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September 9, 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 – Rebuttal Testimony**

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Dear Mr. Petrie:

Rocky Mountain Power hereby submits for electronic filing the rebuttal testimony as required by the Scheduling Order issued on July 19, 2019. An original and four copies are being provided for the docket.

All formal correspondence and staff requests regarding this matter should be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

with copies to: Stacy Splittstoesser  
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Please contact Stacy Splittstoesser, Wyoming Regulatory Affairs Manager at (307) 632-2677 if you have any informal questions or would like additional information.

Sincerely,



Joelle R. Steward  
Vice President, Regulation

Enclosure

cc: Service List

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

BEFORE THE WYOMING PUBLIC SERVICE  
COMMISSION

ROCKY MOUNTAIN POWER

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Rebuttal Testimony of Steven R. McDougal

September 2019

1 **Q. Are you the same Steven R. McDougal who submitted direct testimony in this**  
2 **proceeding on behalf of PacifiCorp dba Rocky Mountain Power (“the**  
3 **Company”)?**

4 A. Yes.

5 **PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. My rebuttal testimony addresses the direct testimony of Wyoming Industrial Energy  
8 Consumers (“WIEC”) witness Mr. Kevin C. Higgins<sup>1</sup> and continues to support an  
9 update to Tariff Schedule 197 from a total rate credit of \$26.10 million to \$26.46 million  
10 that was approved on an interim basis beginning June 15, 2019.

11 **Q. Please summarize the annual Wyoming-allocated revenue requirement savings**  
12 **associated with the Tax Cuts and Jobs Act (“TCJA”).**

13 A. The Wyoming-allocated annual revenue requirement savings of the TCJA is  
14 summarized in Table 1 below:

15 **TABLE 1**

16 \$ - Millions

<b>Current Tax</b>	<b>Wheeling Revenue</b>	<b>ARAM</b>	<b>Total</b>
\$ 21.84	\$ (1.25)	\$ 6.86	\$ 27.45

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<sup>1</sup> The Wyoming Office of Consumer Advocate witness Mr. Anthony Ornelas filed direct testimony in support of the Company’s proposals.

1 **Q. What is the total amount the Company is currently refunding to Wyoming**  
2 **customers through Tariff Schedule 197?**

3 A. Beginning July 1, 2018, the Company started refunding to Wyoming customers \$26.10  
4 million dollars annually, or approximately 95 percent of the total annual revenue  
5 requirement savings of the TCJA, reflected in (1) an on-going annual rate credit of  
6 \$22.50 million and (2) a one-year rate credit of \$3.60 million which offset the increase  
7 associated with the 2018 Energy Cost Adjustment Mechanism (“ECAM”) and  
8 Renewable Energy Credit and Sulfur Dioxide Revenue Adjustment Mechanism  
9 (“RRA”) filing in Docket No. 20000-535-EA-18. The Company proposes, in this  
10 docket, to increase the rate credit of \$3.60 million to \$3.96 million to offset the 2019  
11 ECAM/RRA while continuing the \$22.50 million annual rate credit. This change results  
12 in a cumulative rate credit of \$26.46 million, or approximately 96 percent of the annual  
13 TCJA revenue requirement savings. This revised rate credit was approved on an interim  
14 basis and became effective June 15, 2019.

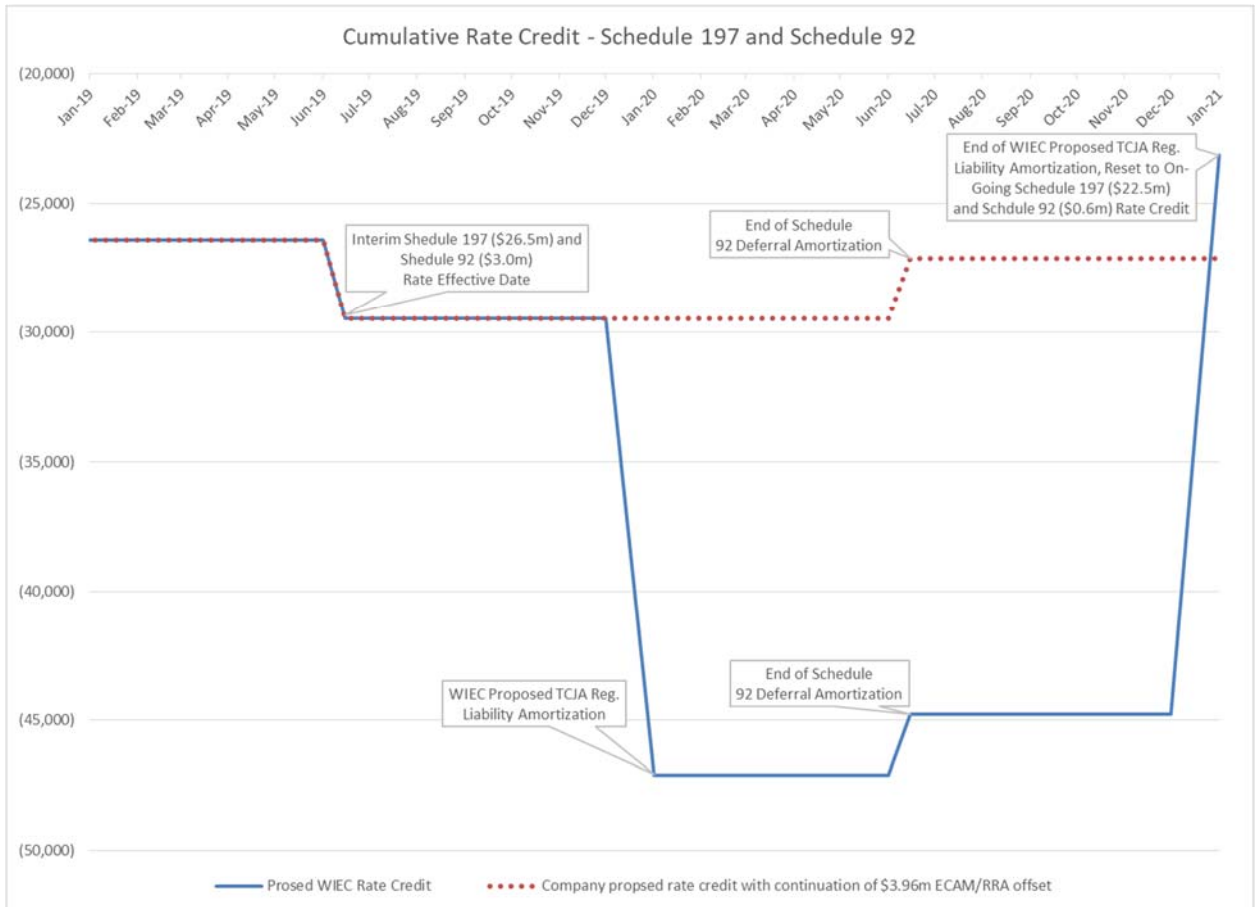
15 **Q. How does this compare to Mr. Higgins’ proposal?**

16 A. Mr. Higgins is proposing, effective January 1, 2020, to amortize back to Wyoming  
17 customers all of the benefits of the TCJA deferred to the corresponding regulatory  
18 liability through December 31, 2020. His proposal would continue the annual rate  
19 credit of \$22.50 million but increase the 2019 ECAM/RRA interim rate credit of \$3.96  
20 million to \$21.63 million, for a total rate credit of \$44.13 million. This would  
21 effectively amortize the TCJA regulatory liability to a zero balance by December 31,  
22 2020.

1 **Q. Does Mr. Higgins’ proposal promote the long standing rate making principle of**  
2 **rate stability?**

3 A. No. Mr. Higgins’ proposal would subject Wyoming customers to two significant short-  
4 term rate changes while ignoring long-term rate stability. Specifically, the result of Mr.  
5 Higgins’ proposal is to increase the rate credit through Tariff Schedule 197  
6 approximately 67 percent on January 1, 2020, from \$26.46 million to \$44.13 million.  
7 Then beginning January 1, 2021, Mr. Higgins’ proposal would decrease the rate credit  
8 from \$44.13 million to \$22.50 million, a 49 percent decrease. To better illustrate this,  
9 below is a chart of the cumulative proposed rate credit amounts from Schedules 197  
10 and 92.

11 **CHART 1**



1 **Q. What is Mr. Higgins' rationale for his proposed total credit of \$44.13 million to**  
2 **Wyoming customers beginning January 1, 2020 through the end of 2020?**

3 A. Mr. Higgins' rationale for this proposal is largely based on the goal of completely  
4 offsetting the 2019 ECAM/RRA rate change while also providing a “modest buffer” to  
5 help offset the Company’s future 2020 ECAM/RRA filings.

6 **Q. Does the Company agree with Mr. Higgins' proposal to increase the credit amount**  
7 **from the TCJA regulatory liability?**

8 A. No. Although the Company agrees with Mr. Higgins that Wyoming customers should  
9 fully benefit from the savings associated with the TCJA, Mr. Higgins’ approach is short  
10 sighted and, as shown in Chart 1 above, creates rate instability. First, Mr. Higgins’  
11 proposal to implement a larger credit beginning January 1, 2020 does not align with the  
12 2019 ECAM/RRA collection period of June 15, 2019 through June 14, 2020 which is  
13 well underway. More importantly, while this timing misalignment would more than  
14 offset the 2019 ECAM/RRA, it would fail to completely offset the 2020 ECAM/RRA  
15 which exposes Wyoming customers to additional fluctuations in customer rates.  
16 Specifically, his proposal would reduce customer rates January 1, 2020, followed by  
17 the June 15, 2020 interim rate change associated with the 2020 ECAM/RRA filing,  
18 followed by the end of the TCJA regulatory liability amortization rate credit December  
19 31, 2020. Secondly, his proposal completely eliminates any potential long-term rate  
20 stability where the TCJA regulatory liability balance could be used to help offset future  
21 known cost pressures such as the 2018 Depreciation Study.

1 **Q. Mr. Higgins proposes to allocate Tariff Schedule 197 to customers based on the**  
2 **ECAM/RRA allocation rather than a rate base allocation as proposed by the**  
3 **Company. What is the Company’s position on his proposal?**

4 A. Both the Company and the Wyoming Office of Consumer Advocate<sup>2</sup> support the  
5 proposed rate base allocation of the offsetting component of the Schedule 197 TCJA  
6 credit as addressed in the direct testimony of Company witness Mr. Meredith in this  
7 docket. Since the benefit of the TCJA is primarily related to rate base, the Company’s  
8 approach fairly returns the benefits based on the rate base investment to provide service  
9 to each customer class.

10 **Q. Why should the Wyoming Public Service Commission adopt the Company’s**  
11 **proposal?**

12 A. The Company’s proposal helps to manage long-term rate stability by helping to offset  
13 future, but known, rate pressures such as the 2018 Depreciation Study while still  
14 refunding to Wyoming customers over 95 percent of the TCJA savings on an annual  
15 basis. Mr. Higgins’ proposal is contrary to the Commission’s considerations in its  
16 earlier order addressing phase one of the TCJA benefits in Docket No. 20000-536-ER-  
17 18 issued March 15, 2019 (“Phase I Order”). In the Phase I Order, the Commission  
18 noted that “[i]n considering the outstanding issues, the Commission attempts to strike  
19 a balance in its decision between provisions in the Stipulation benefitting all ratepayers,  
20 while taking into account the concerns raised by RMP, including credit rating concerns  
21 and *rate stability for the Company’s customers.*”<sup>3</sup>

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<sup>2</sup> Ornelas Direct Testimony, page 8, lines 20-26.

<sup>3</sup> Phase One Order, ¶ 64. Emphasis added.



1 **Q. Does this conclude your rebuttal testimony?**

2 **A. Yes.**



CERTIFICATE OF SERVICE

I hereby certify that on September 9, 2019, I caused to be served via email a true and correct copy of the foregoing document to the following:

<b>Office of Consumer Advocates</b>	
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