

**Exhibit MPP-1T
Docket UE-070725
Witness: Michael P. Parvinen
REDACTED VERSION**

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-070725

TESTIMONY

OF

MICHAEL P. PARVINEN

**STAFF OF WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

January 28, 2010

HIGHLY CONFIDENTIAL PER PROTECTIVE ORDER

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SCOPE AND SUMMARY OF TESTIMONY	3
III.	BACKGROUND	4
IV.	STAFF'S RECOMMENDATION	8
A.	Staff's Regulatory Liability Approach	8
V.	STAFF'S RESPONSE TO PSE'S THREE-PART PROPOSAL	10
A.	Part One: PSE's Low Income Proposal	11
B.	Part Two: PSE's California Receivable Proposal	13
C.	Part Three: PSE's Regulatory Assets Proposal	18
VI.	CONCLUSION	20

1 I have testified before the Commission in the following proceedings:

2	Avista Corporation	Dockets UE-090134/UG-090135
3		Dockets UE-080416/UG-080417
4		Dockets UE-050482/UG-050483
5		Docket UG-021584
6		Docket UE-010395
7		Dockets UE-991606/UG-991607
8		
9	Puget Sound Energy, Inc.	Dockets UE-090704/UG-090705
10		Dockets UE-072300/UG-072301
11		Dockets UG-040640/UE-040641
12		Dockets UE-011570/UG-011571
13		Docket U-89-2688
14		
15	Cascade Natural Gas	Docket UG-060256
16	Corporation	Docket UG-911246
17		
18		
19	Washington Natural Gas	Docket UG-931405
20	Company (now PSE)	Docket UG-920840
21		
22		
23	The Washington Water	Docket UE-900093
24	Power Company	
25	(now Avista)	
26		

27 I have also analyzed or assisted in the analyses of numerous other utility rate
28 filings, and I have presented Staff's position on many such filings at Commission
29 open public meetings. I have participated in utility-related rulemaking proceedings
30 before the Commission. I attended the Seventh Annual Western Utility Rate
31 Seminar in 1987, and the 1988 Annual Regulatory Studies Program, sponsored by
32 the National Association of Regulatory Utility Commissioners.

II. SCOPE AND SUMMARY OF TESTIMONY

Q. What is this central issue in this docket?

A. The central issue in this docket is the appropriate regulatory accounting treatment for the money Puget Sound Energy, Inc. ("PSE" or "the Company") has obtained and will obtain from its sale of Renewable Energy Credits ("RECs") and Carbon Financial Instruments ("CFIs").

Q. What is the purpose of your testimony in this docket?

A. I provide Staff's recommendation regarding how the Commission should resolve that issue in this docket. I also respond to the three-part proposal PSE offers in its Amended Petition.

Q. How should the Commission resolve this docket?

A. The Commission should require PSE to book the net proceeds from the sale of RECs and CFIs in a regulatory liability account, which will reduce rate base. PSE will amortize the balance in the account over 10 years. We refer to this as the "regulatory liability" approach.

Using this approach, PSE would return REC/CFI proceeds to those customers who paid for the assets that generated those proceeds. All of PSE's retail customers paid for, and are paying for, the resources that generated the RECs/CFIs. Therefore, all retail customers should share the proceeds from the sale of these RECs/CFIs on

1 the same basis as the Commission allocates these resources in the rate making
2 process.

3 As an alternative, the Commission could require PSE to pass the REC/CFI
4 benefits to customers on a yearly basis, with each year's actual amount of REC/CFI
5 revenue allocated to each customer class using a generator-based allocator. We refer
6 to this as the "direct refund" approach. This is the way PSE treats the Production
7 Tax Credits (PTC) associated with its wind facilities. However, that treatment arose
8 from a Commission-approved settlement,¹ so I am providing this example not as
9 precedent, but to show that the direct refund approach can be implemented. I explain
10 later why Staff prefers the regulatory liability approach.

11 The Commission should reject PSE's proposal. The Commission should not
12 allow PSE to direct any REC or CFI proceeds exclusively to the benefit of any
13 customer class or subset of customers, such as low income customers. The
14 Commission also should not allow PSE to direct any REC or CFI proceeds to offset
15 the California Receivable. Although Staff's regulatory liability approach is similar
16 in concept to the third part of PSE's three-part proposal (PSE's Regulatory Asset
17 proposal), Staff's approach more appropriately matches the allocation of benefits
18 with the allocation of the costs of the resources generating those benefits.

20 III. BACKGROUND

21 Q. What are Renewable Energy Credits, or "RECs"?

¹ *Utilities & Transp. Comm'n v. Puget Sound Energy, Inc.*, Docket UE-050870, Order 04 at 9-10, ¶ 18 (October 20, 2005).

1 A. Renewable Energy Credits, or "RECs", represent the monetary value of the
2 environmental attributes of the electricity PSE generates from its renewable energy
3 facilities, such as a wind farm.
4

5 **Q. How are RECs created?**

6 A. RECs are created when PSE generates electricity from its renewable energy
7 facilities: The Hopkins Ridge, Wild Horse, and Klondike wind facilities. PSE owns
8 these facilities or has them under contract, and PSE operates these facilities. In my
9 testimony, I refer to these resources as PSE's renewable resources, or as the
10 resources or assets that give rise to the REC proceeds that are at issue in this case.
11

12 **Q. How does PSE realize revenues from RECs?**

13 A. PSE sells to other utilities the attributes associated with the output of PSE's
14 renewable resources, and receives cash in return.
15

16 **Q. In what markets is PSE able to sell RECs?**

17 A. As I understand it, there are two distinct markets; a "compliance market" and a "non-
18 compliance market."

19 "Compliance market" describes a market in which the utility purchasing
20 RECs must acquire certain amounts of renewable energy. These sorts of
21 requirements are often called "renewable portfolio standards", and they are contained
22 in a statute. Typically, a utility subject to such standards complies by buying or
23 building the renewable resource, acquiring its output, or purchasing RECs.

1 States without statutory renewable portfolio standards are called “non-
2 compliance markets”. In these states, a utility may purchase RECs if it wishes to add
3 renewable resources to its portfolio, but no law requires it to do so.
4

5 **Q. What are Carbon Financial Instruments, or “CFIs”?**

6 A. CFIs are similar to RECs in that the CFIs typically are derived from any reduction in
7 greenhouse gas emissions, as measured from a baseline. PSE’s participation in the
8 Chicago Climate Exchange (“CCX”) created an opportunity and a market for PSE.
9 As PSE has been acquiring renewable and lower emissions resources, PSE has sold
10 CFIs to gain additional benefits for its customers.
11

12 **Q. How are CFIs generated?**

13 A. To the extent PSE has lowered its production of greenhouse gases below a baseline,
14 it has been able to bank and sell excess CFIs to participating companies which are
15 unable to physically meet emission targets.
16

17 **Q. How does PSE realize revenues for CFI?**

18 A. CCX has created a market where CFIs can be bought and sold. PSE has been a seller
19 in this market, and receives cash from such sales.
20

21 **Q. For rate making purposes, how does the Commission treat the resources that
22 generate these RECs and CFIs?**

23 A. Each of these resources are owned or under contract by PSE, and operated by PSE.

1 The Commission includes the corresponding investment amounts for these projects
2 in PSE's rate base and power supply calculations for ratemaking purposes. The
3 Commission sets PSE's rates to allow PSE an opportunity to recover the operating
4 costs, taxes, and depreciation associated with these resources, as well as a return on
5 the money PSE invested to acquire the resources. The Commission allocates the cost
6 of these resources to the customer classes using a generation-based allocation factor.
7

8 **Q. What is the current balance of RECs and CFIs on PSE's books?**

9 A. As of November 30, 2009, PSE had the following balances of net cash proceeds
10 from PSE's sale of RECs and CFIs:²

11 RECs: [REDACTED]

12 CFIs: [REDACTED]

13
14 **Q. What is the estimated amount of PSE's contracted future proceeds from the**
15 **sales of RECs?**

16 A. Based on PSE's contracts, PSE estimates that future REC sales from 2009 to 2015
17 will be in the amount of [REDACTED].³
18

² The source of the REC balance is PSE's response to Public Counsel Data Request 30, Part C (CONFIDENTIAL). The source of the CFI balance is PSE's response to Public Counsel Data Request 31, Attachment A (CONFIDENTIAL).

³ This source of this figure is PSE's first revised response to Public Counsel Data Request 37, Attachment A (HIGHLY CONFIDENTIAL).

1 **IV. STAFF'S RECOMMENDATION**

2

3 **Q. How should the Commission treat the REC and CFI revenues PSE has received**
4 **related to certain renewable resources PSE has in its rate base?**

5 A. The Commission should distribute these revenues in an equitable manner to the
6 ratepayers who have supported the assets that give rise to the REC and CFI revenues.
7 As I have explained, these ratepayers are paying rates based on the costs of these
8 assets, which includes a return on PSE's investment, plus all related operating
9 expenses, and taxes. It is entirely proper for those ratepayers to receive the benefits
10 generated by these assets on the same basis that their rates are set. This is the
11 conceptual basis for Staff's Regulatory Liability approach.

12

13 **A. Staff's Regulatory Liability Approach**

14

15 **Q. Please describe Staff's Regulatory Liability approach.**

16 A. Under the Regulatory Liability approach, PSE will book the proceeds from its sales
17 of RECs and CFIs in a regulatory liability account. In rate proceedings, this account
18 will be used as a rate base reduction, with the balance amortized over 10 years. This
19 regulatory liability will be allocated to customer classes on the same basis as the
20 Commission allocates the associated renewable resources in the ratemaking process.
21 In other words, the REC/CFI revenues are returned to PSE's customers in the same
22 way PSE recovers in rates the costs of the assets which gave rise to the REC and CFI
23 revenues.

1 **Q. What are the benefits to PSE's retail customers from Staff's regulatory liability**
2 **approach?**

3 A. All else equal, PSE's retail customers will receive the benefits of reduced rates due
4 to the lowering of PSE's rate base amount and negative amortization expense. The
5 effects will be long term. In effect, customers receive the benefits of the REC sales,
6 including the Company's rate of return, over 10 years.

7
8 **Q. Can you suggest an alternative approach that also would pass the benefits of the**
9 **REC/CFI revenues to PSE ratepayer on an equitable basis?**

10 A. Yes. An alternative is a direct refund approach. Under this approach, the Company
11 would pass the REC/CFI benefits to its customers on a yearly basis, with each year's
12 actual amount allocated to customer classes based on a generation-based allocator.
13 This approach also matches the distribution of REC/CFI benefits with the manner in
14 which the corresponding assets are allocated to customers in the ratemaking process.
15 This approach can be implemented. As I mentioned earlier, this is how PSE treats
16 certain tax benefits associated with its wind facilities.

17
18 **Q. Please explain why Staff recommends the regulatory liability approach rather**
19 **than the direct refund approach in this case.**

20 A. The regulatory liability approach provides long term benefits to customers. While
21 the direct refund approach also fairly allocates the benefits to customers, it provides
22 benefits over a shorter term, and it will result in a direct rate increase when the
23 refund rate expires.

1 **V. STAFF’S RESPONSE TO PSE’S THREE-PART PROPOSAL**

2
3 **Q. Please summarize the relief PSE seeks in its Amended Petition filed in this**
4 **docket on October 7, 2009.**

5 A. In its Amended Petition at pages 1 and 6-9, PSE requests an order from the
6 Commission allowing the Company to defer net revenues from the sale of
7 Renewable Energy Credits (“RECs”) and Carbon Financial Instruments (“CFIs”),
8 and use those net revenues pursuant to the following three-part proposal:

9 1. **Part One: Low Income Proposal.** PSE proposes to use between \$10 million
10 and \$20 million of REC/CFI proceeds to fund energy efficiency and
11 renewable energy services for low income customers exclusively;

12 2. **Part Two: California Receivable Proposal.** PSE proposes to use \$21
13 million of REC/CFI proceeds to write down the same amount of an accounts
14 receivable, representing sums owed to PSE by several California utilities
15 which purchased power from PSE during the 2001 western energy crisis.
16 PSE calls this the “California Receivable”; and

17 3. **Part Three: Regulatory Assets Proposal.** PSE proposes to use the
18 remaining REC/CFI proceeds to provide a benefit to all PSE customers by
19 offsetting the REC proceeds against a regulatory asset on PSE’s books.
20

21 **Q. How should the Commission respond to PSE’s three-part proposal?**

22 A. The Commission should reject PSE’s proposal, for the reasons I explain next.
23

1 **A. Part One: PSE's Low Income Proposal**

2
3 **Q. Please explain the first part of PSE's three-part proposal, regarding the use of**
4 **between \$10 million and \$20 million in REC/CFI sales proceeds exclusively to**
5 **benefit low income customers.**

6 A. PSE proposes to use from \$10 million to \$20 million in REC/CFI proceeds for two
7 specific purposes: 1) To install efficiency measures and energy-related repairs for
8 low income customers exclusively (~ 80% of the total amount); and 2) To install
9 renewable energy systems exclusively for low income residential locations (~20% of
10 the total amount).⁴ No other PSE customers would receive this money. The Joint
11 Parties⁵ support this part of PSE's case.⁶

12
13 **Q. Is PSE's low income proposal appropriate?**

14 A. No. First, PSE's low income customers are not the only customers who paid for the
15 assets that generated these RECs and CFIs. As I explained earlier, any REC/CFI
16 sales proceeds available for customers should be returned equally to the customers
17 paying for the assets generating the benefit. Giving \$10 million to \$20 million
18 exclusively to one group of customers violates this principle of fairness.

19 Second, awarding low income customers \$10 million to \$20 million fails to
20 provide a commensurate benefit to the remaining customers because the proposed

⁴ Amended Petition at 7, ¶17; Exhibit Joint 1-T at 8-12.

⁵ The "Joint Parties" refers to the parties filing joint direct testimony: PSE, NW Energy Coalition, Renewable Northwest Project, and the Energy Project.

⁶ Joint Testimony Direct, Exhibit Joint 1-T.

1 measures contained in the low income proposal do not meet the Commission's
2 standard for an appropriate conservation program.

3
4 **Q. What is the Commission's standard for conservation programs offered by PSE?**

5 A. The Commission requires that PSE's conservation program be cost effective, based
6 on the total resource cost test.⁷

7
8 **Q. Does PSE's low income proposal meet this standard?**

9 A. No. But, if it did, PSE would acquire the conservation under its existing program,
10 which is designed to meet the Commission's cost effectiveness standard. There
11 would be no need to apply an additional \$10 million to \$20 million of ratepayer
12 money for this purpose.

13
14 **Q. Does PSE's low income proposal provide commensurate benefits to other rate
15 payers?**

16 A. No.

17
18 **Q. Could PSE's current energy efficiency programs contain certain features of
19 PSE's low income proposal, such as repairing a customer's living unit?**

20 A. Yes. However, the repair work must be cost-effective within the Company's
21 program. Again, PSE's low income proposal fails this standard.

22

⁷ *Utilities & Transp. Comm'n v. Puget Sound Power & Light Co.*, Docket UE-920630, First Supplemental Order at 11-12 (September 24, 1992).

1 **Q. Please explain Staff's concerns with the second component of the low income**
2 **proposal: To install renewable energy systems for low income residential**
3 **locations.**

4 A. While this proposal is laudable, it is not a proper use of rate payer money, for the
5 same reasons I identified regarding the first component. This component also is not
6 cost-effective on the whole, and it does not provide cost-effective benefits to PSE's
7 other customers.

8
9 **Q. Are there alternatives which PSE and the other Joint Parties could pursue to**
10 **achieve their low income goals and treat all PSE customers fairly and**
11 **equitably?**

12 A. Possibly. For example, the Company's shareholders could contribute additional
13 funds for these purposes; PSE could seek voluntary contributions from all customers
14 to help pay for these repairs and new measures; or perhaps the Joint Parties could
15 seek an additional appropriation from the Legislature to fund the low income
16 weather assistance account, which they testify is administered by the Department of
17 Commerce.⁸

18
19 **B. Part Two: PSE's California Receivable Proposal**

20
21 **Q. Please explain the second part of PSE's proposal, regarding the California**
22 **Receivable.**

⁸ See Joint Testimony Direct, Exhibit Joint 1-T at 6:25 to 7:4.

1 A. The Company is proposing that 40% of the REC/CFI proceeds, up to \$21,062,800,
2 be used to offset what PSE calls the California Receivable. The California
3 Receivable is an amount on the Company's books held in reserve (as a receivable)
4 for potential recovery through litigation processes.

5
6 **Q. What is an account receivable?**

7 A. An account receivable is the amount to be collected by a business from a customer
8 for goods or services previously sold to that customer by the business.

9
10 **Q. In the normal course of business, how does a business such as PSE account for**
11 **an account receivable?**

12 A. The business debits the amount of a sales transaction either to an account receivable
13 or a cash account, and credits the sale to a revenue account. In this instance, PSE
14 credited the sale to a Wholesale Revenue account.

15
16 **Q. How does a business such as PSE treat an account receivable when the amount**
17 **is disputed?**

18 A. The business either writes off the sale to an uncollectibles account, or, if the business
19 anticipates future payments from the buyers, it may keep the account receivable on
20 its books pending final resolution of the matter. That is what PSE has done in this
21 instance; it has kept the California Receivable on its books.

1 **Q. In the normal course of business, what is the appropriate accounting entry for**
2 **PSE to make if PSE determines that this \$21 million is uncollectible?**

3 A. PSE would have to write off the \$21 million account receivable. The accounting
4 entry would be a debit to the uncollectible account and a credit to the account
5 receivable account.

6
7 **Q. If PSE wrote off the \$21 million California Receivable, would that have a rate**
8 **impact?**

9 A. Not under current practices and procedures. Currently, in rate making, PSE and
10 Staff use uncollectibles amounts in two contexts: This calculation of the net to gross
11 conversion factor; and in determining the test year level of uncollectibles expense.
12 In both contexts, PSE and Staff take the most recent five years of uncollectibles,
13 remove the amounts for the high year and the low year, and average the amounts for
14 the other three years.

15 In this instance, the \$21 million represents a very high level of uncollectibles.
16 Consequently, this amount would be within the high year amount that would be
17 removed in the process. Of course, there could still be some impact, because this
18 could promote another year into the three-year average that would otherwise have
19 been the removable high year.

20
21 **Q. Please describe how the California Receivable came about.**

22 A. During the western energy crisis of 2000-2001, PSE sold power to the California
23 Independent System Operator ("ISO") and the California Power Exchange ("PX").

1 The total of these sales was reduced by actual payments, accounting entry reversals,
2 and other miscellaneous transactions, resulting in a net balance which is shown as
3 the \$21 million receivable on PSE's books today.
4

5 **Q. Why haven't the California ISO and the California PX paid this \$21 million to**
6 **PSE?**

7 A. Apparently, the amount is the subject of ongoing litigation. The Company indicates
8 that the dispute involves market pricing issues during the turbulent time in the
9 western energy markets during 2000-2001. More than seven years of litigation has
10 taken place to determine 'who owes how much to whom'.
11

12 **Q. Should the Commission accept PSE's proposal and grant a compensated write**
13 **off of the California Receivable using \$21 million of the proceeds from REC and**
14 **CFI sales?**

15 A. No. The Commission should reject PSE's request to provide a compensated write
16 off of the California Receivable.
17

18 **Q. Why?**

19 A. PSE needs to demonstrate that it received revenues in excess of fair market value for
20 the RECs and CFIs it sold to the California utilities. If PSE had received money in
21 excess of the market value for the RECs and CFIs it sold to the California utilities
22 that indicates that the excess over market can be attributable to a PSE recovery of the
23 California Receivable in the amount of such excess (up to \$21 million).

1 On the other hand, if PSE did not receive any such excess, it indicates PSE
2 did not receive any compensation for the California Receivable. In that
3 circumstance, PSE simply would have received the same compensation it would
4 have had in a market transaction, whether or not there was an account receivable,
5 and there would be no reason for the Commission to give special regulatory
6 treatment to this account receivable.

7
8 **Q. Has PSE demonstrated that it received revenues in excess of fair market value**
9 **for the RECs and CFIs it sold to the California utilities?**

10 A. No. While PSE has stated that the REC sales would not have occurred but for the
11 settlement regarding the power sales,⁹ PSE has not shown the REC price exceeded
12 market price in the compliance market, or if so, by how much. In this case, the
13 relevant market is the “compliance market” because PSE sold the RECs and CFIs to
14 utilities located in California, which has statutory renewable portfolio standards.

15 Absent that demonstration by PSE, the Commission should not provide PSE
16 a compensated write-off of the California Receivable.

17
18 **Q. Is there any other reason why the Commission should not allow the Company to**
19 **recover the California Receivable from the REC proceeds?**

20 A. Yes. At the time of the original power sales transactions that gave rise to the
21 California Receivable, the Company was under a five-year rate freeze as a condition
22 of the Commission-approved merger between Puget Sound Power & Light Company

⁹ DeBoer Direct, Exhibit TAD-1T at 7:19 to 8:2.

1 and Washington Natural Gas Company. During the rate freeze period, PSE bore the
2 risk and received the rewards for all of its transactions, including all of its wholesale
3 sales to California utilities. PSE should not be granted recovery from the REC
4 proceeds for a cost attributable to a time period where rate payers were not impacted
5 by those transactions, one way or the other.

6
7 **C. Part Three: PSE's Regulatory Assets Proposal**

8
9 **Q. Please explain the third part of PSE's proposal, regarding Regulatory Assets.**

10 A. The third part of the Company's proposal applies to all REC/CFI proceeds that
11 remain after funding the low income proposal and allowing a compensated write off
12 of \$21 million for the California Receivable. PSE proposes to use these remaining
13 REC/CFI proceeds to offset regulatory assets, specifically PSE's Storm Damages
14 regulatory asset.

15
16 **Q. Apart from its connection to the other two parts of PSE's proposal, is PSE's
17 Regulatory Assets proposal appropriate in principle?**

18 A. Yes. As Mr. DeBoer testifies, all else equal, reducing a regulatory asset lowers
19 PSE's revenue needs by reducing the amount of revenue ratepayers pay for PSE to
20 recover the asset, and it reduces the Company's working capital allowance.¹⁰ This is
21 very similar to the concept that underlies Staff's recommended outcome for this
22 docket, which I explained earlier.

¹⁰ DeBoer Direct, Exhibit TAD-1T at 9.

1 **Q. Is PSE's Regulatory Assets proposal appropriate in calculation?**

2 A. No.

3
4 **Q. Please explain.**

5 A. As I mentioned, PSE proposes to offset the Storm Damage regulatory asset with
6 REC/CFI revenues. The problem is that the Commission allocates storm damage
7 expenses to customer classes using the allocation factor relating to electric plant in
8 service. By contrast, the Commission allocates the assets that provide the REC/CFI
9 revenues to customers using only generation-based plant factors. This mismatch
10 creates disproportionate shares of the REC/CFI benefits among customer classes.

11
12 **Q. Do any other regulatory assets on PSE's books meet the criterion of being**
13 **allocated in the same or similar manner as the resources that give rise to the**
14 **REC/CFI revenues at issue in this case?**

15 A. Yes. PSE has a number of regulatory assets that meet this criterion. However, a
16 significant portion of these regulatory assets will most likely be fully amortized
17 before the effective date of the Company's next general rate case. Therefore, using
18 REC/CFI proceeds to offset these regulatory assets would produce no long term
19 benefits for ratepayers. The other portion of PSE's regulatory asset accounts that
20 meet this criterion is not large enough to specifically identify and offset.

21
22 **Q. Has the Commission previously ordered a utility to offset a regulatory asset**
23 **using a portion of the proceeds from sales of items similar to RECs or CFIs?**

1 A. Yes. Docket UE-001157 involved a PSE accounting petition for Commission
2 approval to defer revenues from the sale of excess sulfur dioxide (SO₂) emission
3 allowances. These allowances are similar to the CFIs in this case. In that docket, the
4 Commission ordered the Company to credit the sales to FERC Account 254 – Other
5 Regulatory Liabilities, and amortize the deferred credits annually over 10 years to
6 FERC Account 411.8 – Gains from Disposition of Allowances.¹¹

7
8 **Q. Is Staff proposing this same type of methodology in this proceeding?**

9 A. Yes. Staff is proposing to defer the revenues, thus creating a regulatory liability to
10 be included as a rate base reduction and amortized the remaining balance over 10
11 years.

12
13 **VI. CONCLUSION**

14
15 **Q. Please summarize Staff's recommendations in this docket.**

16 A. The Commission should accept Staff's case and require PSE to: 1) Book the net
17 proceeds from the sale of RECs and CFIs in a regulatory liability account; 2) Use the
18 account to reduce rate base; and 3) Amortize the balance in the account over a period
19 of 10 years. The Commission should reject PSE's three-part proposal.

20
21 **Q. Does this conclude your testimony?**

22 A. Yes.

¹¹ *In re Petition of Puget Sound Energy Inc., for an Order Regarding Authorization to Sell Sulfur Dioxide Emissions Allowances and an Associated Accounting Order*, Docket UE-001157, Order at 2 (October 25, 2000).