

Docket No 21-035-14
Office of Consumer Services (OCS)
CONFIDENTIAL Exhibit 1.1D
Subject to Rule 746-100-16
As referenced in the Direct Testimony of Donna Ramas

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May 7, 2021

OCS Data Request 1.2

OCS Data Request 1.2

Refer to Exhibit RMP__(NLH-1), lines 2 and 7, which shows: (1) the allocation factor used in the allocation of the pension settlement loss during the 2021 test year and as projected for subsequent years, and (2) the allocation factor used in the determination of the Utah-Allocated Pension Settlement Loss In-Rates, both using a Utah System Overhead (SO) allocation factor of 43.569%. Please also refer to Exhibit RMP__(SRM-3) pages 64 and 74 - 76 of 467 (also shown as Pages 4.2 and 4.2.9 – 4.2.11) in Docket No. 20-035-04, which shows that the Wage & Employee Benefits, inclusive of the pension expense, were allocated using various allocation factors during the test year, with the result being that 44.1127% of Wage & Employee Benefits Expense adjustment was allocated to Utah in the adjusted Test Year ending 12/31/2021 (calculated as \$21,18,569 / \$48,026,006). Exhibit RMP__(SRM-3) in Docket No. 20-035-04 at page 76 of 467 (Page 4.2.11) also shows that \$223,801,49 of the total adjusted test year ended December 31, 2021 labor expenses (inclusive of wages and benefits) of \$507,340,849 were allocated to Utah, which is also 44.1127% to Utah.

- (a) Please explain, in detail, why the Company proposes to use the SO allocation factor for purposes of determining the “Actual Utah-Allocated Pension Settlement Loss” in the calculation of the Utah Pension Settlement Adjustments Balancing Account instead of the 44.1127% used to determine the Utah allocated pension expense in Docket No. 20-035-04.
- (b) Please explain, in detail, why the Company proposes to use the SO allocation factor for purposes of determining the “Utah-Allocated Pension Settlement Loss In-Rates” in the calculation of the Utah Pension Settlement Adjustments Balancing Account instead of the 44.1127% used to determine the Utah allocated pension expense in Docket No. 20-035-04.
- (c) If it is the Company’s position that the amount of Utah-Allocated Pension Settlement Loss In-Rates was an amount other than 44.1127% of the \$7,931,718 “Utility Labor Portion (Expense – In Rates)” shown on line 6 of Exhibit RMP__(NLH-1), please: (i) explain why; (ii) provide the percentage of the expense RMP views as being “In Rates” in Utah; and (iii) provide the source of the percentage of the expense in Utah rates.

Response to OCS Data Request 1.2

- (a) The 44.1127% represents a blend of all allocation factor and FERC account combinations in which labor expense are recorded and is illustrated on Page 4.2.9 – 4.2.11 of Exhibit RMP__(SRM-3) in Docket No. 20-035-04. This historical blend of allocation factor and FERC account combinations is used as an attempt to closely predict how expenses in a Test Period will be incurred. The Pension settlement losses are categorized as “non-service” costs for the PacifiCorp Retirement Plan (PRP) and when incurred will be posted to

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OCS Data Request 1.2

FERC Account 926 and allocated on the system overhead (SO) factor. The final SO allocation factor from the Utah rate case is 43.569 percent.

- i. Overall wage and benefits are initially spread based on the base period actual labor and benefits allocation spread by account and factor combination. After this, the model calculated factor percentages are applied to each account and factor combination which then provides the overall labor related allocation to Utah. In the Company's direct filing the overall labor allocation percentage to Utah was 44.1127 percent. The final overall labor allocation spread to Utah was 44.0768 percent.

In the Company's direct filing in Docket No. 20-035-04, the Utah SO allocation factor was 43.6945 percent. The final SO allocation percentage in Docket No. 20-035-04 was 43.5695 percent, which is the correct Utah allocation percentage to use for pension settlement losses and is used in Exhibit RMP__(NLH-1).

- ii. The source of the 44.0768 percent is shown in Attachment OCS 1.5 ($\$220,866,162/501,094,175 = 44.0768\%$).

(b) Please refer to the Company's response to subpart (a) above

(c) Please refer to the Company's response to subpart (a) above

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OCS Data Request 1.8

OCS Data Request 1.8

Refer to the Direct Testimony of Nicholas L. Highsmith, at lines 66 – 69, which states: “The Company assumed approximately 33.3 percent, or \$4.0 million, of the loss would be capitalized based on the historical treatment of wages and benefits expenses but did not consider the change in accounting rules that requires capitalization of service cost only.” The sentence also references ASC 715-30-35-7A which was effective January 1, 2018. Also refer to Exhibit RMP__ (SRM-3) in Docket No. 20-035-04 at page 77 of 467 (also referenced as Page 4.2.12). This page from Docket No. 20-035-04 shows a breakdown of the projected net periodic benefit cost for the PacifiCorp retirement plan in the test year ending December 31, 2021 that was included in the rate case filing, which is shown as (\$3,100,000) prior to the projected pension settlement loss and included \$0 of service costs.

- (a) Please explain, in detail, why RMP capitalized a portion of the net periodic benefit costs in its rate case filing when such costs are no longer capitalized under ASC 715-30-35-7A.
- (b) Please confirm that the amount of negative pension expense (or pension income) included in the adjusted test year ended December 31, 2021 associated with the PacifiCorp Retirement Plan prior to consideration of the pension settlement loss (i.e., -\$3,100,000) would have further decreased adjusted test year expenses if a portion of such negative expense (or pension income) had not been assumed to be capitalized in the rate case filing. If not confirmed, explain why not.

Response to OCS Data Request 1.8

- (a) The forecasted 2021 PacifiCorp Retirement Plan (PRP) amount of -\$3.1 million should not have been capitalized in the Wage and Benefit adjustment.
- (b) Confirmed.

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OCS Data Request 1.9

OCS Data Request 1.9

Refer to the Direct Testimony of Nicholas L. Highsmith, at lines 66 – 69, which states: “The Company assumed approximately 33.3 percent, or \$4.0 million, of the loss would be capitalized based on the historical treatment of wages and benefits expenses but did not consider the change in accounting rules that requires capitalization of service cost only.” The sentence also references ASC 715-30-35-7A which was effective January 1, 2018. Is it the Company’s position that it erred in capitalizing the net periodic pension costs and the pension settlement costs in the test year in Docket No. 20-035-20?

- (a) If no, then please explain, in detail, why capitalization of both the net periodic pension costs and the pension settlement loss in Docket No. 20-035-20 as part of the Wage and Employee Benefits adjustment in Exhibit RMP__ (SRM-3) was not done in error when considering ASC 715-30-35-7A.
- (b) If yes, then please identify specifically when the error was discovered. If discovered prior to the filing of RMP’s rebuttal testimony in Docket No. 20-035-20, explain, in detail, why this error was not addressed or corrected in RMP’s rebuttal testimonies and exhibits.
- (c) If yes, then please provide the impact of the error on the adjusted test year pension expense included in RMP’s filing in Docket No. ASC 715-30-35-7A.

Response to OCS Data Request 1.9

- (a) Yes.
- (b) The Company first became aware of a potential error related to pension settlements during the preparation of the rebuttal filing. After further review and investigation, the Company became fully aware of the regulatory impacts of the change in Accounting Standards Codification during preparation of the December 2020 Results of Operations (ROO) report.
- (c) The Company assumes Docket No. ASC 715-30-35-7A is intended to reference Docket No. 20-035-04. As such, the Company response as follows:

Correcting the capitalized portion of the \$11.9 million expense regarding the forecasted 2021 settlement loss would have increased the revenue requirement in Docket No. 20-035-04 by approximately \$1.8 million, Utah-allocated.

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OCS Data Request 2.3

OCS Data Request 2.3

Refer to the response to OCS Data Request 1.9(b), which states, in part, that “The Company first became aware of a potential error related to pension settlements during the preparation of the rebuttal filing”.

- (a) If the Company became aware of the potential error in the preparation of the rebuttal filing in Docket No. 20-035-04, please explain, in detail, why the error was not addressed or corrected as part of the Company’s rebuttal filing, surrebuttal filing, or by any other means as part of Docket No. 20-035-04.
- (b) Please provide a copy of any internal correspondence, studies or reports, if any exist, addressing (i) the impact of the errors caused by capitalizing a portion of the settlement loss and/or capitalizing a portion of the PacifiCorp Retirement Plan net periodic benefit costs (prior to the settlement loss), and (ii) whether or not the errors should be disclosed and/or corrected in Docket No. 20-035-04.

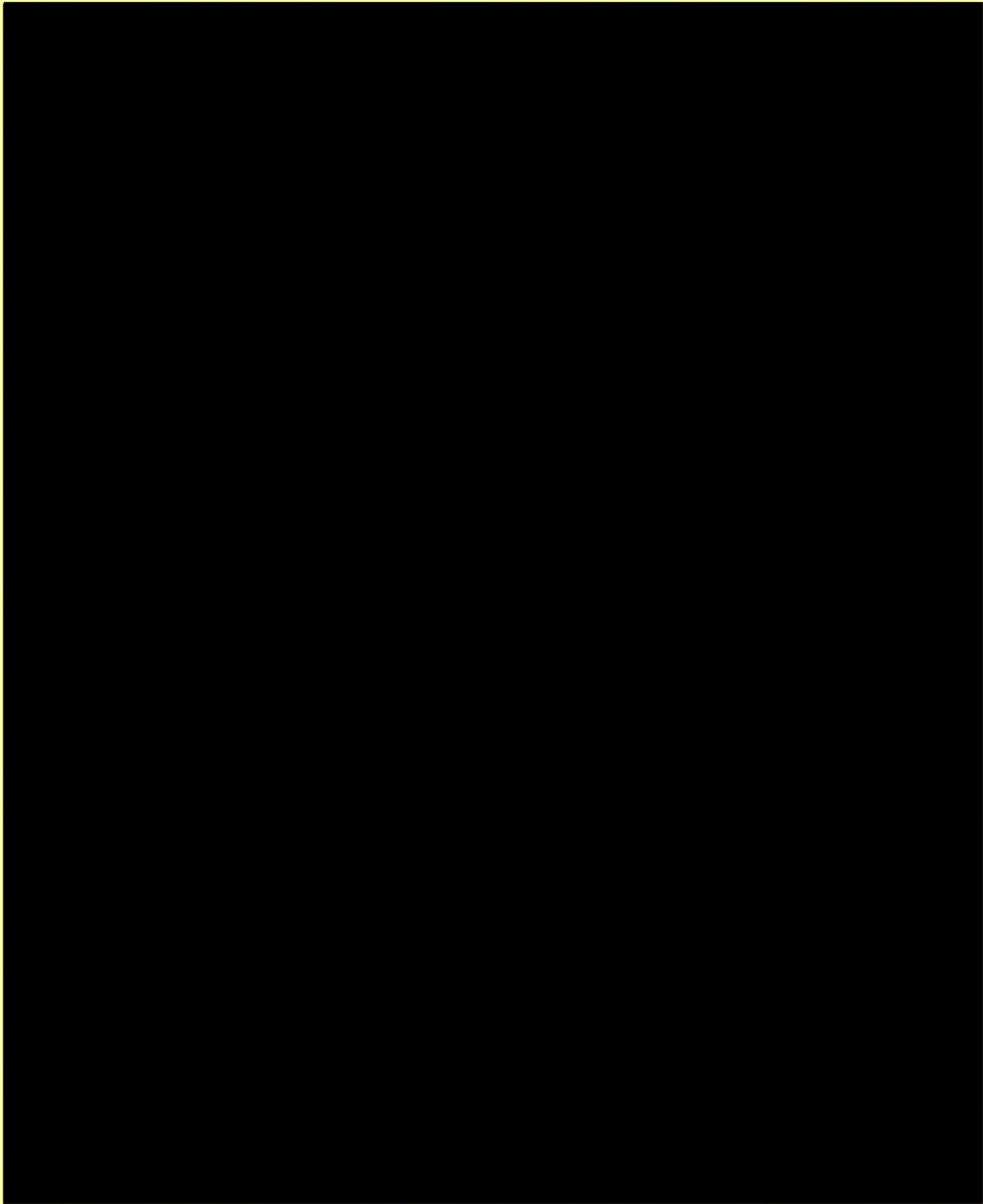
Response to OCS Data Request 2.3

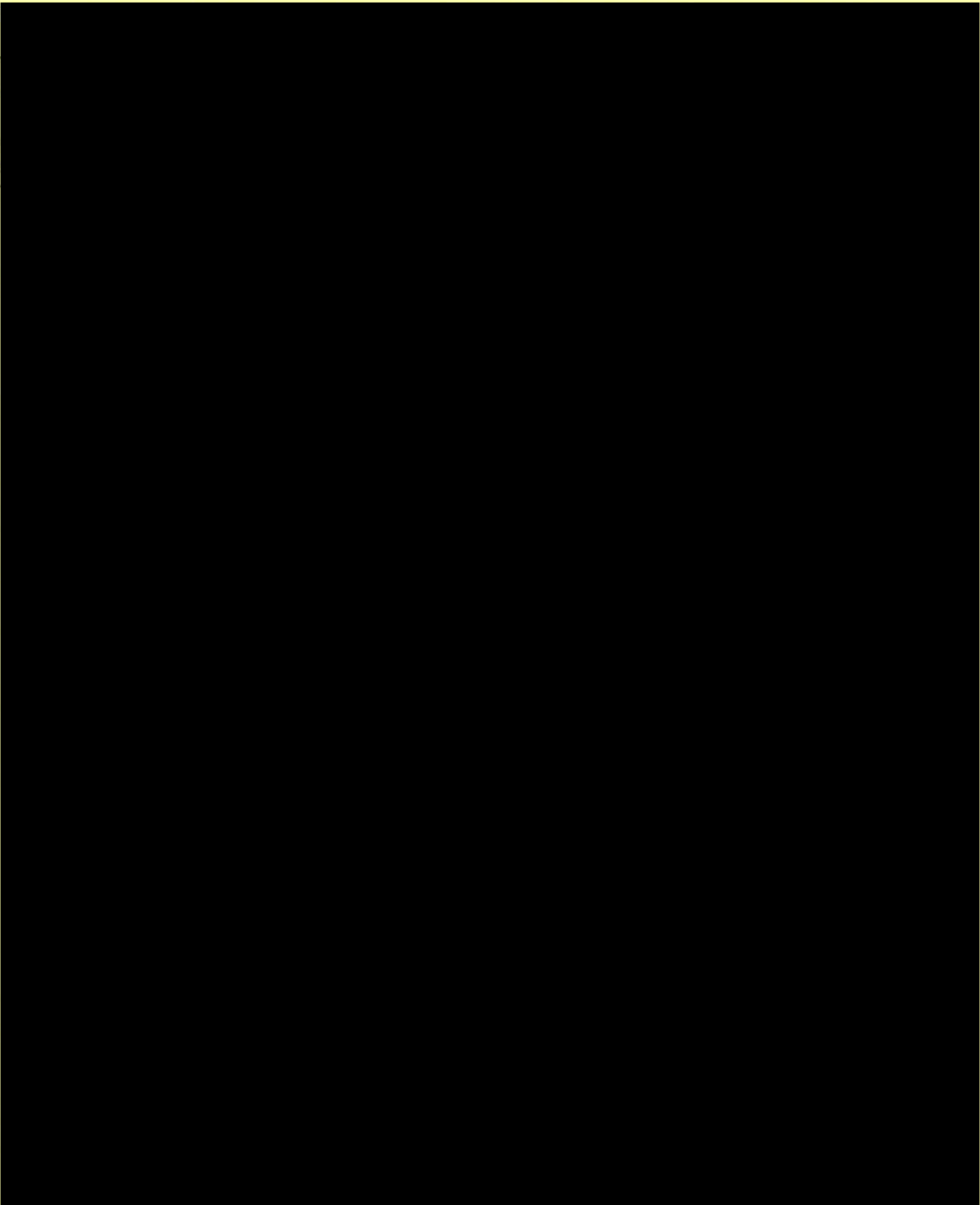
- (a) The Company become aware of the potential error in the regulatory treatment of the pension settlement expense, specifically in Docket No. 20-035-04, in the rebuttal phase of the docket, however, did not understand the full impacts of the revised accounting guidance, and the impact it would have on other items. In addition, the error benefitted customers and would be resolved with the pension settlement balancing account if approved. As stated in the Company’s response to OCS Data Request 1.9, the Company only became fully aware of all regulatory impacts in the preparation of the December 2020 Results of Operations (ROO), which was filed on April 30, 2021.
- (b) The Company objects to this request to the extent it calls for documents and communications protected by the attorney-client privilege and/or work product doctrine. Subject to and without waiving any objection, the Company responds as follows:

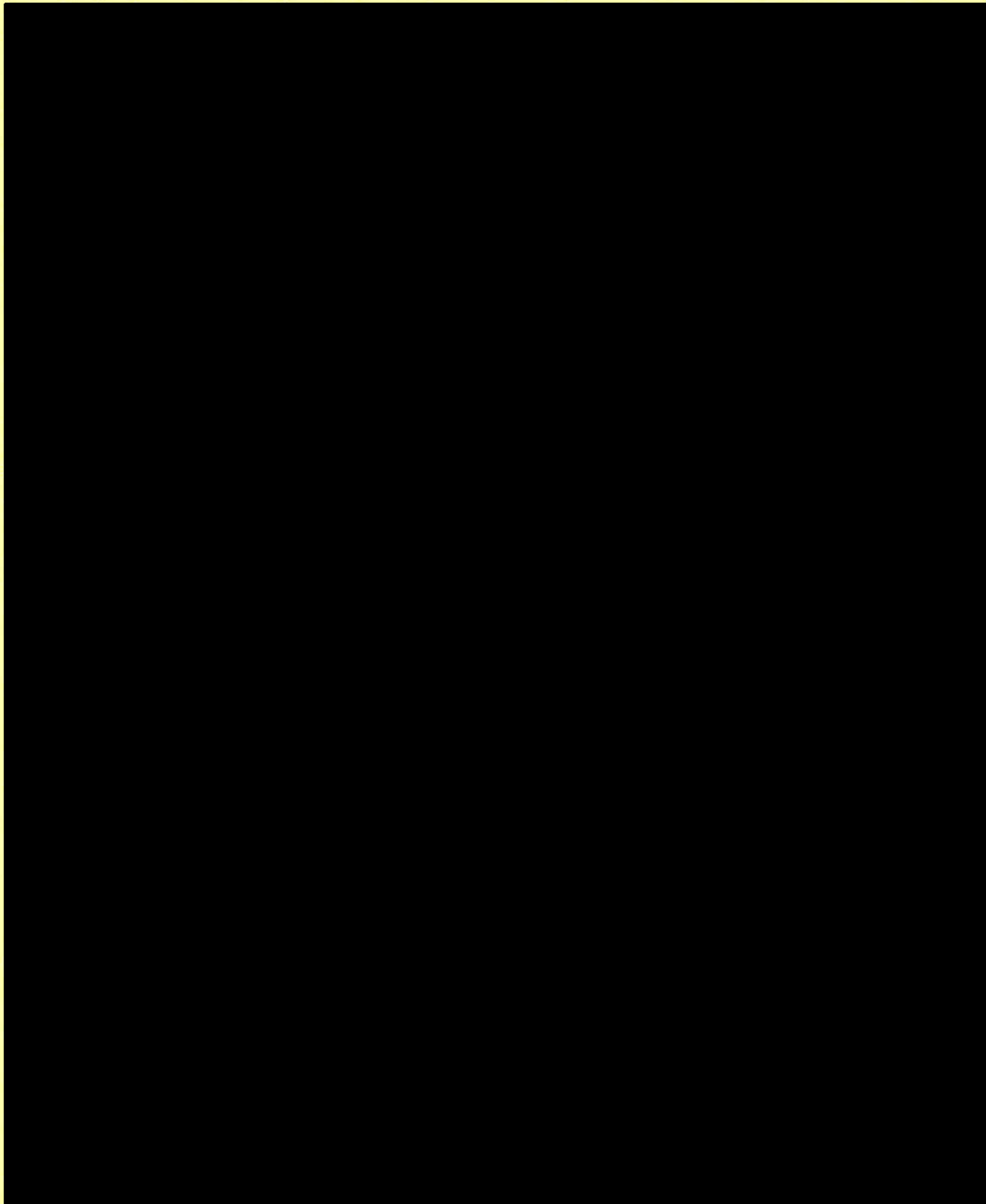
Please refer to Confidential Attachment OCS 2.3.

Confidential information is provided subject to R746-1-601–606 of the Utah Public Service Commission Rules.

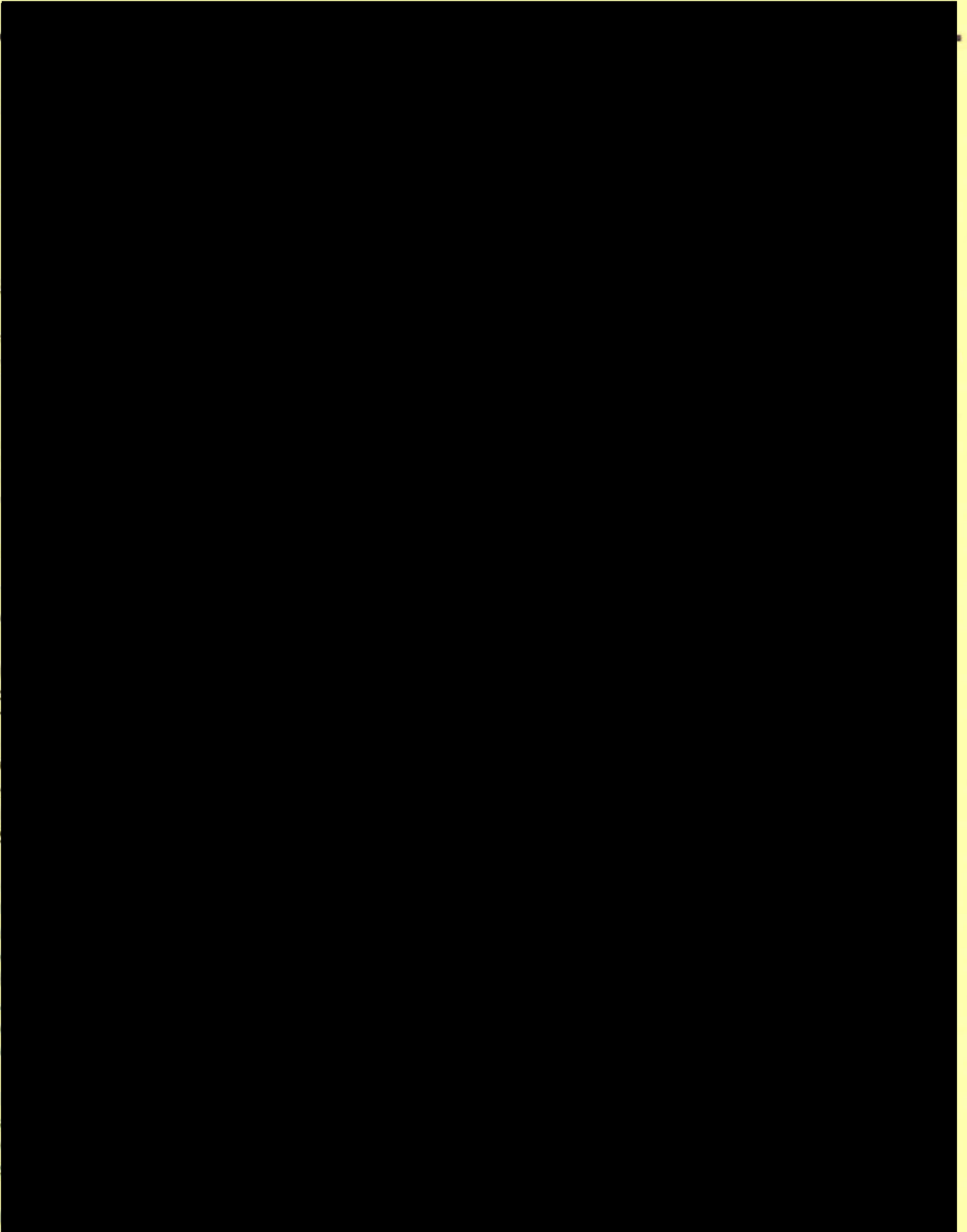


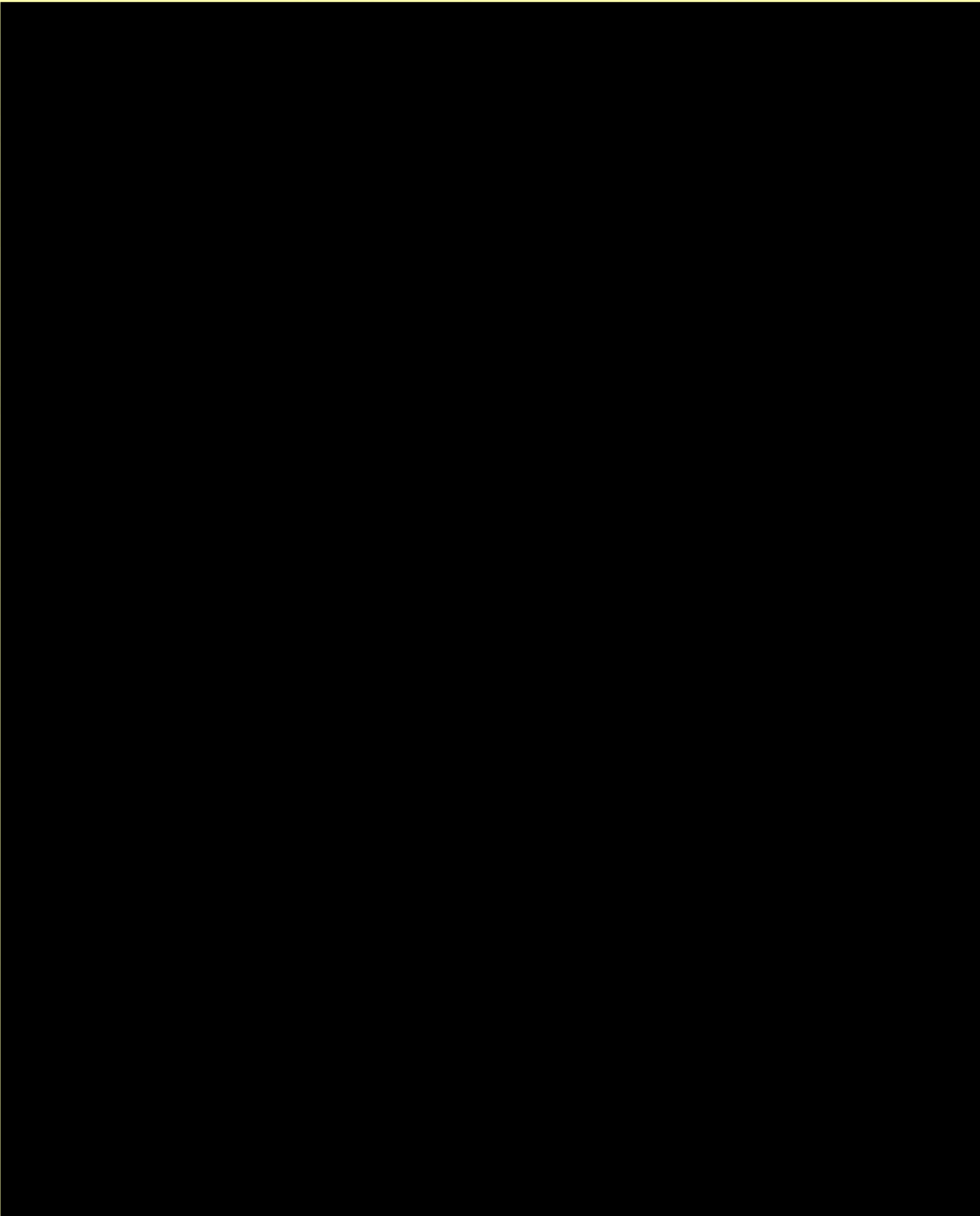












OCS Data Request 2.4

Refer to the response to OCS Data Request 1.8(a) in which the Company agrees that a portion of the forecasted 2021 PacifiCorp Retirement Plan amount of negative \$3.1 million should not have been capitalized. Also refer to the response to OCS Data Request 1.9(c) in which the Company provided the impact of correcting the capitalized portion of the forecasted 2021 settlement loss on the revenue requirement in Docket No. 20-035-04 but not the impact of correcting the capitalized portion of the forecasted 2021 PacifiCorp Retirement Plan amount. Please provide the impact on the revenue requirement in Docket No. 20-035-04 that would result from correcting the capitalized portion of the -\$3.1 million forecasted 2021 PacifiCorp Retirement Plan amount.

Response to OCS Data Request 2.4

Correcting the capitalized portion of the -\$3.1 million expense regarding the forecasted 2021 PacifiCorp Retirement Plan amount would have decreased the revenue requirement in Docket No. 20-035-04 by approximately \$466,000, on a Utah-allocated basis.