

ATTACHMENT

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-10 0467

DOCKET NO. UG-10 0468

DIRECT TESTIMONY OF
ELIZABETH M. ANDREWS
REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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Q. Please state your name, business address, and present position with Avista Corporation.

A. My name is Elizabeth M. Andrews. I am employed by Avista Corporation as Manager of Revenue Requirements in the State and Federal Regulation Department. My business address is 1411 East Mission, Spokane, Washington.

Q. Would you please describe your education and business experience?

A. I am a 1990 graduate of Eastern Washington University with a Bachelor of Arts Degree in Business Administration, majoring in Accounting. That same year, I passed the November Certified Public Accountant exam, earning my CPA License in August 1991¹. I worked for Lemaster & Daniels, CPAs from 1990 to 1993, before joining the Company in August 1993. I served in various positions within the sections of the Finance Department, including General Ledger Accountant and Systems Support Analyst until 2000. In 2000, I was hired into the State and Federal Regulation Department as a Regulatory Analyst until my promotion to Manager of Revenue Requirements in early 2007. I have also attended several utility accounting, ratemaking and leadership courses.

Q. As Manager of Revenue Requirements, what are your responsibilities?

A. As Manager of Revenue Requirements, aside from special projects, I am responsible for the preparation of normalized revenue requirement and pro forma studies for the various jurisdictions in which the Company provides utility services. During the last nine and

¹ Currently I keep a CPA-Inactive status with regards to my CPA license.

1 monthly-averages amount for the test period. The effect on Washington net operating income is
2 a decrease of \$56,000. The effect on Washington rate base is a decrease of \$756,000.

3 **Q. Please turn to page 6 and explain the adjustments shown there.**

4 A. Page 6 starts with the adjustment in column (h), **Customer Advances**, which
5 decreases rate base for money advanced by customers for line extensions, as they will be
6 recorded as contributions in aid of construction at some future time. The effect on Washington
7 rate base is a decrease of \$257,000.

8 The adjustment in column (i), **Customer Deposits**, deducts from electric rate base the
9 average-of-monthly-averages of customer deposits held by the Company, as ordered by this
10 Commission in Docket UE-090134. The corresponding interest paid on customer deposits is
11 reclassified to utility operating expense, at the current WUTC interest rate of .33%. The effect
12 on Washington rate base is a decrease of \$3,060,000. The effect on Washington net operating
13 income is a decrease of \$6,000.

14 The adjustment in column (j), **Settlement Exchange Power**, reflects the rate base
15 associated with the recovery of 64.1% of the Company's investment in Settlement Exchange
16 Power. The 64.1% recovery level was approved by the Commission's second Supplemental
17 Order in Cause No. U-86-99 dated February 24, 1987. Amortization expense and deferred FIT
18 expense recorded during the test period are reflected in results of operations. The rate base
19 adjustment and accumulated deferred FIT reflects the average-of-monthly-averages amount for
20 the 2011 rate period. The effect on Washington rate base is an increase of \$16,412,000.

21 The adjustment in column (k), **Restating CDA Settlement**, adjusts the 2009 test period
22 AMA net asset and DFIT balances related to the 2008/2009 CDA Tribe Settlement payments

1 (Past Storage/§10(e)) and deferred costs to a 2011 AMA basis. In addition, this adjustment
2 includes the 2011 AMA net asset and DFIT balance for the 2010 Past Storage/§10e settlement
3 payment of \$4 million. The expense portion of this adjustment includes the annual amortization
4 of the net total asset (\$41.6 million (system) of payments and deferred costs) and the annual
5 \$400,000 (system) future storage §10(e) payment.

6 The agreed upon settlement and payments included in this adjustment were approved by
7 the Commission in the Company's 2008 electric general rate case proceeding, Docket No. UE-
8 080416. As approved by the Commission's Order (See Order No. 08), in Docket No. UE-
9 080416, the Company was allowed to defer the amortization of the settlement payments, which
10 included the system payments of \$25.0 million in December 2008, \$10.0 million in 2009 and
11 \$4.0 million in 2010 for resolution of the past trespass and §10(e) charges, and the 2008 future
12 §10(e) annual flat payment, with a carrying charge on the deferrals and unamortized balance, for
13 future recovery. These deferred payments, including a return on the balance, are being amortized
14 over the average remaining life of the Spokane River - Post Falls Project, or 45 years. The future
15 §10(e) system payment schedule of \$400,000 flat annual payments for the first 21 years of the
16 new Spokane River license, starting in December 2008, and \$700,000 flat annual payments for
17 the remaining years of the license, was also approved.

18 During 2009, 100% of Washington's share of the amortization of the assets associated
19 with the 2008/2009 past storage and §10(e) charges were deferred for future recovery (see
20 adjustment (I) – "Restating CDA Settlement Deferral" below). The effect on Washington rate
21 base is an increase of \$4,676,000 above that in the test period. The effect on Washington net
22 operating income is a decrease of \$558,000.

1 The adjustment in column (l), **Restating CDA Settlement Deferral**, adjusts the 2009 net
2 assets associated with the 2008/2009 past storage and §10(e) charges deferred for future recovery
3 to a 2011 AMA basis, and records the annual amortization expense based on a three-year
4 amortization. As noted above in adjustment (k) “Restating CDA Settlement,” the Company was
5 allowed to defer the amortization of the settlement payments (\$35.8 million of 2008/2009 system
6 total payments), with a carrying charge on the deferrals and unamortized balance, for future
7 recovery. These deferred payments, including a return on the balance, are being amortized over
8 45 years. Washington’s share of the 2009 deferred amortization, plus interest totaled
9 approximately \$1.55 million. The Company has proposed a three-year amortization for recovery
10 of this amount, resulting in approximately \$506,000 of annual expense (rather than \$35,000
11 annually over the remaining 44-year life). The effect on Washington rate base is an increase of
12 \$822,000. The effect on Washington net operating income is a decrease of \$329,000.

13 The adjustment in column (m), **Restating CDA/SRR (Spokane River Relicensing)**
14 **CDR**, adjusts the 2009 net assets associated with the CDA Tribe settlement 4(e) Spokane River
15 relicensing conditions, deferred for future recovery, to a 2011 AMA basis. The expense portion
16 of this adjustment includes the annual amortization of the net total asset (\$12 million (system) of
17 payments and deferred costs); amortization of the deferred balance over a three year period; and
18 the annual \$2 million (system) of CDR payment expense.

19 As noted below in adjustment (n) “Restating Spokane River Relicensing,” costs
20 associated with the CDA Tribe settlement 4(e) relicensing conditions, with a carrying charge on
21 the deferrals and unamortized balance, were deferred for future recovery. These deferred
22 payments, including a return on the balance, were originally planned to be amortized over the life

1 of the license, or 50 years. Washington's share of the 2009 deferred amortization, plus interest
2 totaled approximately \$112,700. The Company has included a three-year amortization for
3 recovery of this amount, resulting in approximately \$36,000 of annual expense (rather than
4 \$2,300 annually over the remaining 50-year life). The effect on Washington rate base is an
5 increase of \$3,746,000. The effect on Washington net operating income is a decrease of
6 \$951,000.

7 **Q. Please turn to page 7 and explain the adjustments shown there.**

8 A. Page 7 starts with the adjustment in column (n), **Restating Spokane River**
9 **Relicensing**, which adjusts the 2009 AMA test period net asset and DFIT balances related to the
10 Spokane River relicensing costs to a 2011 AMA basis, and records the annual amortization
11 expense based on a 50-year amortization. In June 2009, Avista received its 50 year FERC-issued
12 license for the Spokane River Project, at which time the costs of these efforts were transferred to
13 intangible plant. Costs associated with this effort included actual life-to-date expenditures from
14 April 2001 through June 30, 2009. The total of these costs were reviewed and approved over the
15 Company's two previous general electric rate case proceedings, Docket Nos. UE-080416 and
16 UE-090134. The Company was allowed to defer the amortization of the licensing costs, costs
17 associated with the CDA Tribe settlement 4(e) relicensing conditions and the associated
18 Program, Enhancement & Mitigation (PM&E) charges, including a carrying charge on these
19 amounts, until rates went into effect January 1, 2010. These deferred payments, including a
20 return on the balance, were originally planned to be amortized over the life of the license, or 50
21 years. During 2009, Washington's share of the amortization of the assets associated with the
22 licensing costs and 4(e) payments for the period June through December were deferred for future

1 recovery (see adjustment o – “Restating Spokane River Deferral” and adjustment m – “Restating
2 CDA/SRR CDR Fund”). The Company also spent approximately \$725,400 on PM&E costs in
3 2009; deferring 100% of Washington’s share, including interest, for future recovery (see
4 adjustment p – “Restating Spokane River PM&E Deferral”). The effect on Washington rate base
5 is an increase of \$7,271,000 above that in the test period. The effect on Washington net
6 operating income is a decrease of \$242,000.

7 The adjustment in column (o), **Restating Spokane River Deferral**, adjusts the 2009 net
8 asset and DFIT balances related to the Spokane River deferred relicensing costs to a 2011 AMA
9 basis, and records the annual amortization expense based on a three-year amortization. As noted
10 above in adjustment (n) “Restating Spokane River Relicensing,” the Company was allowed to
11 defer the amortization of the licensing costs and costs associated with the CDA Tribe settlement
12 4(e) relicensing conditions, including a carrying charge on these amounts, for future recovery.
13 Washington’s share of the 2009 deferred amortization, plus interest for the period July through
14 December totaled approximately \$743,200. These deferred payments, including a return on the
15 balance, were originally planned to be amortized over the life of the license, or 50 years.
16 However, the Company has included a three-year amortization for recovery of this amount,
17 resulting in approximately \$243,000 of annual expense (rather than \$15,000 annually over the
18 remaining 50-year life). The effect on Washington rate base is an increase of \$395,000. The
19 effect on Washington net operating income is a decrease of \$158,000.

20 The adjustment in column (p), **Restating Spokane River PM&E Deferral**, adjusts the
21 2009 net asset and DFIT balances related to the Spokane River deferred PM&E costs to a 2011
22 AMA basis, and records the annual amortization expense based on a three-year amortization. As

1 noted above in adjustment (n) "Restating Spokane River Relicensing," the Company was allowed
2 to defer the Spokane River deferred PM&E charges, including a carrying charge on these
3 amounts, for future recovery. Washington's share of the 2009 deferred PM&E costs, plus
4 interest, totaled approximately \$471,900. The Company has included a three-year amortization
5 for recovery of this amount, resulting in approximately \$154,000 of annual expense. The effect
6 on Washington rate base is an increase of \$250,000. The effect on Washington net operating
7 income is a decrease of \$100,000.

8 Included within my workpapers provided with the Company's filing is the detail for each
9 of the adjustments (k) through (p) described above.

10 The adjustment in column (q), **Restating Montana Riverbed Lease**, includes the costs
11 associated with the Montana Riverbed lease settlement. In this settlement, the Company agreed
12 to pay the State of Montana \$4.0 million annually beginning in 2007, with annual inflation
13 adjustments, for a 10-year period for leasing the riverbed under the Noxon Rapids Project and the
14 Montana portion of the Cabinet Gorge Project. The first two annual payments were deferred by
15 Avista as approved in Docket No. UE-072131. In Docket No. UE-080416 (see Order No. 08),
16 the Commission approved the Company's accounting treatment of the deferred payments,
17 including accrued interest, to be amortized over the remaining eight years of the agreement
18 starting on January 1, 2009. This restating adjustment includes one-eighth of the deferred
19 balance amortization and the increase in the annual lease payment expense for the additional
20 annual inflation. This adjustment decreases Washington net operating income by \$53,000 and
21 increases rate base by \$2,419,000.

1 The next column marked by a dash, entitled **Subtotal Actual** represents actual operating
2 results and rate base plus standard rate base adjustments that are included in Commission Basis
3 reporting, plus additional restating adjustments required to annualize previous approved rate base
4 items.

5 **Q. Please turn to page 8 and explain the adjustments shown there.**

6 A. Page 8 starts with the adjustment in column (r), **Eliminate B & O Taxes**, that
7 eliminates the revenues and expenses associated with local business and occupation (B & O)
8 taxes, which the Company passes through to its Washington customers. The adjustment
9 eliminates any timing mismatch that exists between the revenues and expenses by eliminating the
10 revenues and expenses in their entirety. B & O taxes are passed through on a separate schedule,
11 which is not part of this proceeding. The effect of this adjustment is to decrease Washington net
12 operating income by \$36,000.

13 The adjustment in column (s), **Property Tax**, restates the test period accrued levels of
14 property taxes to the most current information available and eliminates any adjustments related to
15 the prior year. This adjustment also annualizes the increase in property taxes effective July 1,
16 2009, related to the Company's Coyote Springs plant located in Oregon. Prior to July 1, 2009,
17 the Company had been exempted from this property tax assessment for five years under a tax
18 abatement as a result of the plant being located in the Columbia River Enterprise Zone in
19 Oregon. The effect of this adjustment decreases Washington net operating income by
20 \$1,194,000.

AVISTA UTILITIES
ELECTRIC RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Customer Advances	Customer Deposits	Settlement Exchange Power	Restating CDA Settlement	Restating CDA Settlement Deferral	Restating CDA/SRR CDR
	a	h	i	j	k	l	m
REVENUES							
1	Total General Business						
2	Interdepartmental Sales						
3	Sales for Resale						
4	Total Sales of Electricity	0	0	0	0	0	0
5	Other Revenue						
6	Total Electric Revenue	0	0	0	0	0	0
EXPENSES							
Production and Transmission							
7	Operating Expenses				259		1,297
8	Purchased Power						
9	Depreciation and Amortization				600	506	166
10	Taxes						
11	Total Production & Transmission	0	0	0	859	506	1,463
Distribution							
12	Operating Expenses						
13	Depreciation						
14	Taxes						
15	Total Distribution	0	0	0	0	0	0
16	Customer Accounting						
17	Customer Service & Information		10				
18	Sales Expenses						
Administrative & General							
19	Operating Expenses						
20	Depreciation						
21	Taxes						
22	Total Admin. & General	0	0	0	0	0	0
23	Total Electric Expenses	0	10	0	859	506	1,463
24	OPERATING INCOME BEFORE FIT	0	(10)	0	(859)	(506)	(1,463)
FEDERAL INCOME TAX							
25	Current Accrual		(4)		(301)	(177)	(512)
26	Deferred Income Taxes						
27	Amortized ITC - Noxon						
28	NET OPERATING INCOME	\$0	(\$6)	\$0	(\$558)	(\$329)	(\$951)
RATE BASE							
PLANT IN SERVICE							
29	Intangible				\$8,290	\$1,553	\$6,005
30	Production			79,626			
31	Transmission						
32	Distribution	(257)	(3,060)				
33	General						
34	Total Plant in Service	(257)	(3,060)	79,626	8,290	1,553	6,005
35	ACCUMULATED DEPRECIATION				1,035	288	240
36	ACCUM. PROVISION FOR AMORTIZATION			59,618			
37	Total Accum. Depreciation & Amort.	0	0	59,618	1,035	288	240
38	GAIN ON SALE OF BUILDING						
39	WORKING CAPITAL						
40	DEFERRED TAXES			(3,596)	(2,579)	(443)	(2,019)
41	TOTAL RATE BASE	(\$257)	(\$3,060)	\$16,412	\$4,676	\$822	\$3,746
42	RATE OF RETURN						

AVISTA UTILITIES
ELECTRIC RESULTS OF OPERATION
WASHINGTON RESTATED RESULTS
TWELVE MONTHS ENDED DECEMBER 31, 2009
(000'S OF DOLLARS)

Line No.	DESCRIPTION	Restating Spokane River Relicensing	Restating Spokane River Deferral	Restating Spokane River PM&E Deferral	Restating Montana Lease	Subtotal Actual
	a	n	o	p	q	-
REVENUES						
1	Total General Business					\$457,237
2	Interdepartmental Sales					871
3	Sales for Resale					128,777
4	Total Sales of Electricity	0	0	0	0	586,885
5	Other Revenue					30,908
6	Total Electric Revenue	0	0	0	0	617,793
EXPENSES						
Production and Transmission						
7	Operating Expenses					163,343
8	Purchased Power					184,472
9	Depreciation and Amortization	373	243	154	81	24,389
10	Taxes					8,617
11	Total Production & Transmission	373	243	154	81	380,821
Distribution						
12	Operating Expenses					17,267
13	Depreciation					16,891
14	Taxes					35,403
15	Total Distribution	0	0	0	0	69,561
16	Customer Accounting					10,118
17	Customer Service & Information					19,739
18	Sales Expenses					677
Administrative & General						
19	Operating Expenses					39,022
20	Depreciation					7,688
21	Taxes					
22	Total Admin. & General	0	0	0	0	46,710
23	Total Electric Expenses	373	243	154	81	527,626
24	OPERATING INCOME BEFORE FIT	(373)	(243)	(154)	(81)	90,167
FEDERAL INCOME TAX						
25	Current Accrual	(131)	(85)	(54)	(28)	6,122
26	Deferred Income Taxes					12,960
27	Amortized ITC - Noxon					(29)
28	NET OPERATING INCOME	(\$242)	(\$158)	(\$100)	(\$53)	\$71,114
RATE BASE						
PLANT IN SERVICE						
29	Intangible	\$8,567	\$743	\$472		\$81,826
30	Production				3,721	749,701
31	Transmission					301,090
32	Distribution					598,884
33	General					98,727
34	Total Plant in Service	8,567	743	472	3,721	1,830,228
35	ACCUMULATED DEPRECIATION					568,651
36	ACCUM. PROVISION FOR AMORTIZATION	707	136	87		69,627
37	Total Accum. Depreciation & Amort.	707	136	87	0	638,278
38	GAIN ON SALE OF BUILDING					(64)
39	WORKING CAPITAL					
40	DEFERRED TAXES	(589)	(212)	(135)	(1,302)	(174,040)
41	TOTAL RATE BASE	\$7,271	\$395	\$250	\$2,419	\$1,017,846
42	RATE OF RETURN					6.99%

EXHIBIT NO. ___(JHS-1T)
DOCKET NO. UE-09___/UG-09___
2009 PSE GENERAL RATE CASE
WITNESS: JOHN H. STORY

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-09___
Docket No. UG-09___

PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF
JOHN H. STORY
ON BEHALF OF PUGET SOUND ENERGY, INC.

MAY 8, 2009

1 of IIEEE storm expense that would have to be incurred prior to the Company
2 requesting deferral of IIEEE related storm costs.

3 As in prior general rate cases, the second part of the Storm Damage adjustment
4 amortizes the costs related to catastrophic storms that have been deferred. The
5 deferred costs associated with catastrophic storms (except for the December 13,
6 2006 wind storm), which total \$33.5 million, are amortized over four years. This
7 is the same deferral period used by the Company in the 2007 general rate case for
8 these types of catastrophic storm deferrals. The remaining portion of the
9 December 13, 2006 wind storm deferral will be \$68.3 million at the start of the
10 rate year. This storm cost is being amortized over 103 months, which is the
11 number of months remaining at the beginning of the rate year from the original
12 amortization period of ten years that began November 1, 2008, as approved in the
13 Company's 2007 general rate case.

14 The effect of this adjustment is to decrease net operating income by \$6,176,024.

15 **4.31 Regulatory Assets**

16 This pro forma adjustment adjusts the production related regulatory assets, net of
17 deferred federal income taxes, to their projected rate year average of the monthly
18 averages balances. This adjustment calculates the regulatory assets and liabilities
19 associated with production plant based on their projected rate year balances as
20 agreed to in the PCA Settlement from the 2001 general rate case. On line 33 of

1 this adjustment the Tenaska regulatory asset amortization is shown separately
2 because this part of the amortization is considered flow through for tax purposes.

3 In the original proceeding associated with the buy down of the Tenaska fuel
4 prices, Docket UE-971619, the principal buy down amount of \$215 million was
5 treated as a flow through item for rate recovery. Because the IRS would only
6 allow a straight-line amortization of the \$215 million over 15 years, the customer
7 receives the tax benefit associated with this tax amortization and not the book
8 amortization actually recorded for the \$215 million. In the Federal Income Tax
9 Adjustment (Page 4.04), the test year amortization, \$23.5 million, is removed and
10 the tax amortization, \$14.3 million, is treated as a tax deduction. In this
11 adjustment the increase in amortization between the rate year amortization, \$32.3
12 million, and the test year amortization, \$23.5 million, is treated as non-tax
13 deductible.

14 The estimated proceeds of the sale of the White River water rights are also shown
15 on this adjustment as a credit against the White River regulatory assets. The
16 White River assets and liabilities will be offset against each other when the sale of
17 the rest of the White River properties has been completed, as directed by the
18 Commission in Docket No. UE-032043. The remaining balance of the White
19 River assets will then be allocated to rates in a future proceeding. Please see the
20 prefiled direct testimony of Mr. Paul K. Wetherbee, Exhibit No. ___(PKW-1T),
21 for a more in-depth discussion of White River.

1 Besides the White River proceeds discussed above, the new regulatory assets and
2 liabilities since the prior general rate case are:

- 3 1. Colstrip Settlement – UE-080900 – Lines 12 and 28 – this restating
4 adjustment removes a \$10.7 million settlement payment charged to
5 production O&M during the test year and replaces it with a regulatory
6 asset as requested in the accounting petition filed May 22, 2008, Docket
7 No. UE-080900. This accounting petition has not come before the
8 Commission as of the filing date for this proceeding. In this adjustment,
9 interest is accrued on the regulatory asset from August 2008, which is the
10 date of the payment through the beginning of the rate year. The resulting
11 balance is then amortized over sixty months as requested in the petition.
12 The average of the monthly averages as of the rate year for this regulatory
13 asset (net of deferred FIT), which totals \$7,142,281, increases ratebase.
14 Annual amortization expense of \$2,487,877 is based on the five-year
15 amortization period requested in the accounting petition. This results in a
16 reduction of operating expense of \$7,999,283, which is included in
17 production O&M. See the prefiled direct testimony of Mr. Michael L.
18 Jones, Exhibit No. ___ (MLJ-1T) and Exhibit No. ___ (MLJ-4) for a more
19 detailed discussion of the Colstrip settlement.
- 20 2. Westcoast Pipeline Capacity Payment UE-082013 – Lines 13 and 29 – this
21 adjustment relates to a deferred credit for a \$3.5 million payment from FB

1 Energy Canada Corp. ("FB Energy") for PSE's assumption of FB Energy's
2 contractual benefits and obligations related to additional natural gas
3 transportation capacity on the Westcoast Energy Inc ("Westcoast")
4 pipeline. PSE will take over the transportation capacity on November 1,
5 2009. The amount of the reduction to ratebase of \$1,347,150 was
6 determined by amortizing the deferred credit commencing November 1,
7 2009 over the life of the capacity contract of nine years and then
8 comparing the rate year average of the monthly averages balance net of
9 deferred federal income tax to the test year average of the monthly
10 averages balance. Adjusting for the annual amortization benefit based on
11 the 9 year contract period decreases operating expense by \$392,150. This
12 adjustment is made to fuel expense to offset the cost of the capacity charge
13 as was requested in an accounting petition in Docket No. UE-082013. See
14 the prefilled direct testimony of Mr. R. Clay Riding, Exhibit No. ___ (RCR-
15 1CT) for a more detailed discussion of the Westcoast pipeline capacity.
16 This adjustment is done in the same manner as requested in the accounting
17 petition filed November 6, 2008 in Docket No. UE-082013. This
18 accounting petition has not come before the Commission as of the filing
19 for this proceeding.

- 20 3. Over Recovery of Major Maintenance – Lines 14 and 30 – As discussed
21 above under Adjustment 4.03 Power Costs, PSE is proposing to recover

1 the costs of major maintenance in a different manner than has been
2 authorized in prior proceedings. This pro forma adjustment adds a
3 deferred credit to ratebase for the estimated amount of over collection of
4 major maintenance costs from July 2002 until the beginning of the rate
5 year as calculated under the old maintenance recovery method. This
6 amount was determined by comparing actual major maintenance
7 expenditures to the amount set in rates for equivalent types of costs. The
8 amount of the original deferred credit as of the beginning of the rate year is
9 estimated to be \$5.7 million and will be trued up during the course of this
10 proceeding. The adjustment assumes return of the deferred credit through
11 amortization to other operating expense over three years. The result of this
12 adjustment is to decrease ratebase for the rate year average of the monthly
13 averages balance of the deferred credit net of accumulated amortization in
14 the amount of \$4,765,665. Including the annual amortization benefit
15 decreases other operating expense by \$1,906,266.

16 All amounts discussed above are pre-tax and are before the application of the
17 production adjustment.

18 The effect of all of these adjustments is to decrease net operating income by
19 \$5,037,666 and decrease ratebase by \$105,246,429.

Exhibit No. ___ (RBD-1T)
Docket No. UE-09 ___
Witness: R. Bryce Dalley

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power

Respondent.

Docket No. UE-09 _____

2009 FEB -9 AM 9:40

PACIFICORP

DIRECT TESTIMONY OF R. BRYCE DALLEY

February 2009

WUTC DOCKET UE-090005
EXHIBIT RBD-11
ADMIT W/D REJECT

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp (the Company).**

3 A. My name is R. Bryce Dalley and my business address is 825 NE Multnomah,
4 Suite 2000, Portland, Oregon, 97232. I am currently employed as Manager of
5 Revenue Requirement.

6 **Qualifications**

7 **Q. Briefly describe your educational and professional background.**

8 A. I received a Bachelor of Science degree in Business Management, with an
9 emphasis in finance from Brigham Young University in 2003. In addition to my
10 formal education, I have also attended various educational, professional and
11 electric industry-related seminars. I have been employed by PacifiCorp since
12 2002 in various positions within the regulation and finance organizations. I
13 assumed my current position in 2008.

14 **Q. What are your responsibilities as Manager of Revenue Requirement?**

15 A. My primary responsibilities include the calculation and reporting of the
16 Company's regulated earnings or revenue requirement, application of the inter-
17 jurisdictional cost allocation methodologies, and the explanation of those
18 calculations to regulators in the jurisdictions in which the Company operates.

19 **Q. Have you testified in previous regulatory proceedings?**

20 A. Yes. I have testified before the Washington Utilities and Transportation
21 Commission ("Commission") and the Oregon Public Utility Commission.

1 line which is reflected in this restating adjustment.

2 **Flow-Through Deferred Tax Balances and Expenses (pages 7.5 and 7.6) –**

3 Page 7.5 reflects the removal of the June 2008 AMA balances for all non-property
4 related deferred taxes. The associated deferred tax expenses are removed in
5 adjustment 7.6. These restating adjustments flow through to income the current
6 tax impacts on these items. Line item detail has been provided as backup in the
7 Report.

8 **Power Tax Update Adjustment (page 7.7) –** This restating adjustment updates
9 the allocation method related to property-related items in the historical period.
10 Due to Washington's use of the WCA allocation methodology, the Company's
11 deferred tax system needed to be rerun for tax years 2007 and 2008 under this
12 methodology. The resulting changes are reflected in this adjustment.

13 **Non-Recurring/Separate Tariff Adjustment (page 7.8) –** This restating
14 adjustment removes non-recurring or separately recovered book/tax differences
15 from the schedule M's in order to properly report current tax expense. Line item
16 detail has been provided as backup on page 7.8.1 of the Report.

17 **Low Income Tax Credit (page 7.9) –** This pro forma adjustment reflects the
18 known and measurable change to the Public Utility Tax Credit for Low Income
19 Home Energy Assistance Program ("LIHEAP") for the 2009 authorized credit
20 amount, per a July 24, 2008 letter from the Washington Department of Revenue.

21 **Public Utility Tax Adjustment (page 7.10) –** This pro forma adjustment
22 recalculates the Washington Public Utility Tax expense based on the normalized
23 revenues included in this filing, as discussed in adjustments 3.1, 3.2, and 3.3

Exhibit No. ___ (RBD-3)
Docket No. UE-09 ___
Witness: R. Bryce Dalley

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power

Respondent.

Docket No. UE-09 _____

2009 FEB -9 AM 9:40
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

PACIFICORP

EXHIBIT OF R. BRYCE DALLEY

**Washington Results of Operations
12 Months ended June 2008**

February 2009

WUTC DOCKET UE-090205
EXHIBIT RBD-3
ADMIT W/D REJECT

WASHINGTON WEST CONTROL AREA
 Tax Adjustments (Tab 7)
 TOTAL

Page 7.0 Total

	7.1	7.2	7.3	7.4	7.5/7.6	7.7	7.8	
	Total Normalized	Interest True Up	Property Tax Expense	Renewable Energy Tax Credit	Main Line Amortization	Flow-Through Deferred Tax Balances and Expense	Power Tax Update Adjustment	Non-Recurring/Separate Tariff
1 Operating Revenues:								
2 General Business Revenues	-	-	-	-	-	-	-	-
3 Interdepartmental	-	-	-	-	-	-	-	-
4 Special Sales	-	-	-	-	-	-	-	-
5 Other Operating Revenues	-	-	-	-	-	-	-	-
6 Total Operating Revenues	-	-	-	-	-	-	-	-
7								
8 Operating Expenses:								
9 Steam Production	-	-	-	-	-	-	-	-
10 Nuclear Production	-	-	-	-	-	-	-	-
11 Hydro Production	-	-	-	-	-	-	-	-
12 Other Power Supply	-	-	-	-	-	-	-	-
13 Transmission	-	-	-	-	-	-	-	-
14 Distribution	-	-	-	-	-	-	-	-
15 Customer Accounting	-	-	-	-	-	-	-	-
16 Customer Service & Info	-	-	-	-	-	-	-	-
17 Sales	-	-	-	-	-	-	-	-
18 Administrative & General	-	-	-	-	-	-	-	-
19 Total O&M Expenses	-	-	-	-	-	-	-	-
20 Depreciation	-	-	-	-	-	-	-	-
21 Amortization	-	-	-	-	-	-	-	-
22 Taxes Other Than Income	1,414,543	-	698,585	-	-	-	-	-
23 Income Taxes: Federal	(3,080,787)	(467,777)	(244,505)	(5,303,313)	-	-	3,371,543	(346,651)
24 State	-	-	-	-	-	-	-	-
25 Deferred Income Taxes	(11,376,317)	-	-	-	(281,811)	(2,061,559)	(6,587,948)	-
26 Investment Tax Credit Adj.	-	-	-	-	-	-	-	-
27 Misc Revenue & Expense	-	-	-	-	-	-	-	-
28 Total Operating Expenses:	(13,042,562)	(467,777)	454,080	(5,303,313)	(281,811)	(2,061,559)	(3,216,405)	(346,651)
29								
30 Operating Rev For Return:	13,042,562	467,777	(454,080)	5,303,313	281,811	2,061,559	3,216,405	346,651
31								
32 Rate Base:								
33 Electric Plant In Service	-	-	-	-	-	-	-	-
34 Plant Held for Future Use	-	-	-	-	-	-	-	-
35 Misc Deferred Debits	-	-	-	-	-	-	-	-
36 Elec Plant Acq Adj	-	-	-	-	-	-	-	-
37 Nuclear Fuel	-	-	-	-	-	-	-	-
38 Prepayments	-	-	-	-	-	-	-	-
39 Fuel Stock	-	-	-	-	-	-	-	-
40 Material & Supplies	-	-	-	-	-	-	-	-
41 Working Capital	-	-	-	-	-	-	-	-
42 Weatherization Loans	-	-	-	-	-	-	-	-
43 Misc Rate Base	-	-	-	-	-	-	-	-
44 Total Electric Plant:	-	-	-	-	-	-	-	-
45								
46 Deductions:								
47 Accum Prov For Deprec	-	-	-	-	-	-	-	-
48 Accum Prov For Amort	-	-	-	-	-	-	-	-
49 Accum Def Income Tax	(3,829,910)	-	-	-	(915,885)	(5,935,101)	3,021,076	-
50 Unamortized ITC	212,988	-	-	-	-	-	-	-
51 Customer Adv For Const	-	-	-	-	-	-	-	-
52 Customer Service Deposits	-	-	-	-	-	-	-	-
53 Miscellaneous Deductions	-	-	-	-	-	-	-	-
54								
55 Total Deductions:	(3,616,922)	-	-	-	(915,885)	(5,935,101)	3,021,076	-
56								
57 Total Rate Base:	(3,616,922)	-	-	-	(915,885)	(5,935,101)	3,021,076	-
58								
59								
60 Estimated ROE impact	4.277%	0.151%	-0.147%	1.713%	0.101%	0.733%	1.000%	0.112%
61 Estimated Price Change	(21,559,829)	(755,419)	733,300	(8,564,381)	(581,013)	(4,145,181)	(4,778,877)	(559,811)
62								
63								
64 TAX CALCULATION:								
65								
66 Operating Revenue	(1,414,543)	-	(698,585)	-	-	-	-	-
67 Other Deductions	-	-	-	-	-	-	-	-
68 Interest (AFUDC)	(157,163)	-	-	-	-	-	(157,163)	-
69 Interest	1,336,507	1,336,507	-	-	-	-	-	-
70 Schedule "M" Additions	(9,065,019)	-	-	-	-	-	(7,382,934)	(1,682,085)
71 Schedule "M" Deductions	(18,008,980)	-	-	-	-	-	(16,858,752)	(691,653)
72 Income Before Tax	6,350,074	(1,336,507)	(698,585)	-	-	-	9,632,980	(990,431)
73								
74 State Income Taxes	-	-	-	-	-	-	-	-
75								
76 Taxable Income	6,350,074	(1,336,507)	(698,585)	-	-	-	9,632,980	(990,431)
77								
78 Federal Income Tax - Calculated	2,222,526	(467,777)	(244,505)	-	-	-	3,371,543	(346,651)
79 Adjustments to Calculated Tax:								
80 Wyoming Wind Tax Credit	(5,303,313)	-	-	(5,303,313)	-	-	-	-
81 Federal Income Taxes	(3,080,787)	(467,777)	(244,505)	(5,303,313)	-	-	3,371,543	(346,651)

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Exhibit No. ___ (PMW-1T)
Docket No. UE-06 ___
2006 PP&L Rate Case
Witness: Paul M. Wrigley

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light
Company,

Respondent.

Docket No. UE-06 ___

WUTC		
DOCKET NO. <u>UE-061546</u>		
EXHIBIT # <u>131</u>		
ADMIT <input checked="" type="checkbox"/>	W/D <input type="checkbox"/>	REJECT <input type="checkbox"/>

PACIFICORP

DIRECT TESTIMONY OF PAUL M. WRIGLEY

October 2006

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp (the Company).**

3 A. My name is Paul M. Wrigley. My business address is 825 NE Multnomah St.,
4 Suite 2000, Portland, OR 97232. My present position is Director of Regulatory
5 Strategy and Multi-State Process (MSP) in the Regulation Department.

6 **Qualifications**

7 **Q. Please briefly describe your education and business experience.**

8 A. I graduated from Westfield College, London University in 1974 with a B.S. in
9 Mathematics. In addition, I received a M.S. in Probability & Statistics from
10 Sheffield University in 1975. From 1975 to 1977, I undertook post-graduate
11 research at Sheffield University. From 1977 to 1980 I was employed as a
12 Statistician in local government in the United Kingdom. I joined the Company in
13 the Load Forecasting section in 1981 and progressed through various positions in
14 the area of forecasting. I joined the Regulation Department in 1995 and assumed
15 my present position in April of 2006.

16 **Q. What are your responsibilities?**

17 A. My primary responsibilities include the calculation and reporting of the
18 Company's regulated earnings or revenue requirement and the explanation of
19 those calculations to regulators in the jurisdictions in which PacifiCorp operates.

20 **Purpose of Testimony**

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to present the Company's Washington Results of
23 Operations Report for the test period (the twelve months ended March 31, 2006).

1 an unrelated third party. The amount of the cash transfer was \$43 million. In the
2 2005 Rate Case, the Commission directed that the transaction be treated as a sale
3 of part of the benefits associated with the property and that the cash receipts be
4 amortized over the life of the assets. The gain will be amortized over 30 years
5 (the composite book life of the plant) with a rate base deduction for the
6 unamortized balance.

7 **Flow-Through Deferred Tax (Adjustment 7.5)** – This adjustment removes the
8 deferred tax expenses and related year-end accumulated deferred tax balances for
9 all items that are not related to the life and method differences between book and
10 tax depreciation. This in effect flows through to income the current tax impacts
11 on these items. This is the treatment allowed under the Settlement Agreement
12 adopted by the Commission in Docket No. UE-032065.

13 **WA IRS Settlement Amortization Adjustment (Adjustment 7.6)** – In FY 2003,
14 PacifiCorp made settlement payments to the IRS totaling \$64,217,849. In
15 accordance with the Settlement Agreement adopted in Docket No. UE-032065,
16 50 percent of Washington's portion of these costs was allowed in rates. Inasmuch
17 as there were no findings on this issue in the 2005 Rate Case, this adjustment adds
18 the unamortized balance of payments to rate base – which will be amortized over
19 a 5-year period – as well as the annual amortization expense, beginning the
20 effective date of the Settlement Agreement (November 2004).

21 **Year-End Deferred Tax Adjustment (Adjustment 7.7)** – In Cause Nos. U-86-02
22 and U-84-65, the Commission ordered that deferred taxes be included in rate base
23 at the year-end level rather than the thirteen-month average balance used for other

1 deferred debits, Accounts 182M and 186M, based on the order in the 2005 Rate
2 Case.

3 **Jim Bridger Mine** (Adjustment 8.3) – PacifiCorp owns a two-thirds interest in
4 the Bridger Coal Company, which supplies coal to the Jim Bridger Generating
5 Plant. The Company's investment in Bridger Coal Company is recorded on the
6 books of Pacific Minerals, Inc. (PMI). Because of this ownership arrangement,
7 the coal mine investment is not included in electric plant in service. The
8 normalized coal costs for Bridger Coal Company include the operating and
9 maintenance costs of mining, but provide no return on investment. This
10 adjustment is therefore necessary to properly reflect the Bridger Coal Company
11 investment in test period rate base.

12 **Grid West Loan** (Adjustment 8.4) – This adjustment includes the rate base,
13 expenses and taxes associated with the Grid West loan. The accounting treatment
14 of this loan was approved by the Commission in Docket No. UE-060703 and the
15 Company is requesting similar rate making treatment in this proceeding.

16 **North Umpqua Relicensing Settlement Obligations** (Adjustment 8.5) – The
17 Company is required to make various cash payments as a result of agreements
18 with intervening parties while relicensing its North Umpqua hydroelectric
19 facilities with the Federal Energy Regulatory Commission. The accrual
20 accounting entries for the assets, liabilities, and accumulated amortization related
21 to the hydro relicensing settlements have been removed from results starting in
22 April 2005. The beginning balances and the amortization expenses, however,
23 remain and are removed in this adjustment. The effect of this adjustment is to

WUTC		
DOCKET NO.	<u>UE-061546</u>	
EXHIBIT #	<u>134</u>	
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Exhibit No. ___ (PMW-4)
Docket No. UE-06
2006 PP&L Rate Case
Witness: Paul M. Wrigley

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light
Company,

Respondent.

Docket No. UE-06 _____

PACIFICORP

EXHIBIT OF PAUL M. WRIGLEY

**Results of Operations
For period ending March 31, 2006**

October 2006

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60 OCT -3 AM 11:09
60 OCT -3 AM 11:09

	7.1	7.2	7.3	7.4	7.5	7.6	7.7	
	Total Normalized	Interest True Up	Utah Gross Receipts Tax Adj.	Deferred Income Tax Balance Reclassification	Malin Midpoint Adj.	Flow-Through Deferred Tax Adj.	WA IRS Settlement Amortization Adj.	Year-End Deferred Tax Adj.
1 Operating Revenues:								
2 General Business Revenues	-	-	-	-	-	-	-	-
3 Interdepartmental	-	-	-	-	-	-	-	-
4 Special Sales	-	-	-	-	-	-	-	-
5 Other Operating Revenues	-	-	-	-	-	-	-	-
6 Total Operating Revenues	-	-	-	-	-	-	-	-
7								
8 Operating Expenses:								
9 Steam Production	-	-	-	-	-	-	-	-
10 Nuclear Production	-	-	-	-	-	-	-	-
11 Hydro Production	-	-	-	-	-	-	-	-
12 Other Power Supply	-	-	-	-	-	-	-	-
13 Transmission	-	-	-	-	-	-	-	-
14 Distribution	-	-	-	-	-	-	-	-
15 Customer Accounting	-	-	-	-	-	-	-	-
16 Customer Service & Info	-	-	-	-	-	-	-	-
17 Sales	-	-	-	-	-	-	-	-
18 Administrative & General	-	-	-	-	-	-	-	-
19 Total O&M Expenses	-	-	-	-	-	-	-	-
20 Depreciation	-	-	-	-	-	-	-	-
21 Amortization	-	-	-	-	-	-	-	-
22 Taxes Other Than Income	(336,850)	-	(300,180)	-	-	-	-	-
23 Income Taxes: Federal	(282,253)	228,907	105,063	-	-	-	-	-
24 State	-	-	-	-	-	-	-	-
25 Deferred Income Taxes	(935,578)	-	-	(297,441)	(1,217,863)	579,726	-	-
26 Investment Tax Credit Adj.	-	-	-	-	-	-	-	-
27 Misc Revenue & Expense	-	-	-	-	-	-	-	-
28 Total Operating Expenses:	(1,554,680)	228,907	(195,117)	(297,441)	(1,217,863)	579,726	-	
29								
30 Operating Rev For Return:	1,554,680	(228,907)	195,117	-	297,441	1,217,863	(579,726)	-
31								
32 Rate Base:								
33 Electric Plant In Service	-	-	-	-	-	-	-	-
34 Plant Held for Future Use	-	-	-	-	-	-	-	-
35 Misc Deferred Debits	-	-	-	-	-	-	-	-
36 Elec Plant Acq Adj	-	-	-	-	-	-	-	-
37 Nuclear Fuel	-	-	-	-	-	-	-	-
38 Prepayments	-	-	-	-	-	-	-	-
39 Fuel Stock	-	-	-	-	-	-	-	-
40 Material & Supplies	-	-	-	-	-	-	-	-
41 Working Capital	-	-	-	-	-	-	-	-
42 Weatherization Loans	-	-	-	-	-	-	-	-
43 Misc Rate Base	-	-	-	-	-	-	-	-
44 Total Electric Plant:	-	-	-	-	-	-	-	-
45								
46 Deductions:								
47 Accum Prov For Deprec	-	-	-	-	-	-	-	-
48 Accum Prov For Amort	-	-	-	-	-	-	-	-
49 Accum Def Income Tax	(11,374,575)	-	(16,435)	(1,487,206)	(10,531,719)	1,159,454	(498,669)	
50 Unamortized ITC	120,750	-	-	-	-	-	120,750	
51 Customer Adv For Const	-	-	-	-	-	-	-	
52 Customer Service Deposits	-	-	-	-	-	-	-	
53 Miscellaneous Deductions	-	-	-	-	-	-	-	
54								
55 Total Deductions:	(11,253,826)	-	(16,435)	(1,487,206)	(10,531,719)	1,159,454	(377,919)	
56								
57 Total Rate Base:	(11,253,826)	-	(16,435)	(1,487,206)	(10,531,719)	1,159,454	(377,919)	
58								
59								
60 Estimated ROE impact	0.923%	-0.093%	0.079%	0.000%	0.157%	0.764%	-0.263%	0.009%
61								
62								
63								
64 TAX CALCULATION:								
65								
66 Operating Revenue	336,850	-	300,180	-	-	-	-	
67 Other Deductions	-	-	-	-	-	-	-	
68 Interest (AFUDC)	-	-	-	-	-	-	-	
69 Interest	(654,020)	(654,020)	-	-	-	-	-	
70 Schedule "M" Additions	-	-	-	-	-	-	-	
71 Schedule "M" Deductions	-	-	-	-	-	-	-	
72 Income Before Tax	990,869	654,020	300,180	-	-	-	-	
73								
74 State Income Taxes	-	-	-	-	-	-	-	
75								
76 Taxable Income	990,869	654,020	300,180	-	-	-	-	
77								
78 Federal Income Tax - Calculated	346,804	228,907	105,063	-	-	-	-	
79 Adjustments to Calculated Tax:								
80 Wyoming Wind Tax Credit	(629,057)	-	-	-	-	-	-	
81 Federal Income Taxes	(282,253)	228,907	105,063	-	-	-	-	