

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Complainant,

vs.

PACIFICORP d.b.a. PACIFIC POWER & LIGHT  
COMPANY,

Respondent.

**DOCKET UE-100749**

**DECLARATION OF  
ANDREA L. KELLY  
IN SUPPORT OF PETITION  
FOR RECONSIDERATION**

Andrea L. Kelly declares as follows:

1 My full name is Andrea L. Kelly. I am employed by PacifiCorp d.b.a. Pacific Power & Light Company (PacifiCorp or the Company). I make this declaration in support of PacifiCorp's petition for reconsideration of the Commission's Order 10 issued on August 23, 2012, in the above-captioned docket.

2 My present position is Senior Vice President, Strategic Business Performance. From March 2006 until February 2012, I was Vice President of Regulation for PacifiCorp. In that capacity, I was responsible for all regulatory filings in the State of Washington.

3 Before Order 06 in this docket, PacifiCorp accounted for its Renewable Energy Credit (REC) revenues in Washington rates as operating revenue recorded to Account 456, Other Electric Revenues. These revenues offset corresponding operating expenses (*e.g.* net power costs) and reduced the Company's overall revenue requirement.

4 I was the policy witness in the Company's 2006 general rate case, Docket UE-061546. In that case, the Company reflected REC revenues in Account 456. The case was fully litigated and decided by the Commission in Order 08, issued on June 21, 2007. Exhibit A to this Declaration shows the amount of REC revenues included in Account 456 in the Company's

direct and rebuttal filings in Docket UE-061546. No party contested the Company's inclusion of REC revenues as operating revenue, and this treatment was accepted as a part of the Commission's determination in Order 08 setting fair, just, reasonable, and sufficient rates.<sup>1</sup> Exhibit A also shows that the Commission in Order 08 in Docket UE-061546 did not change the amount or rate treatment for this REC revenue item in Account 456.

5           WAC 480-07-510(3)(e) requires that the Company's general rate case filings include all restating and pro forma adjustments "under the methodology previously accepted by the commission" and explain any proposed changes to accepted methodologies. Accordingly, the Company calculated its restating and pro forma adjustments for REC revenues in the Company's three subsequent general rate cases—Dockets UE-080220, UE-090205, and UE-100749—under the methodology previously accepted in Docket UE-061546. In each case, REC revenues were recorded to Account 456, Other Electric Revenues. Exhibit B to this Declaration contains the select pages from the revenue requirement exhibits in Dockets UE-080220 and UE-090205 showing that REC revenues were included in the Washington revenue requirement calculation as revenues in Account 456.<sup>2</sup> In this case, Docket UE-100749, page 12.5 of Exhibit No. \_\_\_ (RBD-6) – Revised 12/10/10 shows that REC revenues were included in Account 456.

6           The Commission audited the Company's compliance with WAC 480-07-510 in this case and in the preceding general rate case filing, Docket UE-090205. The Company's restating and pro forma adjustments for REC revenues in those cases were never challenged as a part of those reviews.

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<sup>1</sup> *Wash. Utils. & Transp. Comm'n v. PacifiCorp*, Dockets UE-061546 and UE-060817, Order 08 ¶ 213 (June 21, 2007).

<sup>2</sup> In Exhibits B and C, the Company used the term "Green Tag Revenues" to refer to REC revenues.

7           In the 2009 general rate case, Docket UE-090205, the Commission approved a stipulation that expressly called out the amount of REC revenues from Account 456 embedded in rates.

8           The Company files annual results of operations (Commission Basis Reports) with the Commission. In these filings, the Company has reflected its REC revenues as other electric revenue recorded to Account 456. Exhibit C to this Declaration contains links to the Company's Washington annual results of operations filed since the November 2006 enactment of Washington's Energy Independence Act (EIA) to the present, along with copies of the relevant pages from the filings. As noted, each of these filings was assigned a Staff lead to review the filing.

9           Since enactment of the EIA, the Company has filed four general rate cases and five results of operations with the Commission reflecting REC revenues as other electric revenue in Account 456. Given the Commission's acceptance of the Company's treatment of REC revenues in Docket UE-061546 and its careful review of all subsequent Company rate filings, the Company's treatment of REC revenues was fully consistent with the Commission's rules, policies, and practices.

10          I understand that the Commission has also accepted similar rate treatment for Avista's REC revenues. In Avista's most recent general rate case, Docket UE-120436/UG-120437, Avista's power supply pro forma (attached to the testimony of William G. Johnson as Exhibit WGJ-2) shows Avista's REC revenues recorded to Account 456 at page 2, lines 77-80. These revenues are an offset against Avista's power supply expenses (line 64 minus line 82 equals line 83).

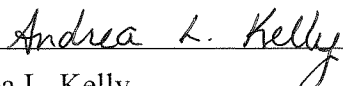
11          Order 10 concludes that REC revenues are akin to gains from the sale of utility property. Customers pay depreciation expense (*i.e.*, a return of costs) and a return on PacifiCorp's utility

property in rate base. Customers do not pay either depreciation expense or a return on PacifiCorp's RECs.

12 Renewable portfolio standards, including the EIA, typically restrict the banking and storage of RECs, requiring production of the REC to be matched strictly to finite compliance periods. As a result, the Company's sales of "vintage" or stored RECs are extremely limited in volume and price.

I declare under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct based on my information and belief.

DATED this 4<sup>th</sup> day of September, 2012, in Portland, Oregon.

  
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Andrea L. Kelly