

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 present position with the Company and what is your**
7 **employment 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 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, 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 explain the calculation of the REC Balancing
33 Account (“RBA”). Specifically I describe the components that make up the \$3.3
34 million deferral balance the Company is requesting be returned to customers
35 through Schedule 98, including:

- 36 • the determination of the beginning RBA balance at January 1, 2012,
- 37 • the true up of the November and December 2011 actual Utah-allocated
38 REC revenue,
- 39 • the allocation of calendar year 2012 REC revenues,
- 40 • the calculation of the calendar year 2012 REC revenues included in base
41 rates,
- 42 • the amount of surcredits that were given to Utah ratepayers, and
- 43 • the calculation of carrying charges that were applied to the deferral
44 balance.

45 **Q. Please provide a brief summary of how the RBA is calculated.**

46 A. On September 13, 2011, a stipulation (“the 2011 Stipulation”) was approved by

47 the Commission that resolved several dockets including Docket Nos. 10-035-14
 48 (“UAE REC Docket”) and 10-035-124 (“2011 General Rate Case”). In the 2011
 49 Stipulation, the parties established a REC balancing account mechanism to track
 50 the difference between REC revenues included in rates and actual REC revenues
 51 collected. Under the RBA, the variances are identified and deferred each month
 52 for one full calendar year (“the Deferral Period”). In this RBA filing, the (“2013
 53 RBA”), the deferral period was January 1, 2012 through December 31, 2012. On
 54 March 15th of each subsequent year, an RBA is filed to present these differences,
 55 including applicable carrying charges, with a 100 percent true up of the difference
 56 between the amounts in rates and actual sales occurring through Schedule 98. The
 57 deferral amount established in this filing will be passed back to Utah customers
 58 June 1, 2013 through May 31, 2014.

59 **Q. Please describe the Company’s RBA filing.**

60 A. Employing the methodology described above, the deferral balance to be credited
 61 to customers through Schedule 98 is approximately \$3.3 million. The table below
 62 provides a summary of how the Company arrived at this amount.

Summary of Utah REC Balancing Account (Schedule 98)

Description	Amount
REC Revenue Deferred Balance @ December 31, 2012	\$24,110,803
True Up for Nov.11 & Dec.11 using Actual Resource Allocations	(9,178)
2012 Utah Allocated Booked REC Revenues	47,774,156
2012 REC Revenues in Base Rates	(45,216,101)
2012 Schedule 98 Surcredit	(22,126,857)
Estimated Schedule 98 Surcredit January 1 - May 31, 2013	(1,853,952)
2012 Carrying Charges	490,290
Estimated Carrying Charges January 1 - May 31, 2013	94,371
Deferral Balance to be Credited to Customers	<u>\$3,263,532</u>

63 Exhibit RMP____(SRM-1) is an electronic version of the table shown above and is
64 linked to Confidential Exhibit RMP____(SRM-2) which includes the supporting
65 the calculations.

66 **Q. Please describe how Exhibit RMP____(SRM-2) is organized.**

67 A. Confidential Exhibit RMP____(SRM-2) presents the supporting documents for the
68 Company's proposed change to tariff Schedule 98 and provides the detailed
69 calculation of the \$3.3 million deferral balance presented in this filing. Page 2.1
70 shows the calculation used to determine the Utah allocated actual 2012 REC
71 revenues, illustrating the reallocation of revenue for renewable portfolio standard
72 ("RPS") eligibility. Page 2.2 provides the calculation of the SG allocation factor
73 that was used on page 2.1 as the basis to allocate REC revenue to Utah. The
74 allocation factors are consistent with those used in the energy balancing account
75 ("EBA") filing.

76 **Q. How did the Company determine the REC revenue beginning deferred**
77 **balance as of January 1, 2012?**

78 A. The REC revenue deferred balance of \$24.1 million for January 1, 2012 was
79 rolled over from the December 31, 2011 ending balance shown in my
80 Exhibit RMP____(SRM-2) line 14 in Docket No. 12-035-68 ("2012 RBA").

81 **Q. Are any adjustments to the January 1, 2012 beginning balance necessary?**

82 A. Yes. In the Company's prior 2012 RBA filing, the resource assignments for the
83 November and December 2011 REC revenue were estimated. The total Company
84 REC sales are amounts for those months known at the time of filing; however, the
85 specific assignment of RECs sold by individual resources in November and

86 December 2011 was not finalized. The updated resources assignments for
87 November and December 2011 are provided in Ms. Stacey J. Kusters'
88 Confidential Exhibit RMP____(SJK-3). The Company committed to flow through
89 the difference in this filing. The update reduces the Utah allocated share of
90 November and December 2011 actual REC sales by approximately \$9 thousand.
91 The January 1, 2012 starting balance was reduced by this amount to reflect the
92 final information. A similar true up will be necessary in the 2014 RBA to reflect
93 the update of the November and December 2012 resources that are also estimated
94 in this filing.

95 **Q. Please describe how the 2012 Utah allocated booked REC revenue was**
96 **calculated.**

97 A. During calendar year 2012, the Company booked \$81.3 million from REC sales
98 on a total Company basis. Utah's allocated share of REC revenue is determined
99 using the SG factor, including a reallocation of revenue initially allocated system
100 wide to reflect compliance with state renewable portfolio standards. The resulting
101 Utah allocated amount of REC revenue during 2012 was \$48.0 million.

102 **Q. How was the 2012 REC revenue in base rates determined?**

103 A. The REC revenue in rates during 2012 was determined using the amounts as set in
104 the 2011 Stipulation for the Period from January 1, 2012 through October 11,
105 2012. The 2011 Stipulation established a total amount of REC revenue in rates of
106 \$50.9 million Utah-allocated. Starting October 12, 2012 the REC revenues in base
107 rates are calculated using the amounts as set in the Stipulation in
108 Docket No. 11-035-200 ("the 2012 Stipulation"). The 2012 Stipulation established

109 a total amount of REC revenue in rates of \$25.0 million Utah allocated. These
110 monthly amounts are reflected accordingly in Confidential
111 Exhibit RMP____(SRM-2).

112 **Q. What were the total 2012 Schedule 98 surcredits included on customer bills?**

113 A. In total, Utah ratepayers received approximately \$22.1 million in surcredits
114 through Schedule 98 during calendar year 2012. The 2012 RBA established a
115 \$4 million surcredit, which reset the rate on June 1, 2012.

116 **Q. Please describe what the Estimated Schedule 98 January 1, 2013-May 31,**
117 **2013 represents.**

118 A. This represents an estimate of the surcredits that will be returned to ratepayers
119 during January through May 2013 as a result of the 2012 RBA filing. With the
120 exception of January 2013, the monthly amounts shown on RMP____(SRM-2),
121 line 14 are estimated as the actual amounts were not known at the time of filing.
122 The Company will update the January through May actual collections as part of
123 the 2014 RBA filing.

124 **Q. If this filing is intended to true up calendar year 2012 REC revenues, why**
125 **are the Estimated Schedule 98 credits for January through May of 2013**
126 **included in your deferral calculation?**

127 A. As discussed earlier, the deferral balance established in the 2012 RBA was to be
128 returned to customers through May 31, 2013. Thus, it is necessary to deduct the
129 2013 surcredits to correctly represent the May 31, 2013 ending balance.

130 **Q. Please explain why a portion of the Estimated Schedule 98 January 1**
131 **through May 31 appears in the June 2013 section of**
132 **Exhibit RMP___(SRM-2).**

133 A. This represents the amount that is related to customer usage prior to June 1, 2013,
134 but due to billing cycle lag, will not be included on customer bills until June 2013.

135 **Q. Did you include carrying charges in this filing? If so, please describe how**
136 **they were calculated.**

137 A. Yes. Approximately \$0.5 million in carrying charges for 2012 were applied to
138 arrive at the total deferral balance. The Company's most recently approved cost of
139 debt was applied to the monthly deferral balance to calculate the monthly carrying
140 charge. The cost of debt rates used were 5.71 percent for January–September
141 2012 and 5.37 percent for October 2012–May 2013 that were approved in the
142 2011 and 2012 Stipulations, respectively.

143 **Q. Please describe how this carrying charge was calculated for the January 1,**
144 **2013 through May 31, 2013 period.**

145 A. Carrying charges for January through May 2013 were calculated in the same
146 manner as the calendar year 2012 carrying charge. However, the carrying charges
147 for this time period will change slightly when the February through June 2013
148 surcredit amounts are updated.

149 **Q. In the 2012 RBA, the Company estimated surcredits for the February**
150 **through June 2012 period. Is the impact on the carrying charges related to**
151 **updating those surcredits included in this filing?**

152 A. Yes. The \$0.5 million carrying charges in this filing include the impact of

153 updating the February through June 2012 surcredit amounts.

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

155 **A. Yes.**