

**CONFIDENTIAL**  
Exhibit No.\_\_\_\_(RBD-28CT)  
Docket UE-100749  
Witness: R. Bryce Dalley

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light  
Company

Respondent.

Docket UE-100749

**PACIFICORP**

**REDACTED PHASE II REBUTTAL TESTIMONY OF R. BRYCE DALLEY**

**September 2011**

1 **Q. Are you the same R. Bryce Dalley that previously provided testimony in this**  
2 **docket?**

3 A. Yes.

4 **Purpose and Summary of Testimony**

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

6 A. The purpose of my testimony is to respond to the Renewable Energy Credit  
7 (REC) revenue calculations and proposals sponsored by Kathryn H. Breda for the  
8 staff of the Washington Utilities and Transportation Commission (Staff), and  
9 Donald W. Schoenbeck for the Industrial Customers of Northwest Utilities and  
10 the Public Counsel Section of the Washington State Attorney General's Office  
11 (ICNU/PC).

12 **Q. Please summarize your testimony.**

13 A. My testimony first addresses the significant earnings impact and accounting  
14 entries that would be necessary under Staff's and ICNU/PC's proposals to refund  
15 prior period REC revenues to customers. In addition, my testimony provides the  
16 following:

- 17 • A discussion of the fact that Staff and ICNU/PC now propose to  
18 include REC revenues for 2009 in addition to 2010 in the REC tracker  
19 account, even though the Commission's order does not consider time  
20 periods prior to 2010.
- 21 • A summary of the Company's method for determining Washington's  
22 allocation of historic REC revenues, a method uncontested by Staff  
23 and ICNU/PC prior to this phase of the proceeding.

- 1                   • An explanation of the allocation methodology proposed by the  
2                   Company for the rate-effective period, which was developed in 2011  
3                   in consultation with Staff and ICNU/PC.
- 4                   • A summary of how Staff’s calculations of Washington’s historic REC  
5                   revenue have changed three times in the course of this proceeding,  
6                   each time further increasing Washington’s share of allocated revenue.
- 7                   • A discussion of the errors in the calculations outlined by Staff and  
8                   ICNU/PC in determining Washington’s allocation of REC revenues,  
9                   along with the various corrections required to properly calculate  
10                  Washington’s share of these revenues.

11   **Earnings Impact and Associated Accounting Entries Necessary for Prior Period**

12   **REC Revenue Refund to Customers**

13   **Q.    If the Commission determines that Washington-allocated REC revenues**  
14           **from prior periods should be returned to Washington customers, what would**  
15           **be the earnings impact to the Company?**

16   A.    In the event the Commission decides to return additional REC revenues to  
17           customers from prior periods, the financial impact on the Company’s Washington  
18           earnings would be significant. Currently, 100 basis points on equity in  
19           Washington is approximately \$5.7 million.<sup>1</sup> This means that for every \$5.7  
20           million of Washington-allocated REC revenue returned to customers, the  
21           Company’s Washington return on equity (ROE) would be reduced by one percent.

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<sup>1</sup> *Wash. Util. & Transp. Comm’n v. PacifiCorp*, Docket UE-111190, Exhibit No.\_\_(RBD-3), page 2.2, line 68 (July 1, 2011).

1 Staff's and ICNU/PC's proposals would have the impact of reducing the  
2 Company's Washington ROE by [REDACTED].

3 **Q. When would this earnings reduction be reflected on the Company's financial**  
4 **records?**

5 A. Since these revenues are associated with prior fiscal periods, the Company would  
6 be required to book the associated accounting entries immediately per Financial  
7 Accounting Standards Board (FASB) Accounting Standards Codification (ASC)  
8 Topic 980 Regulated Operations. As a result, any refund of these revenues to  
9 customers would impact the Company's 2011 Washington earnings. This  
10 potential reduction to 2011 earnings would be in addition to the \$5.4 million  
11 unexpected reduction in 2011 earnings the Company was required to recognize as  
12 a result of the Commission ordered change in tax treatment related to the Chehalis  
13 regulatory assets earlier in this proceeding.<sup>2</sup>

14 **Q. Would a refund of REC revenues from prior periods allow the Company to**  
15 **earn its authorized rate of return during the rate-effective period in this**  
16 **proceeding?**

17 A. No. Since a refund of REC revenues from prior periods would need to be booked  
18 for accounting purposes in 2011, and given the rate-effective period in this  
19 proceeding began in early 2011, any refund of REC revenues from prior periods  
20 would deny the Company a reasonable opportunity to earn its authorized rate of  
21 return during the rate-effective period.

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<sup>2</sup> *Wash. Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-100749, Petition for Reconsideration at ¶9.

1           As part of this case, the Commission has already ordered the Company to  
2           return to customers an annual level of REC revenues on a prospective basis for  
3           the rate-effective period. The original credit to customers established by the  
4           Commission for this period is \$4.8 million. If the Commission were to order a  
5           refund of additional REC revenues from prior periods, it would effectively mean  
6           that more than an annual level of revenues is reflected in a single test year. In  
7           fact, under Staff and ICNU/PC's proposals, three years of REC revenues would  
8           be captured in one test year, while no other revenue requirement component of the  
9           case is reflected at more than an annual level.

10   **Q.    What accounting entries would have to be booked should the Commission**  
11   **rule that REC revenues from prior periods be returned to customers?**

12   A.    According to ASC Topic 980, the Company would be required to credit a  
13   regulatory liability in Federal Energy Regulatory Commission (FERC) account  
14   254 – Other Regulatory Liabilities. The offsetting entry would be a debit  
15   (reduction) to general business revenues.

16   **Inclusion of 2009 REC Revenues in the REC Tracker**

17   **Q.    Please describe Staff's and ICNU/PC's proposals with respect to 2009 REC**  
18   **revenues.**

19   A.    Staff and ICNU/PC both propose including 2009 REC revenues in the Company's  
20   REC tracker account in addition to both 2010 revenues and revenues for the rate-  
21   effective period.

1 **Q. Does Order 06 issued by the Commission in this proceeding direct a starting**  
2 **date for the REC revenue tracker account prior to 2010?**

3 A. No. Both Staff's and ICNU/PC's proposals deviate from the potential starting  
4 dates outlined by the Commission. Paragraph 207 of that order states:

5 "We require this detailed accounting, in part, considering the disputed  
6 question of whether PacifiCorp should be required to include, in what we  
7 here describe as a tracker account, REC proceeds received during the  
8 periods after the test year, including those received during the pendency of  
9 this proceeding. Staff proposed that REC proceeds received after January  
10 1, 2010, be accounted for and established as a regulatory liability on the  
11 Company's books, the rate treatment of which could be determined in a  
12 future proceeding. Another possible starting date for such an account  
13 might be the date on which PacifiCorp made its initial filing in this  
14 proceeding, which put the rate and accounting treatment of REC revenues  
15 in issue. Other possible dates are conceivable, including the start of the  
16 rate year. We do not finally resolve these questions in this Order. We  
17 require additional briefing on the subject, and may require additional  
18 evidence. We will establish process and schedule for this by subsequent  
19 notice."

20 **Q. What does the Company propose as the starting date for the REC tracker**  
21 **account?**

22 A. As discussed in the Phase II direct testimony of Company witness Andrea L.  
23 Kelly, the Company recommends the REC tracker account operate on a forward-  
24 looking basis beginning at the start of the rate-effective period. Under the  
25 Company's proposal, REC revenues for 2009 or 2010 would not be included in  
26 the REC tracker account.

1 **Q. If the Commission determines that the Company's filing date in this**  
2 **proceeding should be used as the starting date for the REC tracker account,**  
3 **what amount of Washington-allocated REC revenue would be reflected for**  
4 **2010?**

5 A. Using the Company's filing date of May 4, 2010 as the start date for the REC  
6 tracker account, approximately [REDACTED] of Washington-allocated REC  
7 revenue would be reflected in the account for 2010. This amount can be  
8 calculated by summing Washington's allocation of revenues for the months of  
9 May through December 2010, found in Company witness Stacey J. Kusters'  
10 Confidential Exhibit No.\_\_\_\_(SJK-6C) and subtracting the amount of REC  
11 revenues previously reflected in rates in 2010 of \$657,755. Ms. Kusters' exhibit  
12 and the amount previously established in rates are discussed in greater detail later  
13 in my testimony.

14 **PacifiCorp's Proposed Allocation Methodology for Prior Period REC Revenues**

15 **Q. Please describe the allocation methodology proposed by the Company to**  
16 **determine Washington's share of REC revenue for 2009 and 2010.**

17 A. As described in my Phase II direct testimony, for purposes of determining  
18 Washington share of REC revenues for 2009 and 2010, the Company applied  
19 Washington's Control Area Generation West (CAGW) allocation percentage to  
20 the REC revenues booked from the sale of RECs from west control area  
21 resources.

1 **Q. Using this methodology, what are the total Washington-allocated REC**  
2 **revenues for 2010?**

3 A. As reflected in Ms. Kusters' Confidential Exhibit No.\_\_\_\_(SJK-3C), the total  
4 Washington-allocated REC revenue is \$7,663,079 for 2010.

5 **Q Does this total reflect any reduction for REC revenues reflected in rates**  
6 **during 2010 as part of prior rate case filings?**

7 A. No. However, as outlined in Ms. Breda's testimony, in the Company's 2009 rate  
8 case, Docket UE-090205, \$657,755 of Washington-allocated REC revenues were  
9 established in rates on a forecast basis for the calendar year 2010 rate-effective  
10 period in that proceeding. Any REC revenue credit for 2010 should be reduced  
11 by this amount.

12 **Q. Is the Company's allocation of historic REC revenues consistent with prior**  
13 **reports provided to the Commission and other parties?**

14 A. Yes. As described in my Phase II direct testimony, the allocation method  
15 described above is consistent with each of the Quarterly REC Revenue Reports  
16 provided to Staff and ICNU/PC (five separate filings).<sup>3</sup> In addition, the same  
17 methodology was applied in the 2009 and 2010 Commission Basis Reports and  
18 the Company's rebuttal revenue requirement filing in this docket.

19 **Q. Has any party ever taken issue with this allocation method?**

20 A. No. Parties have not challenged this allocation methodology until Phase II of this  
21 proceeding. In fact, Staff supported this methodology earlier in this docket. In its  
22 initial post-hearing brief filed with the Commission on February 11, 2011, Staff

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<sup>3</sup> *Wash. Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-100749, Exhibit No.\_\_\_\_(RBD-25T), page 4, line 13 through page 5, line 14.



1 supported the Company's rebuttal calculation of REC revenues, which, as I  
2 discuss above, was calculated using this same methodology as a proxy for the  
3 forecast for the rate-effective period.<sup>4</sup> In the Company's rebuttal filing, the  
4 Company explained that it used 2009 revenues allocated in this manner as the  
5 basis for the revenues the Company expected to receive during the rate-effective  
6 period, the 12 months ending March 2013.<sup>5</sup>

7 **Q. Were Staff and other parties aware that the Company was holding RECs for**  
8 **compliance with renewable portfolio standards in Oregon and California?**

9 A. Yes. This is not a new discovery as implied in Staff's testimony. As referenced  
10 in my direct testimony, the Company provided an explanation of the disposition  
11 of RECs on a state-by-state basis in a report to Staff, PC and ICNU nearly three  
12 years ago, on December 31, 2009. The report stated:

13 "PacifiCorp does not sell Oregon's REC share allocation because that  
14 state's RPS permits unlimited REC banking for RECs generated after  
15 January 1, 2007 and the first RPS target is near-term (2011). PacifiCorp  
16 does not sell California's REC share allocation because the RPS targets  
17 for that state are already applicable. Beginning January 1, 2011, under  
18 current laws and rules, PacifiCorp will not sell Washington's REC share  
19 allocation because the first RPS target will become applicable; however,  
20 Washington RECs may be sold in the future if not needed for meeting the  
21 target and if the RECs cannot be banked." p. 3

22 **Q. Has the Company made any revisions to the calculation of 2010 Washington-**  
23 **allocated revenues as part of its rebuttal filing?**

24 A. Yes. The Company has made a minor revision to Washington's CAGW  
25 percentage for 2010 to match the allocation percentage used in the Company's

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<sup>4</sup> Staff Initial Post-Hearing Brief at ¶24 (February 11, 2011).

<sup>5</sup> PacifiCorp Initial Post-Hearing Brief at ¶62 (February 11, 2011).

1 2011 general rate case (2010 historic test period), Docket UE-111190.<sup>6</sup> The 2010  
2 Washington allocation percentage used by the Company in its Phase II direct  
3 filing is consistent with the percentage reported in the Company's 2010  
4 Commission Basis Report. However, due to the timing of that filing with the  
5 Commission, the Company was not able to incorporate a revision to the  
6 calculation of jurisdictional allocation factors as outlined by the Commission in  
7 Order 06 of this docket. In that Order, the Commission required the Company to  
8 remove temperature normalization from the commercial customer class.<sup>7</sup>  
9 Applying this ordered treatment to the 2010 jurisdictional loads increases  
10 Washington's 2010 CAGW allocation from 22.2111% to 22.4742%.

11 **Q. What is the impact on the Washington allocation of 2010 REC revenues due**  
12 **to the update of Washington's 2010 CAGW percentage?**

13 A. 2010 Washington-allocated REC revenue increases by \$90,772 from the  
14 \$7,663,079 reported in Exhibit No.\_\_(SJK-3C). The updated Washington-  
15 allocated total for 2010 is \$7,753,851. This revised amount and allocation  
16 percentage is reflected in Ms. Kusters' Confidential Exhibit No.\_\_(SJK-6C).  
17 This total does not reflect a reduction for the amount reflected in rates during  
18 2010 discussed above.

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<sup>6</sup> *Wash. Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-111190, Exhibit No.\_\_(RBD-3), page 10.2.

<sup>7</sup> *Wash. Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-100749, Order 06 at ¶225 (Mar. 25, 2011).

1 **PacifiCorp's Proposed Allocation Methodology for the Rate-Effective Year**  
2 **(Forward-Looking Methodology)**

3 **Q. Is the allocation methodology described above the same methodology the**  
4 **Company proposes for the rate-effective period onward?**

5 A. No. As described in my Phase II direct testimony and outlined in Confidential  
6 Exhibit No.\_\_\_\_(RBD-27C), the Company's proposal for the rate-effective period  
7 forward requires a more intricate approach due to complexities driven by the use  
8 of different jurisdictional allocation methodologies among the Company's states  
9 and to account for RECs that will need to be held for compliance to satisfy  
10 Washington's renewable portfolio standard (RPS) during the rate-effective period.

11 As shown on pages 2 and 4 of Confidential Exhibit No.\_\_\_\_(RBD-27C),  
12 this forward-looking methodology calculates Washington's share of REC revenue  
13 by first taking total RECs generated multiplied by Washington's CAGW factor.  
14 Second, eligible RECs necessary to satisfy Washington's RPS are subtracted from  
15 this total, leaving the difference as the number of Washington-allocated RECs in  
16 excess of the compliance requirement. Next, this total is multiplied by the  
17 percentage of RECs the Company was actually able to sell from its marketable  
18 pool to calculate the number of excess Washington RECs sold. This amount is  
19 then multiplied by the average price per REC to determine Washington's total  
20 REC revenue. This calculation is done separately for Washington RPS eligible  
21 and Washington RPS non-eligible RECs.

22 **Q. When was this forward-looking allocation methodology developed?**

23 A. This methodology was developed by the Company in consultation with Staff and

1 other parties during the time between the issuance of Order 06 in this proceeding  
2 on March 25, 2011 and the Company's May 24, 2011 compliance filing.

3 **Q. Should this forward-looking allocation method for the rate-effective period**  
4 **be retroactively applied to determine Washington's share of historic REC**  
5 **revenues?**

6 A. No. Using an allocation methodology developed in 2011 to retroactively  
7 determine Washington's share of revenues received by the Company in 2009 or  
8 2010 is inappropriate, since the Company does not have the option of  
9 recalculating the allocation of other cost or revenue components during those  
10 periods. As discussed earlier in my testimony, the methodology the Company has  
11 outlined to determine Washington's REC revenue allocation for 2009 and 2010  
12 was used in the Company's regulatory filings for those periods, was supported by  
13 Staff in its initial post-hearing brief, and was uncontested by all parties until Phase  
14 II of this proceeding.

15 **Staff's Proposed Allocation Methodology**

16 **Q. Please describe Staff's proposed calculation of Washington's allocation of**  
17 **2009 and 2010 historic REC revenues.**

18 A. Staff's proposal as outlined by Ms. Breda in Exhibit Nos.\_\_(KHB-7TC) and  
19 (KHB-8C) first allocates Washington's share of revenues by taking the booked  
20 revenue from west control area resources and applying Washington CAGW  
21 factors for both respective years.<sup>8</sup> This methodology is consistent with

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<sup>8</sup> Staff correctly applies the updated Washington 2010 CAGW factor of 22.4742% described earlier in my testimony.

1 the Company's calculation for 2009 and 2010, and results in Washington-  
2 allocated REC revenue of [REDACTED] for 2009 and [REDACTED] for 2010.

3 However, in addition to allocating the booked REC revenue, Staff's  
4 proposal calculates "imputed revenue" for RECs that have been held by the  
5 Company for compliance in other jurisdictions. Staff's calculation of the imputed  
6 revenues implements a similar calculation to the forward-looking methodology  
7 proposed by the Company's for the rate-effective period.

8 Staff's revenue imputation calculation is done by first multiplying the  
9 number of RECs held for compliance by Washington's CAGW factor for each  
10 year. The result of this calculation is then multiplied by an average price realized  
11 by the Company from RECs sales based on actual transactions. Staff then  
12 multiplies this total by a percentage of actual RECs sold by the Company. Using  
13 this methodology, Staff imputes additional revenues of [REDACTED] and  
14 [REDACTED] for 2009 and 2010 respectively.

15 The final step in Staff's calculation is to subtract Washington-allocated  
16 REC revenue to account for the REC revenues reflected in rates during 2010. As  
17 discussed above, in the Company's 2009 rate case, Docket UE-090205, \$657,755  
18 of Washington-allocated REC revenues were established in rates on a forecast  
19 basis for the calendar year 2010 rate-effective period in that proceeding. As a  
20 result, Staff subtracts this amount from the 2010 calculated total. As shown on,  
21 line 3 of Confidential Exhibit No.\_\_\_\_(RBD-29C), Staff's final total of  
22 Washington-allocated REC revenue, following the procedures discussed above, is  
23 [REDACTED] for 2009 and [REDACTED] for 2010.

1 **Q. Is Staff's proposed calculation consistent with its pleading filed with the**  
2 **Commission on May 24, 2011?**<sup>9</sup>

3 A. No. Staff's calculation is not the same as that reflected in Staff's Pleading.

4 **Q. Please explain how Staff's proposal varies from Staff's Pleading.**

5 A. Attachment A of Staff's Pleading outlines the calculation of 2009 and 2010  
6 Washington REC revenues using a method similar to that proposed by the  
7 Company for REC revenues for the rate-effective period. By contrast, Staff's  
8 proposal now first relies on booked revenues in 2009 and 2010, and then  
9 calculates a revenue imputation based on a method similar to Attachment A of  
10 Staff's Pleading.

11 **Q. Why has Staff changed its position with respect to the Washington allocation**  
12 **of REC revenues for 2009 and 2010?**

13 A. It is unclear why Staff's methodology has changed. Each time Staff has modified  
14 its methodology, the amount of Washington-allocated REC revenues has  
15 increased. For example, Staff's calculation of 2009 Washington-allocated REC  
16 revenue has increased from approximately \$4.8 million as supported in its initial  
17 post hearing brief filed with the Commission on February 11, 2011, to [REDACTED]  
18 [REDACTED] as included in Staff's Pleading filed with the Commission on May 24,  
19 2011, to [REDACTED] as calculated and described in Ms. Breda's testimony filed  
20 with the Commission on September 9, 2011.

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<sup>9</sup> Staff Approach for Allocating RECs, Docket UE-100749, (May 24, 2011) (Staff's Pleading).

1 **Q. If the Commission decides to use the forward-looking allocation method**  
2 **proposed by the Company for the rate-effective period to determine**  
3 **Washington's allocation of prior period revenues, is Staff's calculation**  
4 **correct?**

5 A. No. Although I strongly disagree with using an allocation method developed  
6 nearly 29 months after the beginning of 2009 to determine Washington's share of  
7 REC revenues for that period, if the Commission decides to use that methodology,  
8 several corrections need to be made to Staff's calculations.

9 **Q. Please explain the corrections necessary to accurately reflect Washington's**  
10 **allocation of REC revenues using the Company's forward-looking allocation**  
11 **method as outlined in Confidential Exhibit No. \_\_\_(RBD-27C).**

12 A. Three corrections need to be made to Staff's calculation in order to reflect  
13 Washington's allocated share of revenues using the Company's forward-looking  
14 methodology. First, Staff's calculation should apply the forward-looking  
15 methodology to all RECs, not only those the Company held for compliance.  
16 Second, Staff's calculation of non-eligible REC revenues should use all non-  
17 eligible RECs in the calculation, not just small hydro RECs as proposed by Staff.  
18 Finally, an offset to Staff's 2009 calculation should be included to reflect the  
19 amount of REC revenue in rates during that period. Each of these corrections is  
20 reflected in Confidential Exhibit No. \_\_\_(RBD-29C) and is discussed in detail  
21 below.

22 **Q. Please describe the Company's first correction to Staff's proposal.**

23 A. Staff's proposal mixes and matches two different methods. Staff proposal only

1 applies the forward-looking REC allocation method to RECs held for compliance.  
2 By consistently applying the same method to all RECs generated during 2009 and  
3 2010, the total Washington-allocated revenue is reduced by [REDACTED] for 2009 and  
4 [REDACTED] for 2010. This correction is shown on line 6 of Confidential Exhibit  
5 No.\_\_(RBD-29C). Attachment A of Staff's Pleading is consistent with this  
6 approach to the calculation.

7 **Q. What is the Company's second correction to Staff's proposal?**

8 A. Staff's revenue imputation calculation for non-eligible RECs includes only small  
9 hydro RECs in the calculation of RECs generated, held for compliance, sold, and  
10 retained. The Company believes that all non-eligible RECs generated should be  
11 included in this calculation, consistent with the calculation for eligible RECs.  
12 This correction reduces the 2009 and 2010 Washington-allocated REC revenue by  
13 [REDACTED] for 2009 and [REDACTED] for 2010. This calculation is shown on line 7 of  
14 Confidential Exhibit No.\_\_(RBD-29C).

15 **Q. Please describe the Company's final correction to Staff's proposed**  
16 **calculation.**

17 A. The Company's final correction to Staff's calculation is to include an offset to the  
18 2009 calculated Washington-allocated total for the amount of REC revenues  
19 previously established in rates for that year. If the Commission determines that  
20 2009 and 2010 REC revenue should be returned to customers, the amount of  
21 forecast REC revenues included in rates during these years through past rate case  
22 filings should be reflected as a reduction. Staff has proposed to include an offset  
23 of \$657,755 for REC revenues in rates in 2010 from UE-090205, but has not



1 included an offset for the amount included in rates through the Company's 2008  
2 rate case filing in Docket UE-080220. In that docket, which used a historic test  
3 year for the 12-months ending June 2007, the Company included \$576,254 of  
4 forecast REC revenues.<sup>10</sup> As a result, line 8 of Confidential Exhibit  
5 No.\_\_(RBD-29C) reflects this amount as a reduction to Staff's calculated 2009  
6 amount.

7 **Q. What is the overall impact of the Company's corrections to Staff's proposal?**

8 A. The total corrections outlined above reduce Staff's calculation by [REDACTED] for  
9 2009 and [REDACTED] for 2010. If the Commission decides it is appropriate to use  
10 the forward-looking allocation method to determine Washington's 2009 and 2010  
11 REC revenue, the appropriate level of RECs, including offsets for the amount in  
12 rates is [REDACTED] for 2009 and [REDACTED] for 2010. These revised totals are  
13 shown on line 11 of Confidential Exhibit No.\_\_(RBD-29C).

14 **ICNU/PC's Proposed Allocation Methodology**

15 **Q. Please describe ICNU/PC's proposed calculation of Washington's allocation**  
16 **of 2009 and 2010 historic REC revenues.**

17 A. ICNU/PC's proposal as outlined by Mr. Schoenbeck in Exhibit Nos.\_\_(DWS-  
18 5CT) and (DWS-6C) calculates Washington's share of 2009 and 2010 REC  
19 revenue using a similar approach to the Company's forward-looking allocation  
20 methodology discussed above. As shown on line 1 of Confidential Exhibit  
21 No.\_\_(RBD-30C), ICNU/PC's final total of Washington-allocated REC revenue  
22 is [REDACTED] for 2009 and [REDACTED] for 2010.

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<sup>10</sup> *Wash. Util. & Transp. Comm'n v. PacifiCorp*, Docket UE-080220, Exhibit No.\_\_(RBD-3), page 3.5.1, (February 6, 2008).

1 **Q. Do you agree with Mr. Schoenbeck's calculations?**

2 A. No. Consistent with my criticism of Staff's proposal above, I do not believe it is  
3 appropriate to apply an allocation methodology developed in 2011 to REC  
4 revenues for 2009 and 2010. However, if the Commission determines that using a  
5 forward-looking allocation methodology to determine the 2009 and 2010  
6 Washington-allocated REC revenues is appropriate, several corrections need to be  
7 made to ICNU/PC's calculations.

8 **Q. Please explain the corrections necessary to accurately reflect Washington's**  
9 **allocation of REC revenues using the forward-looking allocation**  
10 **methodology discussed above.**

11 A. There are four corrections that need to be made to Mr. Schoenbeck's calculations.  
12 Each of these corrections is outlined in Confidential Exhibit No.\_\_\_\_(RBD-30C).  
13 First, Washington's CAGW factor for 2010 needs to be updated as discussed  
14 earlier in my testimony. Second, the number of non-eligible RECs sold in 2009  
15 as reflected in the 2009 revenue calculation needs to be corrected. Third, the  
16 calculation of revenues [REDACTED]

17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]. Finally, an offset for the amount of REC revenues

20 previously established in rates should be deducted from the 2009 and 2010 totals.

21 **Q. Please describe the Company's first correction to ICNU/PC's calculation of**  
22 **REC revenues.**

23 A. Mr. Schoenbeck uses the 2010 CAGW factor as filed by the Company in its Phase

1 II direct testimony and exhibits. As explained earlier in my testimony, the 2010  
2 CAGW factor needs to be updated to reflect the Commission ordered removal of  
3 the temperature normalization of the commercial customer class. This correction  
4 increases 2010 Washington-allocated REC revenue by [REDACTED]. This amount is  
5 shown on line 4 of Confidential Exhibit No.\_\_(RBD-30C).

6 **Q. Please describe the Company's second correction to ICNU/PC's calculation**  
7 **of REC revenues.**

8 A. The Company's second correction to Mr. Schoenbeck's calculation is to include  
9 the actual number of Washington non-eligible RECs sold in the calculation of  
10 2009 REC revenues. Confidential Exhibit No.\_\_(DWS-6C) understates the  
11 number of actual non-eligible RECs sold during 2009 by [REDACTED]. This correction  
12 increases 2009 Washington-allocated REC revenue by [REDACTED]. This amount is  
13 shown on line 5 of Confidential Exhibit No.\_\_(RBD-30C).

14 **Q. Please describe the Company's third correction to ICNU/PC's calculation of**  
15 **REC revenues.**

16 A. Mr. Schoenbeck's calculation [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]  
21 [REDACTED]  
22 [REDACTED]

1 [REDACTED]

2 [REDACTED].

3 To correct Mr. Schoenbeck's calculation, [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED].

8 **Q. Please describe the Company's final correction to ICNU/PC's calculation of**  
9 **REC revenues.**

10 A. Consistent with the Company's final correction to Staff's proposal, the  
11 Company's final correction to ICNU/PC's calculation is to include an offset to the  
12 2009 and 2010 calculated REC revenue totals for the amount of REC revenues  
13 previously established in rates in those years. If the Commission determines that  
14 2009 and 2010 REC revenue should be returned to customers, the amount of REC  
15 revenues included in rates during these years through past rate case filings should  
16 be reflected as a reduction.

17 Line 7 of Confidential Exhibit No.\_\_\_\_(RBD-30C) reflects the level of  
18 Washington-allocated REC revenue included in rates in 2009 and 2010. As  
19 discussed above, \$576,254 of forecast Washington-allocated REC revenues were  
20 reflected in rates in 2009 based on the Company's 2008 rate case filing, UE-  
21 080220 and \$657,755 of forecast Washington-allocated REC revenues were  
22 included in rates in 2010 based on the Company's 2009 rate case filing, Docket

1 UE-090205. As a result, these amounts are included as reductions to ICNU/PC's  
2 calculated totals.

3 **Q. Please explain the rounding variance amount shown on line 8 of Confidential**  
4 **Exhibit No.\_\_(RBD-30C).**

5 A. This variance represents the rounding difference between the Company's  
6 correction of Staff's calculations of REC revenue and the Company's correction  
7 of ICNU/PC's calculations. This variance of [REDACTED] in 2009 and [REDACTED] in 2010 is  
8 attributable to the use of rounded percentages and prices. By including this  
9 rounding variance on line 8 of this exhibit, the final REC revenue amounts for  
10 Staff and ICNU/PC, as corrected by the Company, are the same.

11 **Q. What is the overall impact of the Company's corrections to ICNU/PC's**  
12 **proposal?**

13 A. The total corrections outlined above reduce ICNU/PC's calculation by [REDACTED]  
14 in 2009 and [REDACTED] in 2010. If the Commission decides it is appropriate to  
15 use the forward-looking allocation method to determine Washington's 2009 and  
16 2010 REC revenues, the appropriate level of RECs, including offsets for the  
17 amount in rates is [REDACTED] for 2009 and [REDACTED] for 2010. These revised  
18 totals are shown on line 11 of Confidential Exhibit No.\_\_(RBD-30C).

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

20 A. Yes.