

1 **Q. Please state your name and business address with PacifiCorp, dba Rocky**  
2 **Mountain Power (the “Company”).**

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

5 **Qualifications**

6 **Q. What is your current position at the Company, and what is your employment**  
7 **history?**

8 A. I am currently employed as the director of revenue requirements for the  
9 Company. I have been employed by Rocky Mountain Power or its predecessor  
10 companies since 1983. My experience at Rocky Mountain Power includes various  
11 positions within regulation, finance, resource planning, and internal audit.

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

13 A. My primary responsibilities include overseeing the calculation and reporting of  
14 the Company’s regulated earnings or revenue requirement, assuring that the inter-  
15 jurisdictional cost allocation methodology is correctly applied, and explaining  
16 those calculations to regulators in the jurisdictions in which the Company  
17 operates.

18 **Q. What is your education background?**

19 A. I received a Master of Accountancy from Brigham Young University with an  
20 emphasis in Management Advisory Services in 1983 and a Bachelor of Science  
21 degree in Accounting from Brigham Young University in 1982. In addition to my  
22 formal education, I have also attended various educational, professional, and  
23 electric industry-related seminars.

24 **Q. Have you testified in previous proceedings?**

25 A. Yes. I have provided testimony before the Utah Public Service Commission, the  
26 Washington Utilities and Transportation Commission, the California Public  
27 Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public  
28 Utility Commission, the Wyoming Public Service Commission, and the Utah  
29 State Tax Commission.

30 **Purpose of Testimony**

31 **Q. What is the purpose of your testimony?**

32 A. The purpose of my testimony is to discuss the background of the Utah energy  
33 balancing account (“EBA”) and to address the allocation of EBA Costs (“EBAC”)  
34 to Utah as part of the EBA deferral filing. EBAC include both Net Power Costs  
35 (“NPC”) and wheeling revenue.

36 **Q. Are there additional Company witnesses in this case?**

37 A. Yes. Mr. Brian S. Dickman, manager of net power costs, is sponsoring testimony  
38 supporting the Company’s calculation of the EBA deferral amount for October 1,  
39 2011 through December 31, 2011, Mr. William R. Griffith, Vice President  
40 Regulation, is sponsoring testimony regarding the rate spread and rate design of  
41 the EBA surcharge.

42 **Background of the Utah EBA**

43 **Q. Please briefly describe the Company’s EBA authorized by the Commission.**

44 A. In the Commission’s Corrected Report and Order in Docket No. 09-035-15 issued  
45 March 3, 2011 (“EBA Order”), the Commission approved the implementation of  
46 the EBA to recover the differences between Actual NPC and approved forecasted

47 NPC established in a general rate case. The Commission found in its Order that an  
48 EBA mechanism, as modified by the Commission, was in the public interest and  
49 would result in rates that were just and reasonable. The Commission required that  
50 both Company customers and Company shareholders remain at risk for a portion  
51 of actual NPC which deviates from approved forecasts. It found that a 70/30  
52 percent sharing between customers and shareholders, respectively, of the  
53 differences between forecasted and actual NPC was an appropriate sharing of risk  
54 for the EBA mechanism. The Commission accepted all of the Company's NPC  
55 accounts to be included as part of the EBA mechanism with the exception of swap  
56 transactions. In addition, the Commission included wholesale wheeling revenues,  
57 FERC Account 456.1 in the calculation. In the Company's order approving the  
58 settlement stipulation settling the Company's 2011 general rate case, Docket No.  
59 10-035-124, and four other cases ("Stipulation"), the Commission vacated its  
60 decision in the EBA Order to exclude natural gas and electricity swaps from the  
61 EBA mechanism, agreeing to include them in the EBA mechanism.

62 **Allocation of EBAC to Utah**

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

64 A. Utah's allocation of net power costs under the EBA have been calculated using  
65 the following two methods. First, the calculation was done using the Utah  
66 allocation scalars included as Exhibit B "Net Power Cost Calculation – Utah Net  
67 Power Cost Calculation" in the settlement stipulation in Docket No. 10-035-124,  
68 and as approved by the Commission in the order in that docket. Second, for  
69 informational purposes the calculation was done using the allocation method

70 described in the Commission's March 2011 EBA order, as directed in the  
71 Commission's order in Docket No. 10-035-124.

72 **Q. Please describe the allocation scalar approach used by the Company.**

73 A. Attached as Exhibit RMP\_\_\_(SRM-1) is Exhibit B from the settlement stipulation  
74 in Docket No 10-035-124 ("Exhibit B"). As described in footnote 5, "This same  
75 scalar will be used in calculating Utah actual NPC for the EBA". Company  
76 witness Mr. Dickman's Exhibit RMP\_\_\_(BSD-1) multiplies monthly total  
77 company NPC on a \$/MWh basis by the Exhibit B scalar of 100.014% to  
78 determine the Utah actual NPC \$/MWh.

79 **Q. Please explain the method used to allocate actual Total Company NPC to  
80 Utah in Mr. Dickman's Exhibit RMP\_\_\_(BSD-2).**

81 A. Exhibit RMP\_\_\_(BSD-2) allocates total company NPC to Utah using the  
82 allocation factors shown in Exhibit RMP\_\_\_(SRM-2). The allocation factors were  
83 calculated using actual 2011 energy and coincident peak information, consistent  
84 with the Commission's January 20, 2012 prehearing order in Docket No. 11-035-  
85 T10 on page 4 where it states:

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

94 **Q. Will the Company continue to use the fixed scalar method in the next EBA  
95 tariff filing?**

96 A. The agreement on the scalar method was part of the settlement of Docket No. 10-

97 035-124 and was not agreed to as a permanent change to the EBA calculation.  
98 Therefore, the Company will continue to use the scalar method consistent with the  
99 stipulation in Docket No. 10-035-124 until rates are changed as part of the current  
100 general rate case, Docket No. 11-035-200. Unless the scalar method, or some  
101 other approach, is approved for continued use as part of the current general rate  
102 case, the Company plans to use the Commission method for the period of 2012  
103 after new rates are established in the current general rate case.

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

105 **A. Yes.**