

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 Director of Revenue Requirements for the Company.
9 I have been employed by Rocky Mountain Power or its predecessor companies
10 since 1983. My experience at Rocky Mountain Power includes various positions
11 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 Public Service Commission of Utah,
26 the Washington Utilities and Transportation Commission, the California Public
27 Utilities Commission, the Idaho Public Utilities Commission, the Oregon Public
28 Utility Commission and the Wyoming Public Service Commission.

29 **Purpose of Testimony**

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

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

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

36 A. Yes. The following witnesses will also provide direct testimony in this case:

- 37 • Mr. Brian S. Dickman, Manager of Net Power Costs, is sponsoring testimony
38 supporting the Company’s calculation of the EBA deferral amount for
39 calendar year 2012.
- 40 • Ms. Joelle R. Steward, Director of Pricing, Cost of Service, and Regulatory
41 Operations, is sponsoring testimony regarding the rate spread and rate design
42 of the EBA surcharge.
- 43 • Mr. Dana M. Ralston, Vice President of Thermal Generation, is sponsoring
44 testimony on the performance of the Company’s thermal generation fleet.
- 45 • Mr. Stefan A. Bird, Senior Vice President, Commercial and Trading, provides
46 testimony that demonstrates the prudence of the Company’s natural gas and

47 electricity hedging transactions and balancing transactions.

48 • Mr. Frank C. Graves from the Brattle Group has prepared direct testimony
49 supporting the prudence of the Company's hedging program.

50 **Background of the Utah EBA**

51 **Q. Please briefly describe the Company's EBA approved by the Commission.**

52 A. In its Corrected Report and Order in Docket No. 09-035-15 issued March 3, 2011
53 ("EBA Order"), the Commission approved the implementation of the EBA to
54 recover the differences between actual NPC and approved forecasted NPC
55 established in a general rate case. The Commission found in its Order that an
56 EBA mechanism, as modified by the Commission, was in the public interest and
57 would result in rates that were just and reasonable. The Commission required that
58 customers and Company shareholders remain at risk for a portion of actual NPC
59 which deviates from approved forecasts. It found that a 70/30 percent sharing
60 between customers and shareholders, respectively, of the differences between
61 forecast and actual NPC was an appropriate sharing of risk for the EBA
62 mechanism during the pilot period.

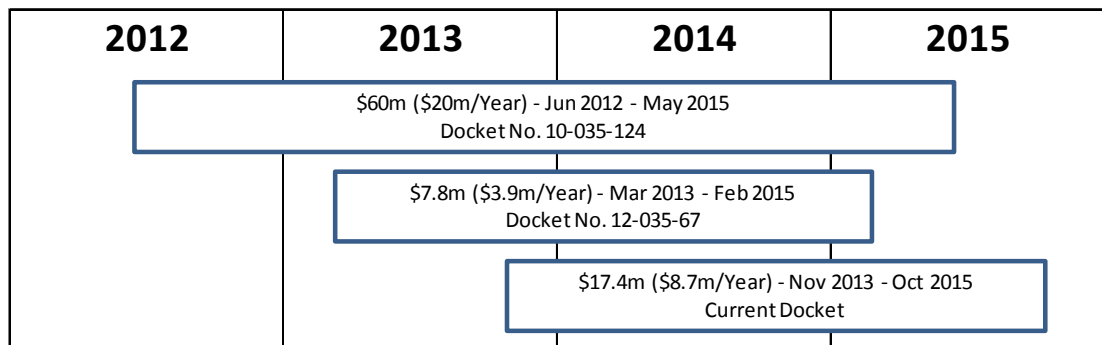
63 The Commission initially ordered that all of the Company's NPC accounts
64 be included in the EBA mechanism with the exception of swap transactions. In
65 addition, the Commission included wholesale wheeling revenues, FERC Account
66 456.1 in the EBA calculation. In the Commission's order approving the settlement
67 stipulation settling the Company's 2011 general rate case, Docket No. 10-035-
68 124, and four other cases (collectively referred to as the "2011 GRC Stipulation"),
69 the Commission vacated its decision in the EBA Order to exclude natural gas and

70 electricity swaps from the EBA mechanism, agreeing to include them in the EBA
71 mechanism.

72 **EBAC Recovery**

73 **Q. Please explain how this filing works in conjunction with other EBA**
74 **collections currently in place.**

75 A. The Company is currently collecting \$60 million over three years as part of the
76 2011 GRC Stipulation, with the \$20 million per year collection starting on June 1,
77 2012 based on the order in Docket No. 12-035-67. The Company is also
78 collecting \$7.8 million over two years, or \$3.9 million per year, starting on March
79 1, 2013 based on the settlement in Docket No. 12-035-67. The current request for
80 \$17.4 million over two years starting on November 1, 2013, is in addition to the
81 amounts already being collected. The chart below illustrates the interaction
82 between the three filings.



83 **Allocation of EBAC to Utah**

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

85 A. Utah's allocation of net power costs under the EBA have been calculated using
86 four different methods in response to previous settlement agreements or
87 commission orders to provide additional information. I will first explain the

88 method used by the Company as the basis for the request for recovery of \$17.4
89 million in this filing and then I will provide information on each of the alternative
90 methods.

91 Primary Allocation Method for Cost Recovery

92 **Q. Please explain the method used as the basis for cost recovery in this filing.**

93 A. The method used by the Company as the basis for the request for recovery of
94 \$17.4 million in this filing was done using the Utah allocation scalars. This
95 method was first introduced in Docket No. 10-035-124 and included as Exhibit B
96 “Net Power Cost Calculation – Utah Net Power Cost Calculation” in the 2011
97 GRC Stipulation. It is also included as Exhibit RMP____(SRM-1) in this docket
98 for reference. The premise of the scalar was to take the total company monthly
99 NPC on a \$/MWh basis, and use the same shape for the Utah \$/MWh. The scalar
100 was introduced as an adjustment to total company \$/MWh so that the annual total
101 of Utah allocated NPC are equal to the amount calculated using the 2010 Protocol
102 allocation method – the scalar is required since not all components of NPC are
103 allocated on an energy basis. The MWh included in the scalar was based on MWh
104 at input, since the monthly MWh at input was included in the filing. Base NPC
105 used to calculate the EBA deferral in this case was based on the 2011 GRC
106 Stipulation for the period January 1, 2012 through October 11, 2012.

107 The scalar method was also agreed to by the parties and included as
108 Exhibit A1 in the stipulation in Docket No. 11-035-200 (“2012 GRC
109 Stipulation”), and is included for reference as part of Exhibit RMP____(SRM-2) in
110 this docket. The 2012 GRC Stipulation was approved by the Commission in its

111 September 19, 2012, order. Base NPC used to calculate the EBA deferral in this
112 case was based on the 2012 GRC Stipulation for the period October 12, 2012
113 through December 31, 2012, consistent with the rate effective date in Docket No.
114 11-035-200. The calculation of the EBA deferral supporting the Company's
115 requested recovery of \$17.4 million is further discussed in Mr. Dickman's
116 testimony.

117 **Q. Is the scalar method used in this filing consistent with the fixed scalar**
118 **method used the 2012 EBA docket?**

119 A. No. The scalar has been dynamically calculated based on the Commission order
120 in Docket No 11-035-T10 on May 1, 2012, and consistent with the 2012 GRC
121 Stipulation. The May 1 order states:

122 Based on the foregoing, we find it reasonable to approve use of a
123 static scalar as described by the Company to determine Utah's
124 share of total Company actual NPC for EBA deferrals from
125 October through December 2011. For subsequent annual EBA
126 filings, we find use of a dynamic scalar or dynamic allocation
127 factors for determining Utah's share of total Company actual NPC
128 is reasonable and appropriate.¹

129 In addition, based on the 2012 GRC Stipulation, starting on October 12,
130 2012 the Utah EBA \$/MWh amounts are based on sales rather than input MWh.
131 The dynamic scalar calculation is detailed in the testimony and exhibits of
132 Company witness Mr. Dickman.

133 **Q. In addition to the scalar method used to calculate the EBA deferral in this**
134 **docket, are other methods presented?**

135 A. Yes. The Company has prepared calculations under three other methods for

¹ PSCU order in Docket No. 11-035-T10, May 1, 2012, page 4.

136 informational purposes as identified below. Two of these are per the 2012 GRC
137 Stipulation, the third is per Commission order in Docket No. 09-035-15.

138 Docket No. 09-035-15 Method

139 **Q. Please explain the second method of allocation of EBAC you have included.**

140 A. For informational purposes only, the Company has included the allocation
141 calculation using the method described in the Commission's order in Docket No.
142 09-035-15. This was also addressed in the Commission's order in Docket No. 11-
143 035-200 which states:

144 Our approval of the Settlement Stipulation, as in similar cases, is
145 not intended to alter any existing Commission policy or to
146 establish any Commission precedent. In this instance, however, we
147 note a minor inconsistency which may arise from implementation
148 of the Settlement Stipulation. Specifically, the calculation of base
149 NPC shown in Exhibit A2 of the Settlement Stipulation is
150 inconsistent with the method required in our March EBA Order in
151 Docket No. 09-035-15. From testimony at hearing, it is clear the
152 intent of this exhibit is to comply with our March EBA Order.
153 While the differences may be immaterial, we will continue to
154 require the Company to also perform the base and actual EBA cost
155 per megawatt hour for each month correctly, that is, by applying
156 the appropriate annual allocation factor to each category of cost in
157 each month. The purpose of this requirement is to consistently
158 evaluate this method during the EBA pilot program period.²

159 As mentioned in the aforementioned order, the method in Docket No. 09-
160 035-15 is similar to method A2 below, with the total company amounts calculated
161 in the same manner. However, under the Docket No. 09-035-15 method, the
162 monthly Utah-allocated NPC are calculated by applying the annual SG and SE
163 factors to monthly costs as defined by 2010 Protocol. Using the A2 method
164 below, the Utah-allocated monthly costs are calculated in the same proportion as
165 total company monthly costs rather than looking at specific costs by month. The

² PSCU Order in Docket No. 11-035-200, September 19, 2012, page 27.

166 Docket No. 09-035-15 method calculation is provided Exhibit RMP____(SRM-3).

167 Stipulation Exhibit A2 Method

168 **Q. Please explain the third method of allocation of EBAC you have included.**

169 A. For informational purposes only, the Company also calculated base monthly NPC
170 as set forth in Exhibit A2 in the 2012 GRC Stipulation. Under the Stipulation
171 Exhibit A2 method, annual Utah-allocated NPC are calculated using the annual
172 SE and SG factors, and monthly Utah-allocated are prorated based on monthly
173 total company NPC. As mentioned above, this method is similar to the Docket
174 No. 09-035-15 method above, except in how the annual Utah allocated costs are
175 split among the individual months. The Stipulation Exhibit A2 method calculation
176 is provided Exhibit RMP____(SRM-4).

177 Stipulation Exhibit A3 Method

178 **Q. Please explain the fourth method of allocation of EBAC you have included.**

179 A. For informational purposes only, the Company also calculated monthly NPC as
180 set forth in Exhibit A3 in the 2012 GRC Stipulation. This method calculated
181 separate SE and SG factors for each month using monthly energy and
182 jurisdictional coincident peaks, rather than using annual factors as prescribed by
183 the 2010 Protocol and as used in both the Docket No. 09-035-15 and Exhibit A2
184 methods above. The Utah-allocated NPC calculated using the monthly SE and SG
185 factors is then trued up to the annual amount calculated under the 2010 Protocol
186 by prorating the monthly amounts. The Stipulation Exhibit A3 method calculation
187 is provided Exhibit RMP____(SRM-5).

188 **Q. How did you calculate actual allocation factors used to allocate actual total**
189 **company NPC to Utah?**

190 A. The 2012 allocation factors were calculated using actual energy and coincident
191 peak information, consistent with the Commission's January 20, 2012, prehearing
192 order in Docket No. 11-035-T10 on page 4 where it states:

193 "That is, the approved allocation factors and their *general rate*
194 *case values* will be used to determine Utah's share of the *base*
195 *power-related expenses and revenues approved for balancing*
196 *account treatment, and the approved allocation factors calculated*
197 *using actual company load conditions* during the period of
198 *balancing account accrual* will be used to determine Utah's share
199 of the Company's *actual power-related expenses and revenues*
200 *eligible for the EBA.*"

201 I have provided the calculation of the 2012 allocation factors in Exhibit
202 RMP___(SRM-6).

203 **Q. Did Utah's allocation factors used to allocate NPC increase compare**
204 **(favorably, unfavorably? or are you asking how did they compare?) to the**
205 **level projected in the previous general rate cases?**

206 A. Yes. Utah's SG and SE factors using 2012 actual jurisdictional loads are 43.90
207 percent and 42.98 percent, respectively. Each of these is higher than the
208 corresponding factor from the 2011 GRC and 2012 GRC used to determine the
209 base NPC. Table 1 below compares the actual allocation factors to the factors
210 used in the rate cases.

Table 1
Utah Allocation Factor Percentages

	2012 Actual	2011 GRC	2012 GRC
SG	43.90%	43.28%	43.15%
SE	42.98%	42.59%	42.95%

211 **Q. Does this filing include additional wheeling revenue as a result of the**
 212 **proposed settlement in the Company’s transmission rate case, Docket No.**
 213 **ER11-9643, before the Federal Energy Regulatory Commission (“FERC”)?**

214 **A.** No. This EBA filing includes a 70 percent true-up of wheeling revenues but does
 215 not include the 100 percent true up of revenue related to the proposed settlement
 216 filed with FERC in Docket No. ER11-9643 on February 22, 2013.

217 As part of the 2011 GRC Stipulation, and later re-affirmed in the 2012
 218 GRC Stipulation, the Company agreed that:

219 The parties agree additional wheeling revenue which may result
 220 from the Company’s transmission rate case, Docket No. ER11-
 221 9643, before the Federal Energy Regulatory Commission
 222 (“FERC”), is not reflected in the stipulated revenue requirement.
 223 The Parties agree any additional revenue which may accrue due to
 224 new FERC transmission rates from the time the new rates go into
 225 effect until the end of the test period in this docket, June 30, 2012,
 226 shall be deferred and credited to customers in the 2013 EBA
 227 annual filing without application of the 30 percent sharing
 228 mechanism.³

229 As mentioned above, there has been a proposed settlement filed with
 230 FERC, but the Company has not yet calculated the exact impact this will have on
 231 the state of Utah. Once there is a final resolution of the case by FERC the
 232 Company will calculate the impact of the incremental 30 percent differential and
 233 include it in the first EBA filing after a final order is received.

³ PSCU order in Docket No. 10-035-124, September 13, 2011, page 27.

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

235 **A. Yes.**