

Docket No. 20000-__-EA-18
Witness: Steven R. McDougal

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Steven R. McDougal

September 2018

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

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

5 **QUALIFICATIONS**

6 **Q. Please describe your education and professional background.**

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

15 **Q. What are your current responsibilities with the Company?**

16 A. My primary responsibilities include overseeing the calculation and reporting of the
17 Company’s regulated earnings and revenue requirement, assuring that the
18 interjurisdictional cost allocation methodology is correctly applied, and explaining
19 those calculations to regulators in the jurisdictions in which the Company operates.

20 **Q. Have you testified in previous proceedings?**

21 A. Yes. I have provided testimony in many dockets before the Wyoming Public Service
22 Commission (“Commission”). I have also provided testimony before the California,
23 Oregon, Washington, Idaho, and Utah public utility commissions.

1 **PURPOSE OF TESTIMONY**

2 **Q. What is the purpose of your direct testimony?**

3 A. My testimony:

- 4 • Discusses the impact on the annual depreciation expense allocated to Wyoming
- 5 and provides support for the allocation of the new depreciation rates and
- 6 effective date;
- 7 • Identifies and discusses state-specific items considered during the preparation
- 8 of the 2018 depreciation study (“Depreciation Study”); and
- 9 • Provides information related to certain reporting requirements from the
- 10 Commission-approved stipulation from the 2013 depreciation study.

11 **ALLOCATION OF THE DEPRECIATION STUDY**

12 **Q. What is the Wyoming-allocated effect on annual depreciation expense if the**

13 **depreciation rates presented by Mr. John J. Spanos are adopted?**

14 A. The Company allocated the annual depreciation expense using the inter-jurisdictional

15 allocation methodology that was initially approved in Docket No. 20000-486-EA-15

16 and extended as allowed by the Commission in Docket No. 20000-510-EA-17 (the

17 “2017 Protocol”). The adoption of the depreciation rates proposed in the Depreciation

18 Study results in an increase of approximately \$33.3 million on a Wyoming-allocated

19 basis. In addition, ending the excess reserve amortizations increase rates by

20 \$3.8 million on a Wyoming-allocated basis. The calculation of the Wyoming-allocated

21 depreciation increase is provided as Exhibit RMP__(SRM-1).

1 **Q. What does the Company propose as the effective date for implementing the new**
2 **depreciation rates?**

3 A. The Company’s accounting system maintains depreciation rates on a calendar year
4 basis. Therefore, the Company proposes the new depreciation rates be made effective
5 January 1, 2021.

6 **Q. Does the 2017 Protocol allocation methodology lapse before the proposed**
7 **implementation for the new depreciation rates?**

8 A. Yes. The 2017 Protocol is currently approved through December 31, 2019.

9 **Q. Why is the Company proposing an effective date of January 1, 2021, after the**
10 **current expiration of the 2017 Protocol allocation methodology?**

11 A. The Company is actively working with parties in its service territories to develop and
12 adopt a new allocation methodology commonly referred to as the Coal Life Evaluation
13 and Realignment Plan (“CLEAR”). Although the timing of a formal approval is
14 unknown, the Company believes an implementation date of January 1, 2021, would
15 allow adequate time to resolve and gain approval of the new allocation methodology.
16 Aligning the Depreciation Study with the anticipated approval of CLEAR would help
17 maintain customer rate stability.

18 **STATE-SPECIFIC ITEMS**

19 **Q. Please summarize the state-specific items you considered in preparing**
20 **Depreciation Study testimony.**

21 A. In preparing my testimony, I primarily considered the expedited excess depreciation
22 reserve amortizations and the regulatory treatment of hydroelectric facilities on the
23 Klamath River.

1 **Q. The Commission-approved stipulation related to the 2013 depreciation study**
2 **included expedited excess reserve amortizations. Please summarize the reasons**
3 **those amortizations were established.**

4 A. Mainly, the excess reserve amortizations were established because of the retirement of
5 assets occurring outside of projected expectations and the changes in lives and net
6 salvage rates that had occurred. This resulted in excess reserves for the Colstrip, Hunter,
7 Gadsby Units 1–3, and Blundell steam production units. There were additional excess
8 reserves for Wyoming, Utah, and Idaho distribution plant. Historically, any excess
9 reserves are returned over the remaining life of the assets; however, as part of the 2013
10 depreciation study stipulation, parties agreed to expedite the return of these excess
11 reserves over a shorter period.

12 **Q. Over what period were the excess reserves to be returned to customers?**

13 A. The excess reserve amortizations were to occur over the period between the effective
14 date of the 2013 depreciation study and this filing.

15 **Q. What is the Company proposing on excess reserve amortizations here?**

16 A. The Company proposes to end the excess reserve amortizations for the Colstrip, Hunter,
17 Gadsby Units 1–3, and Blundell steam production units. The Company also proposes
18 to end the excess reserve amortizations in Wyoming, Utah, and Idaho for distribution
19 plant. The \$1.7 million allocated impact for the elimination of the steam excess reserve
20 amortizations and the \$2.1 million impact for the elimination of the Wyoming
21 distribution excess reserve amortizations is provided in Exhibit RMP__(SRM-1).

1 **Q. Please explain why hydroelectric facilities on the Klamath River are not included**
2 **in the Depreciation Study.**

3 A. In the 2013 depreciation study, the Klamath River hydro facilities were calculated to
4 be fully depreciated December 31, 2019, before the proposed effective date of this
5 Depreciation Study.

6 **Q. Does Wyoming assume different regulatory treatment, for the Klamath River**
7 **facilities, from what was calculated as part of the 2013 depreciation study?**

8 A. Yes. In the Company's 2013 depreciation study, stipulating parties agreed that the
9 Company would depreciate the Klamath River hydro facilities through December 31,
10 2022. The Company is making a regulatory adjustment to correct the remaining
11 depreciable life of the hydro plant from December 31, 2019 to December 31, 2022 in
12 the Wyoming results of operations and other appropriate filings. A similar adjustment
13 is being made for the relicensing process costs assuming the same December 31, 2022
14 asset life.

15 **Q. Will the Company continue to make this adjustment for regulatory filings made**
16 **in Wyoming?**

17 A. Yes. The Company will continue to recognize the stipulated life of Klamath through a
18 regulatory adjustment made in any relevant regulatory filings made in Wyoming.

19 **2013 DEPRECIATION STUDY REPORTING REQUIREMENTS**

20 **Q. Are there any additional exhibits you will be sponsoring as part of your direct**
21 **testimony?**

22 A. Yes. Paragraph 25 of the Commission-approved stipulation from the 2013 depreciation
23 study stated:

1 *“the Company will provide a section in the next depreciation study,*
2 *for informational purposes only, listing the specific mining assets,*
3 *reserve balances, and respective lives owned by its Wyoming mining*
4 *subsidiary.”*

5 This information is provided as Exhibit RMP__ (SRM-2).

6 **SUMMARY OF RECOMMENDATIONS**

7 **Q. Please summarize your recommendations to the Commission.**

8 A. I recommend that the Commission find that the depreciation rates sponsored by
9 Mr. Spanos in the Depreciation Study based on projected December 31, 2020 balances
10 are fair, just and reasonable depreciation rates for the Company. I further recommend
11 that the Commission order the Company to implement these depreciation rates in its
12 accounts and records effective January 1, 2021.

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

14 A. Yes.

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR AN ORDER AUTHORIZING A CHANGE IN DEPRECIATION RATES APPLICABLE TO ELECTRIC PROPERTY

DOCKET NO. 20000-__-EA-18 (RECORD NO. ____)

AFFIDAVIT, OATH AND VERIFICATION

Steven R. McDougal (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the director of revenue requirement for PacifiCorp, which is a party in this matter.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony and all of its associated attachments are true and complete and constitute the recommendations of the Affiant in his official capacity as director of revenue requirements for PacifiCorp.

Further Affiant Sayeth Not.

Dated this 4 day of Sep., 2018

[Handwritten signature of Steven R. McDougal]

Steven R. McDougal
Director, Revenue Requirement
1407 W North Temple, Suite 330
Salt Lake City, UT 84116
Work phone: 801-220-4743

STATE OF Utah)
COUNTY OF Salt Lake) SS:

The foregoing was acknowledged before me by Steven R. McDougal on this 4th day of September, 2018. Witness my hand and official seal.



[Handwritten signature of Notary Public]
Notary Public

My Commission Expires: 9/11/18