REDACTED
Rocky Mountain Power
Docket No. 21-035-42
Witness: Steven R. McDougal

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED
Direct Testimony of Steven R. McDougal

August 2021

I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address with PacifiCorp dba Rocky Mountain Power ("Rocky Mountain Power" or "the Company").

A. My name is Steven R. McDougal, and my business address is 1407 W. North Temple, Suite 330, Salt Lake City, Utah 84116.

Q. Please describe your education and professional background.

A. I received a Master of Accountancy from Brigham Young University with an emphasis in Management Advisory Services and a Bachelor of Science degree in Accounting from Brigham Young University. In addition to my formal education, I have also attended various educational, professional, and electric industry-related seminars. I have been employed by PacifiCorp and its predecessor, Utah Power and Light Company, since 1983. My experience includes various positions with regulation, finance, resource planning, and internal audit. My current position is the Director of Revenue Requirement.

Q. What are your responsibilities with the Company?

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

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have provided testimony in many dockets before the Public Service Commission of Utah ("Commission"). I have also testified on various matters before the California, Idaho, Oregon, Washington, and Wyoming public utility commissions.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your direct testimony?

A. My direct testimony supports the Company's application to recover the remaining costs for the TB Flats and Pryor Mountain wind projects that are not included in customer rates from the Company's 2020 General Rate Case, Docket No. 20-035-04 ("2020 GRC"), in order to fairly match cost recovery with the full pass-back of benefits to customers through the Energy Balancing Account ("EBA). The request results in net rate reduction of $4.2 million. I explain the Company's revenue requirement calculation and proposal to adjust rates effective January 1, 2022.

Q. Please explain the circumstances that gave rise to this filing.

A. As described in the testimony of Ms. Steward, the Company requested approval for a full annualized revenue requirement related to the Pryor Mountain and TB Flats wind projects in the 2020 GRC, which was not authorized by the Commission. The Company is now requesting in this docket a rate change associated with the unrecovered portions of the Pryor Mountain and TB Flats wind projects consistent with the law allowing recovery for major plant additions, section 54-7-13.4 of the Utah Code.

Q. What benefits will customers receive from these projects?

A. Wind resources like Pryor Mountain and TB Flats produce tremendous customer benefits such as production tax credits ("PTCs") and zero fuel cost megawatt-hours ("MWh"), which are trued-up on an annual basis through the EBA. This means customers receive 100 percent of the benefits of these wind projects while only paying a portion of the capital-related costs.

Q. Does the Commission's decision appropriately match both the costs and benefits in the context of the test period of the 2020 GRC?

A. Yes, but the costs and benefits are only matched for the calendar year 2021 test year. Afterwards, the pro-rated capital and depreciation costs of the Pryor Mountain and TB Flats wind projects will remain embedded in customer rates until the next general rate case, yet the NPC and PTC benefits are tracked and trued-up through the EBA and included for a full, annualized level.

Q. What is the Company requesting in this docket?

A. The Company is seeking to recover the portion of the costs associated with the TB Flats and Pryor Mountain wind projects that are not included in customer rates from the 2020 GRC.

Q. Do the investments in this application qualify for alternative cost recovery for major plant additions as outlined in Utah Code Section 54-7-13.4?

A. Yes. One percent of the Company's Utah rate base approved by the Commission in the 2020 GRC is $75.6 million and each of the total project costs exceeds this threshold. Utah's allocated total project cost for TB Flats is $[redacted] million and for Pryor Mountain $[redacted] million.[1] Additionally, the filing is being made within eighteen months of the final order in the 2020 GRC, as required by the statute. Details on the total project revenue requirement calculation are provided as Confidential Exhibit RMP__(SRM-1).

[1] Per Total Company amounts on Confidential Exhibit RMP__(SRM-1), pages 1.1 and 1.2, multiplied by Utah's allocation share of 43.9975%.

Revenue Requirement

Q. What is the revenue requirement related to the two major plant additions requested in this application?

A. The following table summarizes the requested incremental revenue requirement for each of the projects and the net power cost savings, allocated to Utah.

Table 1

$-Dollars	**TB Flats**	**Pryor Mountain**	**TOTAL**	
Total Plant Revenue Requirement	4,760,098	1,973,728	6,733,826	
PTC Revenue Requirement	(5,039,144)	(1,753,299)	(6,792,442)	
Allocation Factor Impact	(408)	3,493	3,085	
Total Before NPC	**(279,453)**	**223,921**	**(55,532)**	(1)
Net Power Costs			(4,107,441)	(2)
Rev. Requirement			**(4,162,973)**	

(1) Exhibit RMP__(SRM-1), pages 1.1 and 1.2
(2) Exhibit RMP__(SRM-1), page 1.0

The requested incremental revenue requirement results in a net decrease in rates because the incremental plant costs are offset by incremental PTCs and NPC savings.

Q. Please explain how the revenue requirement of the plant additions was prepared.

A. The revenue requirement of each plant addition was calculated using the same model and methods employed by the Company in its general rate case. Each plant addition was treated as an incremental adjustment to the 2020 GRC revenue requirement for the Company's Utah jurisdiction. The Company utilized the Jurisdictional Allocation Model ("JAM") to allocate the various individual revenue requirement components to the state of Utah and compute the net increase in revenue requirement for each project. The working model used to prepare these pages has been included as R746-700-30.D.1 of the filing requirements.

Q. What is the return on equity (“ROE”) used in this application?

A. The cost of capital included in this filing is consistent with the capital structure and costs approved by the Commission in 2020 GRC, which includes an ROE of 9.65%.

Q. What is the method currently approved for allocating total Company revenue requirement to Utah?

A. Total-Company revenue requirement components are allocated among the Company’s jurisdictions using the 2020 Protocol allocation method, as approved by the Commission in Docket No. 19-035-42 and utilized in the Company’s 2020 GRC filing.

Q. Please describe Confidential Exhibit RMP___(SRM-1).

A. Confidential Exhibit RMP___(SRM-1) contains the numerical details and calculations supporting the revenue requirement of each project and the allocation to Utah. Page 1.0 is a summary by project of the net incremental revenue requirement. The first column on page 1.0 ties to the Utah 2020 Protocol results from the 2020 GRC. The next three columns show the incremental impact of the two major plant additions included in this case and the Net Power Cost impact. The far-right column contains the cumulative revenue requirement after both major plant addition filings and Net Power Cost are layered onto the general rate case results. Pages 1.1 and 1.2 show the plant revenue requirement and the PTC benefits revenue requirement for TB Flats and Pryor Mountain.

Pages 2.0 through 2.2 contain the detailed numerical calculations for the TB Flats wind project, and pages 3.0 through 3.2 contain the same details for the Pryor Mountain wind project. Page 4.0 shows the Net Power Cost savings resulting from the TB Flats and Pryor Mountain. Pages 5.1 through 5.3 contain the inter-jurisdictional allocation factors used to allocate revenue requirement components to Utah.

Q. How were the two major plant additions in this filing incorporated into the 2020 GRC results?

A. Each project in this case was treated as an incremental adjustment to the 2020 GRC and entered into the JAM similar to adjustments in past Company filings. Adjustment lead sheets and supporting calculations are provided on pages 2.0 through 2.2, pages 3.0 through 3.3 and page 4.0 of Confidential Exhibit RMP___(SRM-1). Each adjustment includes the incremental change to rate base, depreciation expense, impacts on system net power costs, and other items such as PTC benefits and income taxes. Incremental rate base was computed using average balances, with electric plant in service and accumulated depreciation reserve on a 13-month average.

Q. Do your calculations include the impact on overall revenue requirement of any changes in inter-jurisdictional allocation factors resulting from these plant additions?

A. Yes. Allocation factors were allowed to remain dynamic in the JAM and were updated to reflect the impact of each plant addition in the JAM. Load based allocation factors, such as the SG and SE factors previously mentioned, are the same as those used and approved in the 2020 GRC. Page 5.3 of Confidential Exhibit RMP___(SRM-1) details the change in allocation factors compared to the base case.

TB Flats Wind Project

Q. Please describe the various components comprising the revenue requirement calculation for the TB Flats wind project investment.

A. The following data inputs (on a total-Company basis) were used to calculate the revenue requirement for the TB Flats wind project:

- TB Flats was placed in service in July, with total capital additions estimated at $[redacted] million. Although the project was completed in July, the final project cost is not yet known and will be trued-up during this proceeding.
- Annual depreciation expense totaling $[redacted] million is included in results by applying a composite depreciation rate of 4.84 percent to projected wind capital additions.
- Depreciation reserve totaling $[redacted] million is also included on a 13-month average basis consistent with net capital additions.
- Incremental PTC change due to am increasein projected MWh equates to a decrease in revenue requirement of $8.6 million
- Tax entries to include the capital additions and the related book and tax depreciation adjustments were calculated consistent with the methodology used in the 2020 GRC.

This revenue requirement was then compared to the forecasted revenue requirement that was included in the Company's 2020 GRC to calculate an incremental decrease of $0.3 million, Utah-allocated.

Pryor Mountain Wind Project

Q. Please describe the various components comprising the revenue requirement calculation for the Pryor Mountain wind project investment.

A. The following data inputs (on a total-Company basis) were used in calculating the revenue requirement for the Pryor Mountain wind project:

- Pryor Mountain was placed in service by March 31, 2021, with total capital additions estimated at $[redacted]million. Although the project was completed earlier this year, the final project cost is not yet known and will be trued up during this proceeding.

- Annual depreciation expense totaling $[redacted] million is included in results by applying a wind plant-specific composite depreciation rate of 4.84 percent to projected wind capital additions.
- Depreciation reserve totaling $[redacted]million is included on a 13-month average basis consistent with net capital additions.
- Incremental PTC change due to a increase in projected MWh results in a revenue requirement decrease of $3.0 million.
- Tax entries to include the capital additions and the related book and tax depreciation adjustments were calculated consistent with the methodology used in the 2020 GRC.

Similar to TB Flats, this revenue requirement was also compared to the forecasted revenue requirement that was included in the Company's 2020 GRC to calculate an incremental increase of $0.2 million, Utah-allocated.

NPC and PTC Savings

Q. Has the Company included incremental net power costs savings associated with an annualized level of benefits for TB Flats and Pryor Mountain?

A. Yes. The Company calculated the annualized level of net power cost savings by using the forecasted net power cost models from the 2020 GRC. Beginning with that data, the Company then made an adjustment to assume these wind plants were online and available for dispatch for the entire year. The system was then re-dispatched which largely resulted in lower purchased power expense. These savings are included in this filing to properly align the costs and benefits of these projects. Additional details supporting the incremental net power cost savings are included in Confidential Exhibit RMP__(SRM-1).

Q. Does the change in net power costs mean the Company is proposing to reset the NPC in the base Energy Balancing Account mechanism?

A. Yes. The Company's request in this docket includes a change in NPC included in the base EBA beginning January 1, 2022. Additionally, the Company is requesting to revise the PTC base included for true-up in the EBA, also beginning January 1, 2022. The changes result in a $10.9 million reduction in the Utah-allocated EBA Base. Confidential Exhibit RMP__(SRM-1) page 6.0 shows these changes and the calculation of the revised $456.4 million, Utah-allocated EBA Base.

Method of Cost Recovery

Q. Is the Company requesting approval to change retail rates as a result of this application?

A. Yes. The Company is requesting to adjust rates effective January 1, 2022, resulting in a decrease of $4.2 million for both projects included in this case. The decrease is comprised of recovery of $6.7 million in revenue requirement for incremental plant, which is offset by a decrease in the Utah-allocated EBA Base of $6.8 million for PTCs and a $4.1 million for NPC savings. Details on the requested rate changes are provided in the testimony of Mr. Robert M. Meredith.

Q. Does this conclude your direct testimony?

A. Yes.

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Exhibit RMP___(SRM-1)
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Redacted Exhibit Accompanying Direct Testimony of Steven R. McDougal

Revenue Requirement Calculation

August 2021

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