

**Exhibit No. \_\_\_ (KHB-9TC)  
Dockets UE-100749  
Witness: Kathryn H. Breda  
REDACTED VERSION**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFICORP,**

**Respondent.**

**DOCKET UE-100749**

**CROSS-ANSWERING TESTIMONY OF**

**Kathryn H. Breda**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

**September 30, 2011**

**CONFIDENTIAL PER PROTECTIVE ORDER  
REDACTED VERSION**

1 **Q. Please state your name and business address.**

2 A. My name is Kathryn H. Breda. My business address is 1300 S. Evergreen Park  
3 Drive S.W., P.O. Box 47250, Olympia, WA 98504.

4

5 **Q. Did you testify previously in this docket?**

6 A. Yes.

7

8 **Q. What is the purpose of your cross-answering testimony?**

9 A. The purpose of my cross-answering testimony is to:

- 10 1. Respond to Public Counsel's and The Industrial Customers of Northwest  
11 Utilities' (PC/ICNU) calculation of REC revenue and,  
12 2. Quantify the differences between Staff's calculation of REC revenue and the  
13 calculations of the Company and PC/ICNU.

14

15 **Q. Please briefly summarize Staff's REC revenue calculation.**

16 A. Staff calculates REC revenue beginning January 1, 2009, starting with the REC  
17 revenue PacifiCorp recorded for financial reporting purposes and applying  
18 Washington allocation percentage to total western control area REC revenue. In  
19 addition, Staff imputes revenue for Washington's share of RECs held by PacifiCorp  
20 for compliance in other states.

21

1 **Q. How does PC/ICNU calculate REC revenue?**

2 A. PC/ICNU calculates REC revenues using the same general method Staff uses, i.e.,  
3 using the same start date (January 1, 2009), and imputing REC revenues for  
4 Washington's share of RECs PacifiCorp held for compliance in other states.  
5 However, there are three differences in the details of the calculation between  
6 PC/ICNU's calculation and Staff's.

7 The first difference is that PC/ICNU does not credit REC revenues for 2010  
8 for the \$657,000 identified in the settlement in Docket UE-090205. I explained in  
9 my testimony why Staff gives this credit.<sup>1</sup>

10

11 **Q. What is the second difference?**

12 A. Staff's calculation recognizes REC revenues based on the date the Company realized  
13 revenue from the sale of the RECs. PC/ICNU's calculation recognizes REC  
14 revenues based on when the RECs were generated.

15 Specifically, PC/ICNU recalculates REC revenue based only on the MWhs of  
16 RECs generated for the period. In other words, for the RECs generated in 2009,  
17 PC/ICNU allocates to 2009 the revenues from the sales of those RECs, regardless of  
18 when the sale of those RECs actually occurred.

19 For example, PC/ICNU excludes from 2009 REC revenues the sales of RECs  
20 generated in a prior period. Similarly, PC/ICNU includes in 2009 REC revenues the  
21 sales of RECs generated in 2009 but sold during 2010.<sup>2</sup>

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<sup>1</sup> Exhibit No. \_\_\_\_ (KHB-7TC) at 9:3-6.

<sup>2</sup> Schoenbeck Testimony, Exhibit No. \_\_\_\_ (DWS-5CT) at 4:1 to 6:2.

1 **Q. What rationale does PC/ICNU offer for this approach?**

2 A. PC/ICNU states the [REDACTED]

3 [REDACTED]

4

5 **Q. Does Staff agree with this approach?**

6 A. No. In any rate case, the test year revenue is based on accounting principles, one of  
7 which is revenue recognition.<sup>3</sup> Revenue recognition requires the consideration of  
8 when revenue is realized and earned. PC/ICNU recalculates revenue based on plant  
9 generation, which does not follow standard revenue recognition.

10

11 **Q. What is the third difference between Staff's and PC/ICNU's REC revenue**  
12 **calculation?**

13 A. The third difference regards the calculation of imputed REC revenues for  
14 Washington's share of RECs PacifiCorp held for compliance in other states. Both  
15 Staff and ICNU had to make an assumption regarding the number of these held  
16 RECs PacifiCorp would have sold had the Company given Washington its fair share  
17 of these RECs.

18 Staff assumed PacifiCorp would have sold Washington's share of these held  
19 REC based on the Company's actual experience. Accordingly, Staff used the ratio of  
20 RECs PacifiCorp actually sold to total RECs available for sale.<sup>4</sup>

21 PC/ICNU's assumed PacifiCorp would have sold [REDACTED] of  
22 Washington's share of held RECs.

<sup>3</sup> Accounting Standards Codification 605 Revenue Recognition

<sup>4</sup> [REDACTED]

1 **Q. Does Staff oppose PC/ICNU's assumption?**

2 A. Not necessarily. Both Staff and PC/ICNU are trying to impute a reasonable level of  
3 revenues because PacifiCorp failed to give Washington the full benefits of this  
4 state's fair share of RECs. Both Staff and PC/ICNU's assumptions are reasonable.  
5 However, Staff thought it made more sense to apply a ratio based on actual  
6 experience.

7  
8 **Q. Have you prepared an exhibit comparing the dollar differences between of the**  
9 **REC revenue calculations of Staff, PC/ICNU and the Company?**

10 A. Yes. Exhibit No. \_\_\_ (KHB-10C) provides the detailed calculation of the  
11 differences. Page one provides a summary of the differences between Staff's  
12 calculation of REC revenue and the calculation of PC/ICNU and the Company. Page  
13 two provides the detailed calculation.

14 In total, Staff's REC revenue for 2009 is \$ [REDACTED] compared to PacifiCorp  
15 and PC/ICNU's amounts of \$ [REDACTED] and \$ [REDACTED], respectively. For 2010,  
16 Staff's REC revenue is \$ [REDACTED] compared to PacifiCorp and PC/ICNU's amounts  
17 of \$ [REDACTED] and \$ [REDACTED], respectively.

18  
19 **Q. Does that complete your cross-answering testimony for this phase of the docket?**

20 A. Yes.

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