

May 8, 2019

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Wyoming Public Service Commission
2515 Warren Avenue, Suite 300
Cheyenne, Wyoming 82002

Attn: Chris Petrie, Chief Counsel

Docket No. 20000-560-EA-19
Record No. 15240

**RE: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
TO DECREASE RATES BY \$0.4 MILLION UNDER TARIFF SCHEDULE 197, 2017
FEDERAL TAX ACT ADJUSTMENT – Errata Filing**

Rocky Mountain Power (“the Company”) hereby files an original and four copies of corrections to its application and direct testimony submitted to the Wyoming Public Service Commission (the “Commission”) in this docket (“Schedule 197 Application”). The Schedule 197 Application includes specific references to the Company’s request to change rates in its Energy Cost Adjustment Mechanism (“ECAM”) and its Renewable Energy Credit and Sulfur Dioxide (“SO₂”) Revenue Adjustment (“RRA”) Mechanism filed on April 15, 2019 in Docket No. 20000-558-EM-19 (the “ECAM/RRA Application”). The Company filed corrections to the ECAM/RRA Application on May 7, 2019 to correct errors in the RRA testimony and supporting exhibits and is now reflecting similar corrections to the RRA information referenced in the Schedule 197 Application filed in this docket.

Attachment 1 contains the corrected testimony and application pages, as shown below:

- Application (pages 4-6);
- Direct testimony of Steven R. McDougal *should be replaced in its entirety*; and
- Direct testimony of Robert M. Meredith (pages 2 and 4).

Attachment 2 contains the redline version of the corrected testimony and application pages to show the specific changes from the Schedule 197 Application submitted on April 17, 2019 and this errata filing:

- Redline application (pages 4-6);
- Redline direct testimony of Steven R. McDougal; and
- Redline direct testimony of Robert M. Meredith (pages 2 and 4).

Rocky Mountain Power requests that the Commission and the parties in the docket replace the original referenced pages with the enclosed corrected pages.

Wyoming Public Service Commission

May 8, 2019

Page 2

Please feel free to direct any inquiries regarding this matter to Stacy Splittstoesser at (307) 632-2677.

Sincerely,



Yvonne Hogle
Assistant General Counsel
Rocky Mountain Power

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that on May 8, 2019, I caused to be served via email delivery a true and correct copy of the foregoing document to the following:

Office of Consumer Advocates	
Christopher Leger <i>Counsel for Office of Consumer Advocate</i> 2515 Warren Avenue, Suite 304 Cheyenne, WY 82002 christopher.leger@wyo.gov	
Wyoming Industrial Energy Consumers	
Abigail C. Briggerman <i>Counsel for Wyoming Industrial Energy Consumers</i> Holland & Hart, LLP 6380 S. Fiddlers Green Circle, Ste. 500 Greenwood Village, CO 80111 ACBriggerman@hollandhart.com	Austin Rueschhoff <i>Counsel for Wyoming Industrial Energy Consumers</i> Holland & Hart, LLP 6380 S. Fiddlers Green Circle, Ste. 500 Greenwood Village, CO 80111 darueschhoff@hollandhart.com
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Rocky Mountain Power	
Stacy Splittstoesser Wyoming Regulatory Affairs Manager Rocky Mountain Power 315 W. 27 th St. Cheyenne, WY 82001 stacy.splittstoesser@pacificorp.com	Yvonne Hogle Assistant General Counsel Rocky Mountain Power 1407 W. North Temple, Suite 320 Salt Lake City, UT 84116 yvonne.hogle@pacificorp.com
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Katie Savarin
Coordinator, Regulatory Operations

Attachment 1

automatically offset future costs related to the ECAM and Energy Vision 2020 projects. The Commission indicated instead that it would consider them in future, separate applications.²

10. On April 15, 2019, the Company filed its 2019 Energy Cost Adjustment Mechanism (“ECAM”) and Renewable Revenue Adjustment Mechanism (“RRA”) application and supporting testimony in Docket No. 20000-558-EM-19, seeking recovery of approximately \$6.5 million in costs deferred during calendar year 2018, in accordance with Tariff Schedules 95 and 93, respectively. As shown in direct testimony and exhibits of Company witness Mr. Michael G. Wilding, the 2019 ECAM/RRA application results in a combined net rate increase to Wyoming customers of approximately \$9.82 million.³

PROPOSED RATE REDUCTION

11. The Company started deferring the balance of the Tax Reform Act in a regulatory liability, as directed by the Commission, as of January 1, 2018, and will continue to defer the regulatory liability balance that remains after accounting for the reduction in rates proposed in this Application. The regulatory liability account will accrue interest at the Commission Authorized Interest Rate, as updated annually. The Company will propose to use any remaining balance in the liability account to offset future rate increases in separate applications including in the next general rate case.

² A list of items from the Stipulation and the Commission’s decision are included in paragraph 65 of the *Memorandum Opinion, Findings and Order Approving Application* issued on March 15, 2019.

³ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. Also, see errata testimony and supporting exhibits that were filed on May 7, 2019.

12. With this Application, the Company proposes to update Tariff Schedule 197 to reduce Wyoming retail customer rates by approximately \$0.4 million (or 0.05 percent). The \$22.5 million refund continues to be reflected in the Schedule 197 rates but the Company is replacing the \$3.6 million to offset the 2018 ECAM with rates to refund to customers \$3.96 million. The \$3.96 million refund will partly offset the costs the Company seeks to recover in the 2019 ECAM application which requested a total increase to customer rates of approximately \$9.82 million. The reduction the Company proposes in this Application balances near-term and long-term rate stability for customers with assisting the Company with its cash flow metrics to maintain the existing credit rating.

13. The Company calculated its proposed rate credits from Schedule 197 using the rate base allocation from the class cost of service study included in the Company's most recent general rate case in Docket No. 20000-469-ER-15.

14. Rate stability is important to the Company and its customers, and the proposed rate reduction in this Application is being used with a proposed rate reduction from the outcome of the Company's private letter ruling ("PLR") from the Internal Revenue Service in Docket No. 20000-506-EA-16, Bonus Tax Depreciation. The compliance filing the Company submitted to the Commission on April 12, 2019, in the Bonus Tax Depreciation docket requests a Schedule 92 tariff change to align the tariff with the outcome of the Commission's decision and an additional rate reduction of approximately \$2.2 million that has accrued in the bonus tax depreciation deferral account (to be amortized over a one-year period).

15. The Company requests an effective date of June 15, 2019, for the proposed rates under Tariff Schedule 197. They will result in an overall customer rate decrease of approximately \$0.4 million (or -0.05 percent). The proposed Schedule 197 rates and Schedule 92 rates combined would offset the \$6.5 million deferral from the 2019 ECAM and Renewable Revenue Adjustment Mechanism filing.

16. The Company also proposes an effective date of June 15, 2019 for (a) the 2019 ECAM and Renewable Revenue Adjustment Mechanism application for Tariff Schedules 95 and 93, resulting in an overall increase to customers of \$9.82 million (or 1.44 percent); and (b) the compliance filing for Tariff Schedule 92, explained in paragraph 13, resulting in an overall decrease of approximately \$2.7 million (or -0.4 percent). Combined, the changes, along with the changes requested in this Application, result in an overall increase of \$6.87 million (or 0.99 percent) to customer rates.

17. To support this Application, the Company also includes the direct testimony and exhibits of Mr. Steven R. McDougal and Mr. Robert M. Meredith.

WHEREFORE, Rocky Mountain Power respectfully requests approval of using \$3.96 million from the federal tax act deferred liability account, resulting in an incremental interim decrease of \$0.4 million on Tariff Schedule 197, effective June 15, 2019.

Docket No. 20000-560-EA-19
Witness: Steven R. McDougal

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

ERRATA Direct Testimony of Steven R. McDougal

Clean

May 2019

1 **Q. Please state your name, business address, and current position with PacifiCorp**
2 **dba Rocky 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. My current position is the Director of Revenue
5 Requirements.

6 **QUALIFICATIONS**

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

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

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, ensuring 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 (the “Commission”). I have also provided testimony before the California,
23 Idaho, Oregon, Utah, and Washington public utility commissions.

1 **PURPOSE OF TESTIMONY**

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

3 A. My testimony presents and supports the Company’s proposal to update Tariff Schedule
4 197 to offset \$6.31 million, an amount greater than the combined net collection
5 associated with the Company’s 2019 Energy Cost Adjustment Mechanism (“2019
6 ECAM”) and 2019 Renewable Energy Credit (“REC”) and Sulfur Dioxide (“SO₂”)
7 Revenue Adjustment Mechanism (“2019 RRA”) balancing accounts for the 12-month
8 period from January 1, 2018 through December 31, 2018, reflected in its April 15, 2019
9 filing in Docket No. 20000-558-EM-19. Specifically, the Company proposes to offset
10 this amount with the regulatory liability deferred funds from the Tax Cuts and Jobs Act
11 (Docket No. 20000-536-ER-18) and Bonus Tax Depreciation (Docket No. 20000-506-
12 EA-16) dockets.

13 **TARIFF SCHEDULE 197 BACKGROUND**

14 **Q. Please describe Tariff Schedule 197 and its history.**

15 A. Tariff Schedule 197, 2017 Federal Tax Act Adjustment, was created as a result of the
16 enactment of the 2017 Tax Cuts and Jobs Act (“2017 TCJA”) which lowered the federal
17 income tax rate from 35 percent to 21 percent. The Commission required utilities to
18 calculate the difference between the federal income tax liability under the law in effect
19 on December 31, 2017, and the law in effect on and after January 1, 2018. The
20 Commission ordered the difference to be accounted for and recorded by each public
21 utility as a deferred regulatory liability and then required utilities to develop a plan
22 describing how the benefits were to be returned to customers. Ultimately, Schedule 197
23 was created and approved to refund to customers the benefits of the change in the

1 federal tax rate.

2 **Q. Did the Company submit the Commission required calculations and plan?**

3 A. Yes. The Company made several compliance filings for the 2017 TCJA. An application
4 was submitted to the Commission on May 16, 2018 that included the Company's
5 preliminary revenue requirement impact calculations, the new Schedule 197 tariff
6 sheets, and a partial settlement agreement that was reached between the Company and
7 the Wyoming Industrial Energy Consumers ("WIEC").¹

8 **Q. What did the Company and WIEC propose in the settlement agreement?**

9 A. Among other terms and conditions, the parties agreed and proposed authorization for
10 the Company to use amounts in the deferred liability account to offset future ECAM
11 and RRA increases along with offsets for the Company's Energy Vision 2020 projects.

12 **Q. Did the Company use Schedule 197 to offset the 2018 ECAM/RRA increase for
13 Schedules 95 and 93?**

14 A. Yes. In the application submitted in May 2018 in Docket No. 20000-536-ER-18, the
15 Company proposed to refund to customers approximately \$22.5 million of the impact
16 from the 2017 TCJA and an additional \$3.6 million to offset the 2018 ECAM/RRA
17 increase.

18 **Q. Please describe in more detail the combined treatment of Schedules 95, 93, and
19 197 related to the 2018 ECAM/RRA Application.**

20 A. As part of partial settlement agreement in the 2017 TCJA, the Company and WIEC
21 agreed to hold the rates from the 2017 ECAM/RRA Application flat.² The amount being

¹ Docket No. 20000-536-ER-18, Record No. 14999.

² While not explicitly stated as such, the intention of the offsets in the settlement agreement was to have no net impact on customer rates.

1 refunded through Schedule 95 and Schedule 93 for the 2017 ECAM/RRA filing was
2 approximately \$7.29 million. The 2018 ECAM/RRA Application resulted in a total
3 refund to customers of \$3.69 million, an overall increase of \$3.60 million. In
4 accordance with the partial settlement agreement, the parties agreed to offset the
5 \$3.60 million with amounts in the Schedule 197 deferred liability account. The
6 combined net impact resulted in customers continuing to receive a total refund of
7 \$7.29 million.

8 **Q. Did the Commission approve the offsets for future ECAM/RRA applications and**
9 **for the Energy Vision 2020 projects as stated in the partial settlement agreement?**

10 A. No. The Commission did not approve all of the terms in the partial settlement. The
11 Commission agreed it would consider using the deferred liability account to help offset
12 future rate increases in new applications. The Commission did not require the Company
13 to match the proposed rate increases in future ECAM/RRA filings with the rate refunds
14 in future Schedule 197 filings.³

15 **CUSTOMER RATE IMPACTS FROM THE 2019 ECAM AND RRA**

16 **Q. Please summarize the rate impacts for the proposed changes to RRA Schedule 93.**

17 A. In accordance with its 2018 filing, the Company is currently refunding to customers
18 approximately \$0.25 million, in accordance with the RRA Schedule 93 rate approved
19 by the Commission in 2018.⁴ On April 15, 2019, the Company filed direct testimony
20 supporting a refund to customers of approximately \$0.24 million. This amount has
21 since been corrected as shown in the errata testimony and exhibits of Company witness

³ See Memorandum, Opinion, Findings and Order Approving Application, Docket No. 20000-536-ER-18 (Record No. 14999), March 15, 2019 at ¶ 65.

⁴ As approved by the Wyoming Public Service Commission in the Company's 2018 ECAM/RRA Application (Docket No. 20000-535-EA-17).

1 Mr. Terrell H Spackman filed on May 7, 2019 in Docket No. 20000-558-EM-19. Per
2 the errata filing, in 2019 the Company seeks to refund to customers approximately
3 \$0.38 million under its 2019 RRA filing, resulting in a proposed RRA Schedule 93 net
4 rate decrease of approximately \$0.13 million for Wyoming customers.⁵

5 **Q. Please summarize the rate impacts for the proposed changes to ECAM Schedule**
6 **95.**

7 A. In accordance with its 2018 filing, the Company is currently refunding to customers
8 approximately \$3.41 million, in accordance with the ECAM Schedule 95 rate approved
9 by the Commission in 2018.⁶ As shown in the direct testimony and exhibits of Company
10 witness Mr. Michael G. Wilding in Docket No. 20000-558-EM-19, in 2019 the
11 Company seeks to collect approximately \$6.55 million for calendar year 2018 deferred
12 net power costs in its 2019 ECAM. The combined net collection from this increase is
13 \$6.17 million with a net rate impact of approximately \$9.96 million for Wyoming
14 customers. The proposed 2019 ECAM/RRA Application results in a combined net rate
15 increase to Wyoming customers of approximately \$9.82 million.⁷

16 **OFFSET PROPOSAL**

17 **Q. Is the Company proposing to use the Schedule 197 liability account in 2019 to**
18 **offset the proposed 2019 ECAM/RRA rate increases?**

19 A. Yes, but with a slight change. In contrast to the 2018 ECAM/RRA and Schedule 197
20 Applications from 2018, where the proposed rate impacts completely offset each other,

⁵ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. Also, see errata testimony and supporting exhibits of Mr. Spackman and Mr. Meredith filed on May 7, 2019.

⁶ As approved by the Wyoming Public Service Commission in the Company's 2018 ECAM/RRA Application (Docket No. 20000-535-EA-17).

⁷ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. Also, see errata testimony and supporting exhibits filed on May 7, 2019.

1 this year the Company proposes to offset \$6.31 million. The Company proposes to
2 increase the existing credit in Schedule 197 from \$3.60 million to \$3.96 million. The
3 remaining increase of \$2.34 million would be offset with amounts in the Schedule 92
4 liability account, as described later in my testimony.

5 **Q. Please explain the Company's proposal to use amounts in the Schedule 92 liability**
6 **account, Bonus Tax Depreciation, in 2019 to offset the proposed 2019 ECAM/RRA**
7 **rate increases.**

8 A. Based on a recent private letter ruling issued by the Internal Revenue Service in the
9 Bonus Tax Depreciation case (Docket No. 20000-506-EA-16), the Company filed its
10 compliance filing to revise the Schedule 92, Bonus Tax Depreciation, sur-credit in rates
11 through Schedule 92 Bonus Tax Depreciation from \$0.31 million to \$0.65 million. Due
12 to this impact, the Company has accrued a regulatory liability balance of approximately
13 \$2.24 million dollars and proposes to amortize the balance and approximately
14 \$0.10 million dollars of ongoing carrying charges back to Wyoming customers over
15 one year, using the June 2019 through June 2020 collection period of the 2019
16 ECAM/RRA to offset the remaining amount from \$6.31 million.

17 **Q. Please describe the reasoning behind the Company's proposal in more detail.**

18 A. If the Company were to offset \$6.31 million while continuing to offset the \$7.29
19 million, the 2017 TCJA deferred liability balance would be reduced by a projected
20 \$13.60 million. Assuming the 2020 and 2021 ECAM/RRA Application proposed a
21 combined net collection of zero while continuing to hold customer rates flat, the 2017
22 TCJA deferred liability balance would be reduced in the amount of \$7.29 million.
23 Based on these assumptions, the Company would rapidly deplete any deferred liability

1 balance from the 2017 TCJA. In fact, the Tax Cuts and Jobs Act estimated balance
2 would flip from a regulatory liability to regulatory asset in November 2021, before the
3 ending collection period of the 2021 RRA and ECAM. A detailed schedule assuming a
4 full offset for future ECAM/RRA Applications is provided as Exhibit RMP____(SRM-
5 1).

6 **Q. Is the Company's proposal in the public interest?**

7 A. Yes. The Company has continually made efforts to manage customer rate pressures and
8 stabilize customer rates. However, the Company is also facing rate pressures such as
9 an increase in depreciation rates as reflected in the Company's 2018 Depreciation Study
10 which is currently pending before the Commission (Docket No. 20000-539-EA-18).
11 The 2017 TCJA deferred liability account provides the Company with the ability to
12 provide offset proposals that can be used to help alleviate these and other future rate
13 pressures. By using this regulatory liability only to offset short-term pressure from the
14 ECAM/RRA Applications, specifically offsetting artificially low sur-credit rates from
15 prior periods, Wyoming customers could face multiple rate pressures in the near-term.
16 The offsets the Company is currently proposing is attempting to balance and mitigate
17 rate increases for customers and assist with Company cash flow metrics to maintain a
18 stable credit rating, which is a benefit to customers.

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

20 A. Yes.

Docket No. 20000-560-EA-19
Witness: Robert M. Meredith

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

ERRATA Direct Testimony of Robert M. Meredith

Clean

May 2019

1 16, will offset, in part, the bill impacts of the increases in the 2019 Energy Cost
2 Adjustment Mechanism (“ECAM”) and REC Revenue Adjustment (“RRA”) filing
3 made on April 15, 2019.

4 **FTAA CREDIT – PROPOSED REVENUE SPREAD AND RATES FOR**
5 **SCHEDULE 197**

6 **Q. What change is the Company proposing for the FTAA credit in Schedule 197?**

7 A. As discussed in the Direct Testimony of Steven R. McDougal, the Company is
8 proposing an increase to the FTAA credit to offset, in part, the 2018 deferral amounts
9 in the ECAM and RRA. Currently Schedule 197 reflects a rate credit of \$3.6 million,
10 approved in Docket No. 20000-536-ER-18, to offset the 2018 ECAM and RRA filing.
11 The Company is proposing to increase the current FTAA credit to \$3.96 million on
12 Schedule 197, effective June 15, 2019. This increase in Schedule 197, in conjunction
13 with the \$2.34 million rate credit proposed for Schedule 92 related to bonus tax
14 depreciation that the Company filed on April 12, 2019, would offset slightly more than
15 the \$6.2 million deferred in the 2019 ECAM and RRA.

16 **Q. What rate spread and rate design did the Company use to calculate the rates on**
17 **the revised Schedule 197 tariff for the offsetting FTAA credit?**

18 A. The proposed rates on revised tariff sheets for Schedule 197, Federal Tax Act
19 Adjustment, were prepared using the rate base allocation to each customer class from
20 the Company’s final cost of service study that was approved in Docket No. 20000-469-
21 ER-15. For Schedule 33 - Partial Requirements Service, the Company used a weighted
22 average of Schedule 46 and Schedule 48 prices to set the price per kilowatt-hour using
23 Schedule 33 primary voltage energy to weight the Schedule 46 price and Schedule 33

1 **Q. Based on this filing and the recent 2019 ECAM and RRA and Schedule 92 filings,**
 2 **what is the net rate impact the Company is proposing effective June 15, 2019?**

3 A. Table A below shows the net impact by rate schedule of the rate changes proposed to
 4 be effective June 15, 2019.

5 **Table A. Net Impact of Proposed Rate Changes to be Effective June 15, 2019**

Schedule Number	ECAM Sch 95	RRA Sch 93	Bonus Tax		Overall
			Depr Sch 92	FTAA Sch 197	
2/18	1.06%	-0.03%	-0.54%	-0.21%	0.29%
25	1.13%	-0.02%	-0.50%	-0.23%	0.37%
28	1.40%	-0.03%	-0.51%	-0.18%	0.69%
33	1.49%	-0.02%	-0.29%	-0.02%	1.16%
40	1.35%	0.00%	-0.50%	-0.75%	0.10%
210	1.13%	-0.05%	-0.39%	-0.60%	0.09%
46	1.65%	-0.01%	-0.45%	-0.03%	1.15%
48	1.66%	-0.02%	-0.27%	0.10%	1.47%
54	1.32%	0.01%	-0.86%	-0.57%	-0.10%
15	3.90%	0.25%	-3.16%	-1.51%	-0.53%
51	0.49%	0.04%	-0.35%	-0.82%	-0.64%
53	0.80%	0.06%	-0.67%	-0.78%	-0.59%
57	1.33%	0.14%	-1.12%	-1.12%	-0.77%
58	1.61%	0.03%	-1.36%	-0.58%	-0.29%
207	0.43%	0.08%	-0.57%	-1.02%	-1.07%
211	0.41%	0.09%	-0.56%	-1.04%	-1.10%
212	0.63%	0.07%	-0.82%	-0.94%	-1.05%
213	2.29%	0.04%	-0.51%	-0.58%	1.24%
<u>213</u>	<u>1.96%</u>	<u>0.02%</u>	<u>-0.39%</u>	<u>-0.58%</u>	<u>1.01%</u>
<u>Total</u>	<u>1.46%</u>	<u>-0.02%</u>	<u>-0.40%</u>	<u>-0.05%</u>	<u>0.99%</u>

6 **Q. Did the Company revise applicable tariff sheets to reflect the requested rate**
 7 **changes in the filing and the proposed June 15, 2019 effective date?**

8 A. Yes. Legislative and clean versions of the Schedule 197 tariff modifications are
 9 included in Exhibit RMP___(RMM-3).

Attachment 2

automatically offset future costs related to the ECAM and Energy Vision 2020 projects. The Commission indicated instead that it would consider them in future, separate applications.²

10. On April 15, 2019, the Company filed its 2019 Energy Cost Adjustment Mechanism (“ECAM”) and Renewable Revenue Adjustment Mechanism (“RRA”) application and supporting testimony in Docket No. 20000-558-EM-19, seeking recovery of approximately \$6.5 million in costs deferred during calendar year 2018, in accordance with Tariff Schedules 95 and 93, respectively. As shown in direct testimony and exhibits of Company witness Mr. Michael G. Wilding, the 2019 ECAM/RRA application results in a combined net rate increase to Wyoming customers of approximately \$9.~~8297~~ million.³

PROPOSED RATE REDUCTION

11. The Company started deferring the balance of the Tax Reform Act in a regulatory liability, as directed by the Commission, as of January 1, 2018, and will continue to defer the regulatory liability balance that remains after accounting for the reduction in rates proposed in this Application. The regulatory liability account will accrue interest at the Commission Authorized Interest Rate, as updated annually. The Company will propose to use any remaining balance in the liability account to offset future rate increases in separate applications including in the next general rate case.

² A list of items from the Stipulation and the Commission’s decision are included in paragraph 65 of the *Memorandum Opinion, Findings and Order Approving Application* issued on March 15, 2019.

³ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. [Also, see errata testimony and supporting exhibits that were filed on May 7, 2019.](#)

12. With this Application, the Company proposes to update Tariff Schedule 197 to reduce Wyoming retail customer rates by approximately \$0.4 million (or 0.05 percent). The \$22.5 million refund continues to be reflected in the Schedule 197 rates but the Company is replacing the \$3.6 million to offset the 2018 ECAM with rates to refund to customers \$3.96 million. The \$3.96 million refund will partly offset the costs the Company seeks to recover in the 2019 ECAM application which requested a total increase to customer rates of approximately \$9.~~8297~~ million. The reduction the Company proposes in this Application balances near-term and long-term rate stability for customers with assisting the Company with its cash flow metrics to maintain the existing credit rating.

13. The Company calculated its proposed rate credits from Schedule 197 using the rate base allocation from the class cost of service study included in the Company's most recent general rate case in Docket No. 20000-469-ER-15.

14. Rate stability is important to the Company and its customers, and the proposed rate reduction in this Application is being used with a proposed rate reduction from the outcome of the Company's private letter ruling ("PLR") from the Internal Revenue Service in Docket No. 20000-506-EA-16, Bonus Tax Depreciation. The compliance filing the Company submitted to the Commission on April 12, 2019, in the Bonus Tax Depreciation docket requests a Schedule 92 tariff change to align the tariff with the outcome of the Commission's decision and an additional rate reduction of approximately \$2.2 million that has accrued in the bonus tax depreciation deferral account (to be amortized over a one-year period).

15. The Company requests an effective date of June 15, 2019, for the proposed rates under Tariff Schedule 197. They will result in an overall customer rate decrease of approximately \$0.4 million (or -0.05 percent). The proposed Schedule 197 rates and Schedule 92 rates combined would offset the \$6.5 million deferral from the 2019 ECAM and Renewable Revenue Adjustment Mechanism filing.

16. The Company also proposes an effective date of June 15, 2019 for (a) the 2019 ECAM and Renewable Revenue Adjustment Mechanism application for Tariff Schedules 95 and 93, resulting in an overall increase to customers of \$9.~~9782~~ million (or 1.4~~47~~ percent); and (b) the compliance filing for Tariff Schedule 92, explained in paragraph 13, resulting in an overall decrease of approximately \$2.7 million (or -0.4 percent). Combined, the changes, along with the changes requested in this Application, result in an overall increase of \$6.~~8794~~ million (or ~~0.991.02~~ percent) to customer rates.

17. To support this Application, the Company also includes the direct testimony and exhibits of Mr. Steven R. McDougal and Mr. Robert M. Meredith.

WHEREFORE, Rocky Mountain Power respectfully requests approval of using \$3.96 million from the federal tax act deferred liability account, resulting in an incremental interim decrease of \$0.4 million on Tariff Schedule 197, effective June 15, 2019.

Docket No. 20000-560-EA-19
Witness: Steven R. McDougal

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

ERRATA Direct Testimony of Steven R. McDougal

Redline

May 2019

1 **Q. Please state your name, business address, and current position with PacifiCorp**
2 **dba Rocky 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. My current position is the Director of Revenue
5 Requirements.

6 **QUALIFICATIONS**

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

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

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, ensuring 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 (the “Commission”). I have also provided testimony before the California,
23 Idaho, Oregon, Utah, and Washington public utility commissions.

1 **PURPOSE OF TESTIMONY**

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

3 A. My testimony presents and supports the Company’s proposal to update Tariff Schedule
4 197 to offset \$6.31 million, an amount greater than the combined net collection
5 associated with the Company’s 2019 Energy Cost Adjustment Mechanism (“2019
6 ECAM”) and 2019 Renewable Energy Credit (“REC”) and Sulfur Dioxide (“SO₂”)
7 Revenue Adjustment Mechanism (“2019 RRA”) balancing accounts for the 12-month
8 period from January 1, 2018 through December 31, 2018, reflected in its April 15, 2019
9 filing in Docket No. 20000-558-EM-19. Specifically, the Company proposes to offset
10 ~~the combined net collection~~this amount with the regulatory liability deferred funds
11 from the Tax Cuts and Jobs Act (Docket No. 20000-536-ER-18) and Bonus Tax
12 Depreciation (Docket No. 20000-506-EA-16) dockets.

13 **TARIFF SCHEDULE 197 BACKGROUND**

14 **Q. Please describe Tariff Schedule 197 and its history.**

15 A. Tariff Schedule 197, 2017 Federal Tax Act Adjustment, was created as a result of the
16 enactment of the 2017 Tax Cuts and Jobs Act (“2017 TCJA”) which lowered the federal
17 income tax rate from 35 percent to 21 percent. The Commission required utilities to
18 calculate the difference between the federal income tax liability under the law in effect
19 on December 31, 2017, and the law in effect on and after January 1, 2018. The
20 Commission ordered the difference to be accounted for and recorded by each public
21 utility as a deferred regulatory liability and then required utilities to develop a plan
22 describing how the benefits were to be returned to customers. Ultimately, Schedule 197
23 was created and approved to refund to customers the benefits of the change in the

1 federal tax rate.

2 **Q. Did the Company submit the Commission required calculations and plan?**

3 A. Yes. The Company made several compliance filings for the 2017 TCJA. An application
4 was submitted to the Commission on May 16, 2018 that included the Company's
5 preliminary revenue requirement impact calculations, the new Schedule 197 tariff
6 sheets, and a partial settlement agreement that was reached between the Company and
7 the Wyoming Industrial Energy Consumers ("WIEC").¹

8 **Q. What did the Company and WIEC propose in the settlement agreement?**

9 A. Among other terms and conditions, the parties agreed and proposed authorization for
10 the Company to use amounts in the deferred liability account to offset future ECAM
11 and RRA increases along with offsets for the Company's Energy Vision 2020 projects.

12 **Q. Did the Company use Schedule 197 to offset the 2018 ECAM/RRA increase for
13 Schedules 95 and 93?**

14 A. Yes. In the application submitted in May 2018 in Docket No. 20000-536-ER-18, the
15 Company proposed to refund to customers approximately \$22.5 million of the impact
16 from the 2017 TCJA and an additional \$3.6 million to offset the 2018 ECAM/RRA
17 increase.

18 **Q. Please describe in more detail the combined treatment of Schedules 95, 93, and
19 197 related to the 2018 ECAM/RRA Application.**

20 A. As part of partial settlement agreement in the 2017 TCJA, the Company and WIEC
21 agreed to hold the rates from the 2017 ECAM/RRA Application flat.² The amount being

¹ Docket No. 20000-536-ER-18, Record No. 14999.

² While not explicitly stated as such, the intention of the offsets in the settlement agreement was to have no net impact on customer rates.

1 refunded through Schedule 95 and Schedule 93 for the 2017 ECAM/RRA filing was
2 approximately \$7.29 million. The 2018 ECAM/RRA Application resulted in a total
3 refund to customers of \$3.69 million, an overall increase of \$3.60 million. In
4 accordance with the partial settlement agreement, the parties agreed to offset the
5 \$3.60 million with amounts in the Schedule 197 deferred liability account. The
6 combined net impact resulted in customers continuing to receive a total refund of
7 \$7.29 million.

8 **Q. Did the Commission approve the offsets for future ECAM/RRA applications and**
9 **for the Energy Vision 2020 projects as stated in the partial settlement agreement?**

10 A. No. The Commission did not approve all of the terms in the partial settlement. The
11 Commission agreed it would consider using the deferred liability account to help offset
12 future rate increases in new applications. The Commission did not require the Company
13 to match the proposed rate increases in future ECAM/RRA filings with the rate refunds
14 in future Schedule 197 filings.³

15 **CUSTOMER RATE IMPACTS FROM THE 2019 ECAM AND RRA**

16 **Q. Please summarize the rate impacts for the proposed changes to RRA Schedule 93.**

17 A. In accordance with its 2018 filing, the Company is currently refunding to customers
18 approximately \$0.25 million, in accordance with the RRA Schedule 93 rate approved
19 by the Commission in 2018.⁴ On April 15, 2019, the Company filed direct testimony
20 supporting a refund to customers of approximately \$0.24 million. This amount has
21 since been corrected ~~As~~ shown in the ~~direct errata~~ testimony and exhibits of Company

³ See Memorandum, Opinion, Findings and Order Approving Application, Docket No. 20000-536-ER-18 (Record No. 14999), March 15, 2019 at ¶ 65.

⁴ As approved by the Wyoming Public Service Commission in the Company's 2018 ECAM/RRA Application (Docket No. 20000-535-EA-17).

1 witness Mr. Terrell H Spackman filed on May 7, 2019 in Docket No. 20000-558-EM-
2 19., Per the errata filing, in 2019 the Company seeks to refund to customers
3 approximately \$0.~~3824~~ million under its 2019 RRA filing, resulting in a proposed RRA
4 Schedule 93 net rate ~~increase~~ of approximately \$~~0.1310 thousand~~-million for
5 Wyoming customers.⁵

6 **Q. Please summarize the rate impacts for the proposed changes to ECAM Schedule**
7 **95.**

8 A. In accordance with its 2018 filing, the Company is currently refunding to customers
9 approximately \$3.41 million, in accordance with the ECAM Schedule 95 rate approved
10 by the Commission in 2018.⁶ As shown in the direct testimony and exhibits of Company
11 witness Mr. Michael G. Wilding in Docket No. 20000-558-EM-19, in 2019 the
12 Company seeks to collect approximately \$6.55 million for calendar year 2018 deferred
13 net power costs in its 2019 ECAM. The combined net collection from this increase is
14 \$6.17 million with a~~The net rate impact from this is an increase~~ of approximately \$9.96
15 million for Wyoming customers. The proposed 2019 ECAM/RRA Application results
16 in a combined net rate increase to Wyoming customers of approximately \$9.~~82397~~
17 million.⁷

18 OFFSET PROPOSAL

19 **Q. Is the Company proposing to use the Schedule 197 liability account in 2019 to**
20 **offset the proposed 2019 ECAM/RRA rate increases?**

⁵ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. Also, see errata testimony and supporting exhibits of Mr. Spackman and Mr. Meredith filed on May 7, 2019.

⁶ As approved by the Wyoming Public Service Commission in the Company's 2018 ECAM/RRA Application (Docket No. 20000-535-EA-17).

⁷ See Docket No. 20000-558-EM-19, Record No. 15236 for the 2019 ECAM/RRA Application and supporting testimony. Also, see errata testimony and supporting exhibits filed on May 7, 2019.

1 A. Yes, but with a slight change. In contrast to the 2018 ECAM/RRA and Schedule 197
2 Applications from 2018, where the proposed rate impacts completely offset each other,
3 this year the Company proposes to offset ~~the 2019 ECAM/RRA combined net~~
4 ~~collection of~~ \$6.31 million. The Company proposes to increase the existing credit in
5 Schedule 197 from \$3.60 million to \$3.96 million. The remaining increase of
6 \$2.34 million would be offset with amounts in the Schedule 92 liability account, as
7 described later in my testimony.

8 **Q. Please explain the Company's proposal to use amounts in the Schedule 92 liability**
9 **account, Bonus Tax Depreciation, in 2019 to offset the proposed 2019 ECAM/RRA**
10 **rate increases.**

11 A. Based on a recent private letter ruling issued by the Internal Revenue Service in the
12 Bonus Tax Depreciation case (Docket No. 20000-506-EA-16), the Company filed its
13 compliance filing to revise the Schedule 92, Bonus Tax Depreciation, sur-credit in rates
14 through Schedule 92 Bonus Tax Depreciation from \$0.31 million to \$0.65 million. Due
15 to this impact, the Company has accrued a regulatory liability balance of approximately
16 \$2.24 million dollars and proposes to amortize the balance and approximately
17 \$0.10 million dollars of ongoing carrying charges back to Wyoming customers over
18 one year, using the June 2019 through June 2020 collection period of the 2019
19 ECAM/RRA to offset the remaining amount from ~~the 2019 ECAM/RRA increase of~~
20 \$6.31 million.

21 **Q. Please describe the reasoning behind the Company's proposal in more detail.**

22 A. If the Company were to offset ~~the 2019 ECAM/RRA combined net collection of~~
23 \$6.31 million while continuing to ~~hold customer rates flat~~ offset the \$7.29 million, the

1 2017 TCJA deferred liability balance would be reduced by a projected \$13.60 million.
2 Assuming the 2020 and 2021 ECAM/RRA Application proposed a combined net
3 collection of zero while continuing to hold customer rates flat, the 2017 TCJA deferred
4 liability balance would be reduced in the amount of \$7.29 million. Based on these
5 assumptions, the Company would rapidly deplete any deferred liability balance from
6 the 2017 TCJA. In fact, the Tax Cuts and Jobs Act estimated balance would flip from a
7 regulatory liability to regulatory asset in November 2021, before the ending collection
8 period of the 2021 RRA and ECAM. A detailed schedule assuming a full offset for
9 future ECAM/RRA Applications is provided as Exhibit RMP____(SRM-1).

10 **Q. Is the Company's proposal in the public interest?**

11 A. Yes. The Company has continually made efforts to manage customer rate pressures and
12 stabilize customer rates. However, the Company is also facing rate pressures such as
13 an increase in depreciation rates as reflected in the Company's 2018 Depreciation Study
14 which is currently pending before the Commission (Docket No. 20000-539-EA-18).
15 The 2017 TCJA deferred liability account provides the Company with the ability to
16 provide offset proposals that can be used to help alleviate these and other future rate
17 pressures. By using this regulatory liability only to offset short-term pressure from the
18 ECAM/RRA Applications, specifically offsetting artificially low sur-credit rates from
19 prior periods, Wyoming customers could face multiple rate pressures in the near-term.
20 The offsets the Company is currently proposing is attempting to balance and mitigate
21 rate increases for customers and assist with Company cash flow metrics to maintain a
22 stable credit rating, which is a benefit to customers.

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

1 A. Yes.

Docket No. 20000-560-EA-19
Witness: Robert M. Meredith

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

ERRATA Direct Testimony of Robert M. Meredith

Redline

May 2019

1 16, will offset, in part, the bill impacts of the increases in the 2019 Energy Cost
2 Adjustment Mechanism (“ECAM”) and REC Revenue Adjustment (“RRA”) filing
3 made on April 15, 2019.

4 **FTAA CREDIT – PROPOSED REVENUE SPREAD AND RATES FOR**
5 **SCHEDULE 197**

6 **Q. What change is the Company proposing for the FTAA credit in Schedule 197?**

7 A. As discussed in the Direct Testimony of Steven R. McDougal, the Company is
8 proposing an increase to the FTAA credit to offset, in part, the 2018 deferral amounts
9 in the ECAM and RRA. Currently Schedule 197 reflects a rate credit of \$3.6 million,
10 approved in Docket No. 20000-536-ER-18, to offset the 2018 ECAM and RRA filing.
11 The Company is proposing to increase the current FTAA credit to \$3.96 million on
12 Schedule 197, effective June 15, 2019. This increase in Schedule 197, in conjunction
13 with the \$2.34 million rate credit proposed for Schedule 92 related to bonus tax
14 depreciation that the Company filed on April 12, 2019, would offset slightly more than
15 the \$6.~~23~~ million deferred in the 2019 ECAM and RRA.

16 **Q. What rate spread and rate design did the Company use to calculate the rates on**
17 **the revised Schedule 197 tariff for the offsetting FTAA credit?**

18 A. The proposed rates on revised tariff sheets for Schedule 197, Federal Tax Act
19 Adjustment, were prepared using the rate base allocation to each customer class from
20 the Company’s final cost of service study that was approved in Docket No. 20000-469-
21 ER-15. For Schedule 33 - Partial Requirements Service, the Company used a weighted
22 average of Schedule 46 and Schedule 48 prices to set the price per kilowatt-hour using
23 Schedule 33 primary voltage energy to weight the Schedule 46 price and Schedule 33

1 **Q. Based on this filing and the recent 2019 ECAM and RRA and Schedule 92 filings,**
 2 **what is the net rate impact the Company is proposing effective June 15, 2019?**

3 **A.** Table A below shows the net impact by rate schedule of the rate changes proposed to
 4 be effective June 15, 2019.

5 **Table A. Net Impact of Proposed Rate Changes to be Effective June 15, 2019**

Schedule Number	ECAM Sch 95	RRA Sch 93	Bonus Tax		Overall
			Depr Sch 92	FTAA Sch 197	
2/18	1.06%	<u>-0.030%</u>	-0.54%	-0.21%	0. <u>2931</u> %
25	1.13%	<u>-0.020%</u>	-0.50%	-0.23%	0.3 <u>79</u> %
28	1.40%	<u>-0.030%</u>	-0.51%	-0.18%	0. <u>6972</u> %
33	1.49%	<u>-0.02%</u>	-0.29%	-0.02%	1. <u>1620</u> %
40	1.35%	<u>-0.004%</u>	-0.50%	-0.75%	0. <u>109</u> %
210	1.13%	<u>-0.054%</u>	-0.39%	-0.60%	0. <u>0942</u> %
46	1.65%	<u>-0.010%</u>	-0.45%	-0.03%	1.1 <u>56</u> %
48	1.66%	<u>-0.020%</u>	-0.27%	0.10%	1.4 <u>78</u> %
54	1.32%	<u>-0.013%</u>	-0.86%	-0.57%	-0.1 <u>04</u> %
15	3.90%	<u>-0.2504%</u>	-3.16%	-1.51%	-0. <u>5382</u> %
51	0.49%	<u>-0.041%</u>	-0.35%	-0.82%	-0.6 <u>48</u> %
53	0.80%	0.0 <u>64</u> %	-0.67%	-0.78%	-0. <u>5964</u> %
57	1.33%	0. <u>1400</u> %	-1.12%	-1.12%	-0. <u>7792</u> %
58	1.61%	0.0 <u>30</u> %	-1.36%	-0.58%	-0. <u>2933</u> %
207	0.43%	0.0 <u>80</u> %	-0.57%	-1.02%	-1. <u>0746</u> %
211	0.41%	0.0 <u>90</u> %	-0.56%	-1.04%	-1.1 <u>08</u> %
212	0.63%	0.0 <u>70</u> %	-0.82%	-0.94%	-1. <u>0542</u> %
213	2.29%	<u>-0.042%</u>	-0.51%	-0.58%	1. <u>2448</u> %
<u>213</u>	<u>1.96%</u>	<u>-0.025%</u>	<u>-0.39%</u>	<u>-0.58%</u>	<u>01.0194%</u>
<u>Total</u>	<u>1.46%</u>	<u>-0.020%</u>	<u>-0.40%</u>	<u>-0.05%</u>	<u>10.9902%</u>

6 **Q. Did the Company revise applicable tariff sheets to reflect the requested rate**
 7 **changes in the filing and the proposed June 15, 2019 effective date?**

8 **A.** Yes. Legislative and clean versions of the Schedule 197 tariff modifications are
 9 included in Exhibit RMP___(RMM-3).