

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

3 A. My name is Terrell H. Spackman, and my business address is 1407 West North
4 Temple Street, Suite 330, Salt Lake City, Utah 84116.

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 Manager of Revenue Requirements for the Company.
9 I have been employed by PacifiCorp and its predecessor, Utah Power and Light
10 Company, since 1984. Prior to my current position I was Manager of Planning
11 and Financial Analysis.

12 **Q. What are your responsibilities as Manager of Revenue Requirements?**

13 A. My responsibilities include managing the calculation of the Company’s revenue
14 requirement, the preparation of business plan regulatory results and the
15 preparation of the Company’s Renewable Energy Credit (“REC”) filings in
16 various states.

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

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

22 **Purpose of Testimony**

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

24 A. The purpose of my testimony is to support and explain the calculation of the
25 balance in the REC Balancing Account (“RBA”). Specifically, I describe the
26 calculation of the \$368 thousand balance the Company is requesting to return to
27 Utah ratepayers representing the true-up of calendar year 2015 REC sales. My
28 testimony also describes the \$7.5 million deferral balance remaining to be
29 collected that was approved by the Commission in Dockets Nos. 14-035-30
30 (“2014 RBA”) and 15-035-27 (“2015 RBA”). Together, the deferrals from these
31 three filings result in a total balance of \$7.1 million, to be collected from
32 customers over a one year period beginning June 1, 2016, through May 31, 2017,
33 through Schedule 98. My testimony provides the calculation details, including:

- 34 • The split of the total \$7.1 million deferral balance between the \$368 thousand
35 request in this filing (the "2016 RBA") and the \$7.5 million that is remaining
36 to be collected related to the 2014 RBA and 2015 RBA.
- 37 • The calculation of the \$368 thousand 2016 RBA deferral balance, which is
38 being requested for approval in this filing (the "2016 RBA Deferral Balance"),
39 including:
 - 40 ◦ The allocation of calendar year 2015 REC revenues;
 - 41 ◦ The calculation of the ten percent incentive as provided in the
42 Stipulation in Docket No. 11-035-200 (the "2012 Stipulation”);
 - 43 ◦ The revenues associated with the Leaning Juniper contract;

- 44 ◦ The calculation of the calendar year 2015 REC revenues included in
45 base rates; and,
- 46 ◦ The calculation of carrying charges that were applied to the 2016 RBA
47 deferral balance.
- 48 • The calculation of the \$7.5 million remaining of the 2014 RBA deferral
49 balance and the 2015 RBA deferral balance, which was approved in the 2014
50 RBA (the "Remaining 2014 RBA Deferral Balance") and the 2015 RBA (the
51 "Remaining 2015 RBA Deferral Balance"), including:
- 52 ◦ The determination of the beginning RBA balance at January 1, 2015;
53 ◦ The true-up of the November and December 2014 actual Utah-
54 allocated REC revenue;
55 ◦ The amount of surcharges that were paid by Utah ratepayers; and,
56 ◦ The calculation of carrying charges that were applied to the 2015 RBA
57 deferral balance in accordance with the 2012 Stipulation.

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

59 A. On September 13, 2011, a stipulation (the "2011 Stipulation") was approved by
60 the Commission that resolved several dockets including Dockets No. 10-035-14
61 ("UAE REC Docket") and No. 10-035-124 ("2011 General Rate Case"). In the
62 2011 Stipulation, the parties established a REC balancing account mechanism to
63 track the difference between REC revenues included in rates and actual REC
64 revenues collected. Under the RBA, the variances are identified and deferred each
65 month for one calendar year (the "Deferral Period"). In this 2016 RBA filing, the
66 deferral period was January 1, 2015 through December 31, 2015. Annually on

67 March 15, an RBA application is filed to present these differences, including
68 applicable carrying charges, with a true-up of the difference between the amounts
69 in rates and actual sales occurring through Schedule 98.

70 **Q. Please describe the Company's 2016 RBA filing.**

71 A. By employing the methodology described above, the total RBA deferral balance
72 related to calendar year 2015 REC sales to be credited to customers through
73 Schedule 98 is approximately \$368 thousand. This amount will be credited over
74 one year beginning June 1, 2016. Also, in the 2014 RBA the Commission
75 approved a deferral balance of approximately \$17.0 million, to be collected over
76 three years beginning June 1, 2014. In the 2015 RBA, the Commission approved a
77 deferral balance of approximately \$5.6 million, to be collected over two years
78 beginning June 1, 2015. Schedule 98 rates were approved in the 2015 RBA,
79 effective June 1, 2015, to continue to collect the 2014 RBA and the 2015 RBA.
80 The Company will continue to collect the 2014 RBA deferral balance and the
81 2015 RBA deferral balance, of which \$7.5 million remains, through May 31,
82 2017. The table below provides a summary of these amounts.

2016 RBA Deferral Balance Calculation:

2015 Actual REC Revenue	\$ 2,612,476
10% retention incentive on incremental REC sales	(261,248)
2015 Leaning Juniper Contract Revenue	2,110
2015 REC Revenues in Base Rates	(2,000,000)
Carrying Charges for Deferral Period (January - December 2015)	7,788
Carrying Charges for Interim Period (January 2016 - May 2016)	7,204
Total 2016 RBA Deferral Balance	\$ 368,331

Remaining 2014 & 2015 RBA Deferral Balance Calculation:

2014 REC Revenue Deferred Balance @ December 31, 2014	\$ (13,566,056)
2015 REC Revenue Deferred Balance @ December 31, 2014	(5,487,134)
True-Up for using actual resource allocations for Nov.14 & Dec.14	35
REC Revenue Deferred Balance @ December 31, 2014 in this RBA filing	\$ (19,053,155)
Carrying Charges for Interim Period (January - May 2015)	(119,922)
Carrying Charges for Collection Period (June 2015 - May 2017)	—
2015 Schedule 98 Surcredits/Surcharges	7,498,366
Estimated Schedule 98 Surcharge January 1 - May 31, 2016	4,176,551
Total 2014 RBA Remaining Deferral Balance	\$ (7,498,160)

Total Deferral Balance for Collection June 1, 2016 through May 31, 2017 \$ (7,129,829)

83 Exhibit RMP____(THS-1) is an electronic version of the table shown above and is
84 linked to Exhibits RMP____(THS-2) and RMP____(THS-3) which include the
85 supporting calculations.

86 **Q. Why is it necessary to track the deferral balances related to the 2016, 2015,**
87 **and 2014 RBA filings separately?**

88 A. Until the 2015 RBA filing, remaining balances related to prior year's RBA filings
89 were simply rolled into the balance as of January 1, combined with the current
90 deferral, and walked forward as one deferral balance. In the 2012 Stipulation,
91 paragraphs 37 and 38 stated:

92 37. The parties agree that any difference between base REC revenues
93 and actual REC revenues as determined by the Commission for calendar
94 year 2013 should be recovered or returned over a three-year period from
95 the effective date of the approved rate change to collect or refund such

96 balance, with no carrying charges during such three-year collection or
97 refund period.

98 38. The Parties agree that any difference between base REC revenues
99 and actual REC revenues as determined by the Commission for calendar
100 year 2014 should be recovered or returned over a two-year period from the
101 effective date of the approved rate change to collect or refund such
102 balance, with no carrying charges during such two-year collection or
103 refund period.

104 Therefore, in order to calculate carrying charges correctly, the deferral amounts
105 related to the 2014 and 2015 RBAs are shown separately from the deferral
106 amount related to the 2016 RBA in Exhibits RMP____(THS-2) and RMP____(THS-
107 3). The calculation of carrying charges that were applied to each deferral balance
108 is described later in my testimony.

109 **Q. Please describe how your Exhibits RMP____(THS-2) and RMP____(THS-3)**
110 **are organized.**

111 A. Exhibits RMP____(THS-2) and RMP____(THS-3) support the Company's proposed
112 change to tariff Schedule 98 rates and provide the detailed calculation of the \$7.1
113 million total deferral balance presented in this filing. Exhibit RMP____(THS-2)
114 shows the monthly detail for calendar year 2015 for the 2016 RBA Deferral
115 Balance and the Remaining 2014 & 2015 RBA Balances. Exhibit RMP____(THS-
116 3) shows the monthly detail for calendar year 2016 for the 2016 RBA Deferral
117 Balance and the Remaining 2014 & 2015 RBA Balances. Page 2.1 of the exhibit
118 shows the calculation used to determine the Utah allocated actual 2015 REC
119 revenues, illustrating the reallocation of revenue for renewable portfolio standard
120 ("RPS") eligibility. Page 2.2 provides the calculation of the System Generation
121 ("SG") allocation factor that was used on page 2.1 as the basis to allocate REC

122 revenue to Utah. The allocation factors are consistent with those used in the
123 energy balancing account (“EBA”) filing.

124 **Calculation of the 2016 RBA Deferral Balance**

125 **Q. Please describe how the 2016 RBA Deferral Balance was calculated.**

126 A. The \$368 thousand 2016 RBA Deferral Balance represents the difference between
127 actual REC revenue booked by the Company during calendar 2015, less the ten
128 percent incentive retained by the Company, and the amount of REC revenue set in
129 base rates. This balance accrued carrying charges during the deferral period
130 (calendar year 2015) and the interim period (January through May 2016).

131 **Q. Please describe how the 2015 Utah allocated booked REC revenue was
132 calculated.**

133 A. During calendar year 2015, the Company booked \$4.3 million from REC sales on
134 a total Company basis. Utah’s allocated share of REC revenue is determined using
135 the SG factor, including a reallocation of revenue initially allocated system wide
136 to reflect compliance with state renewable portfolio standards. The resulting Utah
137 allocated amount of REC revenue during 2015 was \$2.6 million, as shown in my
138 exhibit on page 2.1.

139 **Q. Please describe the ten percent incentive resulting from the 2012 Stipulation.**

140 A. The parties to the 2012 Stipulation agreed that the Company would be allowed to
141 retain ten percent of the revenues obtained from sales of RECs incremental to the
142 forecast REC revenue included in that case of \$25 million through May 31, 2013,
143 and thereafter incremental to the revenues received under contracts entered into
144 after July 1, 2012. These contracts were memorialized in Confidential Exhibit B

145 to the 2012 Stipulation. The contracts that were listed as excludable from the ten
146 percent incentive calculation all expired during 2012. Thus, all of the REC
147 revenue booked in calendar year 2015 qualifies for the ten percent incentive
148 calculation. The Company calculated the incentive by taking ten percent of the
149 Utah-allocated REC revenue as shown in Exhibit RMP____(THS-2), line 4,
150 resulting in \$261 thousand.

151 **Q. Please explain the REC revenue attributable to the Leaning Juniper contract**
152 **REC revenues shown on Exhibit RMP____(THS-2), line 6.**

153 A. The Leaning Juniper contract revenues shown on line 6 represent the revenue the
154 Company received from the Leaning Juniper contract. The Company booked
155 approximately \$5 thousand during calendar year 2015 related to the REC
156 component of the contract. The Utah-allocated amount of these revenues is
157 approximately \$2 thousand and is included as a credit to Utah customers in this
158 RBA filing.

159 **Q. How was the amount of 2015 REC revenue in base rates determined?**

160 A. The REC revenue in rates during 2015 was determined in accordance with the
161 amounts set in the Docket No. 13-035-184 ("2014 GRC"). From January 1, 2015,
162 through December 31, 2015, the amount of REC revenue in base rates was set to
163 \$2.0 million Utah-allocated, which equates to approximately \$167 thousand per
164 month. These monthly amounts are reflected accordingly in Exhibit
165 RMP____(THS-2), and produce a total of \$2 million in Utah-allocated REC
166 revenues during calendar year 2015.

167 **Q. Did you apply carrying charges to the 2016 RBA Deferral Balance in this**
168 **filing? If so, please describe how they were calculated.**

169 A. Yes. Approximately \$15 thousand in carrying charges were applied to arrive at the
170 \$368 thousand 2016 RBA Deferral Balance. Of this amount, approximately \$8
171 thousand were accrued during the deferral period (calendar year 2015) and
172 approximately \$7 thousand were accrued during the interim period (January
173 through May 2016). The Company's most recently approved weighted cost of
174 debt was applied to the monthly deferral balance to calculate the monthly carrying
175 charge for calendar year 2015. The weighted cost of debt used from January 1,
176 2015 to December 31, 2015, was 5.20 percent as stipulated in the 2014 GRC.

177 **Q. Please describe how carrying charges were calculated for the January 1, 2016**
178 **through May 31, 2016 period.**

179 A. Carrying charges for January through February 2016 were calculated in the same
180 manner as the calendar year 2015 carrying charge. Starting March 1, 2016, the
181 carrying charge was changed to 4.45 percent per Docket No. 15-035-69.

182 **Calculation of the Remaining 2014 and 2015 RBA Deferral Balances**

183 **Q. Please clarify what the Remaining 2014 RBA Deferral Balance in this filing**
184 **represents and why the Company included it in this filing.**

185 A. In the 2014 RBA, the Company requested a total deferral balance to be collected
186 from customers of approximately \$17 million, related to the deferral of the
187 difference in calendar year 2013 REC revenue and the amount in base rates.
188 Consistent with the 2012 Stipulation, the amount was to be collected from
189 customers over a three year period, June 1, 2014 through May 31, 2017. Thus, the

190 \$5.3 million Remaining 2014 RBA Deferral Balance represents the remaining
191 deferral balance that has not yet been collected from customers. This includes
192 carrying charges accrued during the deferral period (calendar year 2013) and the
193 interim period (January through May 2014). Carrying charges are not applied
194 during the collection period (June 2014 through May 2017).

195 **Q. Please clarify what the Remaining 2015 RBA Deferral Balance in this filing**
196 **represents and why the Company included it in this filing.**

197 A. In the 2015 RBA, the Company requested a total deferral balance to be collected
198 from customers of approximately \$5.6 million, related to the deferral of the
199 difference in calendar year 2014 REC revenue and the amount in base rates.
200 Consistent with the 2012 Stipulation, the amount was to be collected from
201 customers over a two year period, June 1, 2015 through May 31, 2017. The \$2.6
202 million Remaining 2015 RBA Deferral Balance represents the remaining deferral
203 balance that has not yet been collected from customers. This balance includes
204 carrying charges accrued during the deferral period (calendar year 2014) and the
205 interim period (January through May 2015). Carrying charges are not applied
206 during the collection period (June 2015 through May 2017).

207 **Q. How was the \$5.3 million Remaining 2014 RBA Deferral Balance and the**
208 **\$2.6 million Remaining 2015 RBA Deferral Balance determined?**

209 A. To calculate the \$5.3 million Remaining 2014 RBA Deferral Balance, the
210 Company started with the \$13.5 million 2014 RBA deferred balance as of
211 December 31, 2014. From this, actual amounts collected through Schedule 98

212 were subtracted and carrying charges were added to arrive at the total amount
213 remaining.

214 To calculate the \$2.6 million Remaining 2015 RBA Deferral Balance, the
215 Company started with the \$5.4 million 2015 RBA deferred balance as of
216 December 31, 2014, adjusted for the final November and December 2014
217 resources. From this, actual amounts collected through Schedule 98 were
218 subtracted and carrying charges were added to arrive at the total amount
219 remaining.

220 **Q. How did the Company determine the REC revenue beginning deferred**
221 **balance as of January 1, 2015?**

222 A. The REC revenue deferred balance of \$19 million for January 1, 2015, consists of
223 the December 31, 2014, ending deferred balances for the 2014 and 2015 RBAs
224 shown in Exhibit RMP__(THS-2), lines 16 and 17 respectively in the 2015
225 RBA.

226 **Q. Are any adjustments to the January 1, 2015 beginning balance necessary?**

227 A. Yes. In the 2015 RBA filing, the resource assignments for the November and
228 December 2014 REC revenue were estimated. The total Company REC sales
229 amounts for those months were known at the time of filing; however, the specific
230 assignment of RECs sold by individual resources in November and December
231 2014 was not finalized. The updated resource assignments for November and
232 December 2014 are provided in Mr. Bruce W. Griswold's Confidential Exhibit
233 RMP__(BWG-4). The Company committed to flow through the difference in
234 this filing. The update increases the Utah allocated share of November and

235 December 2014 actual REC sales by approximately \$35. The January 1, 2015,
236 starting balance was decreased by this amount to reflect the final amounts. A
237 similar true-up was included in the 2015 RBA to true-up November and
238 December 2013 resources and will also be necessary in the 2017 RBA to reflect
239 the update of the November and December 2015 resources that are currently
240 estimated in this filing.

241 **Q. What were the total 2014 Schedule 98 surcharges included on customer bills?**

242 A. The 2015 RBA established a \$16.6 million surcharge, which reset the rate on
243 June 1, 2014. In total, Utah ratepayers paid approximately \$7.4 million in
244 surcharges through Schedule 98 during calendar year 2015. The monthly amounts
245 are shown in Exhibit RMP____(THS-2), line 15.

246 **Q. Please describe what the Estimated Schedule 98 January 1, 2016 - May 31,**
247 **2016 represents.**

248 A. This represents an estimate of the surcharges that will be paid by ratepayers
249 during January through May 2016 as a result of the 2015 RBA filing. With the
250 exception of January 2016, the monthly amounts shown on Exhibit
251 RMP____(THS-3), line 5 are estimated as the actual amounts were not known at
252 the time of filing. The Company will update the February through May actual
253 collections as part of the 2017 RBA filing.

254 **Q. Why are the Estimated Schedule 98 charges for January through May of**
255 **2016 included in your deferral calculation?**

256 A. As discussed earlier, the deferral balance established in the 2014 RBA and 2015
257 RBA were to be collected from customers through May 31, 2017. Thus it is

258 necessary to subtract the January through May 2016 surcharges to correctly
259 represent the May 31, 2016, ending balance.

260 **Q. Please explain why a portion of the Estimated Schedule 98 January 1**
261 **through May 31 appears in the June 2016 section of Exhibit RMP___(THS-**
262 **3).**

263 A. This represents the amount that is related to customer usage prior to June 1, 2016,
264 but due to billing cycle lag, will not be included on customer bills until June 2016.

265 **Q. Did you include carrying charges in this filing related to the Remaining 2015**
266 **RBA Balance? If so, please describe how they were calculated.**

267 A. Yes. Approximately \$119 thousand in carrying charges during the interim period,
268 January through May 2015, were applied to arrive at the total deferral balance.
269 The weighted cost of debt rate used was 5.20 percent as approved in the 2014
270 GRC. No carrying charges were applied during the collection period, beginning
271 June 1, 2015.

272 **Q. In the 2015 RBA, the Company estimated surcharges for the February**
273 **through June 2015 period. Is the impact on the carrying charges related to**
274 **updating those surcharges included in this filing?**

275 A. Yes. The \$119 thousand carrying charges described above include the impact of
276 updating the February through June 2015 surcharge amounts.

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

278 A. Yes.