18,845,687,572	19,535,482,677
Net EPIS	10,410,515,030	11,964,947,707	12,500,900,622
Actual			
Gross EPIS	17,417,350,329	19,027,117,484	19,809,372,255
Net EPIS	10,760,935,018	12,137,797,084	12,756,813,072
Under/(Over) Forecast			
Gross EPIS	208,463,646	181,429,912	273,889,578
Net EPIS	350,419,987	172,849,377	255,912,449
UT Allocated			
Approved			
Gross EPIS	7,261,861,954	7,678,545,564	8,090,635,180
Net EPIS	4,524,545,856	5,028,326,063	5,338,460,403
Actual			
Gross EPIS	7,164,122,937	7,935,587,916	8,248,107,288
Net EPIS	4,564,951,466	5,218,949,521	5,474,775,211
Under/(Over) Forecast			
Gross EPIS	(97,739,018)	257,042,351	157,472,108
Net EPIS	40,405,610	190,623,457	136,314,808
<i>Includes Bridger and Trapper mines</i>			

79 Fourth, I disagree with Mr. Croft’s exclusion of major plant additions such
80 as wind plants and Chehalis from his analysis because they were not included in
81 the original rate cases. The Company should be judged based on actual rate base
82 and plant in service, not on an artificially low amount by excluding some assets.
83 As circumstances permit or require, the Company will continue to invest in the
84 capital needed to provide service to its customers. The analysis of EPIS should
85 include all actual plant additions. Timing of general rate cases and other
86 regulatory proceedings may or may not allow for specific projects to be included
87 in forecasts of net EPIS, but actual capital investment will certainly impact the

88 Company's earned ROE.

89 **Q. What is your conclusion with regards to Mr. Croft's analysis?**

90 A. Mr. Croft overstated the rate case amounts by using the originally filed rate base
91 projections, not the rate base projections included in the final order. At the same
92 time, he has understated actual rate base by excluding major plant additions.

93 **Q. Do you agree with Mr. Kevin Higgins' statement that the Company should**
94 **not complain about the \$40 million disallowance associated with the 2007**
95 **case?**³

96 A. No. Mr. Higgins states that the Company can ameliorate any test period issues
97 because we control the timing of our rate cases. However, Mr. Higgins ignores
98 the fact that the Company tried to compensate for the \$40 million reduction in
99 revenue requirement caused by moving the test period forward by six months in
100 the 2007 rate case by filing another rate case quickly, but was denied the
101 opportunity to do so. Therefore, we apparently must wait until after the
102 September decision in this rate case before filing another rate case, which means
103 rates set in this case cannot be changed until sometime in the middle of 2012, at
104 the earliest.

105 **Q. Do you have any other issues with Mr. Higgins' test period rebuttal**
106 **testimony?**

107 A. Yes. Mr. Higgins claims that "Calendar Year 2011 best reflects the conditions
108 Rocky Mountain Power ("RMP") will encounter during the period the rates will
109 be in effect",⁴ but provides no support or evidence for this statement. He

³ Higgins test period rebuttal, p. 4, lines 74-80

⁴ Higgins test period rebuttal page 1, lines 30-22

110 proposes ignoring capital additions after 2011, and only including partial recovery
111 of capital additions that will have occurred prior to the rate-effective period in this
112 case. He offers his opinion that the 2011 test period best reflects the conditions
113 during the period rates will be in effect but provides no evidence to support that
114 opinion and cites the legislative intent language that multiple test periods can be
115 used. However, he ignores the fact that even though different test periods can be
116 used: (1) the ultimate objective under Utah law is that “the commission shall
117 select a test period that, on the basis of the evidence, the commission finds best
118 reflects the conditions that a public utility will encounter during the period when
119 the rates determined by the commission will be in effect” and (2) the Commission
120 must decide on the basis of the evidence. As stated previously, Mr. Higgins has
121 failed to provide evidence that the test period he proposes better reflects the
122 conditions during the rate-effective period.

123 **Q. Does this conclude your Testimony?**

124 A. Yes.