

1 **Q. Are you the same R. Bryce Dalley who previously filed testimony in this**
2 **case?**

3 A. Yes.

4 **Purpose and Summary of Testimony**

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

6 A. My supplemental testimony is being provided in response to the Second
7 Prehearing Conference Order 05 in this proceeding. In that order, the
8 Commission directs the Company and other parties to file revised testimony and
9 exhibits to comply with the requirements of WAC 480-07-510 and Order 04 as
10 discussed during the explanatory session held with the Commission advisors. I
11 also sponsor and describe supplemental workpapers.

12 **Q. Have you provided revised pages to your previously filed testimony and**
13 **exhibits?**

14 A. Yes. As I explain below, I have provided revised pages to all of prefiled Exhibit
15 No.__(RBD-2) and to portions of Exhibit No.__(RBD-3). I have also provided
16 revised pages to two pages of my direct testimony.

17 **Q. Please describe the revisions to Exhibit No.__(RBD-2).**

18 A. Exhibit No.__(RBD-2) is a two-page summary of the Washington results of
19 operations filed as an exhibit to my direct testimony. This exhibit is being
20 replaced in its entirety to reflect the specific revisions discussed below to revenue
21 requirement Exhibit No.__(RBD-3), the Company's Washington Results of
22 Operations. The pages of the revised Exhibit No.__(RBD-2) have been marked
23 "Revised 11/23/10".

1 **Q. Please describe the revisions to Exhibit No.__(RBD-3).**

2 A. Below is a list of the revisions to Exhibit No.__(RBD-3). Each of these items is
3 described in detail later in my testimony.

4 • The cash working capital (CWC) balances reflected in the per books data
5 have been removed.

6 • The CWC Adjustment 8.1 has been modified to reflect the addition of all
7 CWC to the Washington test period.

8 • The Company's presentations of the Jim Bridger Mine Adjustment (8.2)
9 and the associated impact to the presentation of the Production Factor
10 Adjustment (9.1) have been revised to itemize the components of the Jim
11 Bridger coal mine additions.

12 • The supporting worksheets associated with Net Power Cost Adjustment
13 (5.1 and 5.2), CWC Adjustment (8.1), and Production Factor Adjustment
14 (9.1) have been revised to more clearly present the calculations for each
15 adjustment.

16 **Q. Do any of these revisions impact your previously filed testimony?**

17 A. No, not in a substantive way. There are, however, two conforming changes to my
18 direct testimony, both of which are reflected in legislative format in the revised
19 pages. The first is on page 6, line 13, where I testify to the Company's return on
20 equity (ROE) reflected on its unadjusted results. The removal of CWC from these
21 results produces an ROE of 6.4 percent instead of 6.2 percent. Second, the
22 reference on page 24, line 17 to Tab 9 should be to page 9.1.4 instead of 9.1.3.

1 **Cash Working Capital**

2 **Q. Please describe the revisions the Company has made with respect to CWC**
 3 **balances.**

4 A. There is no account on the Company's balance sheet that reflects CWC. Instead,
 5 this amount is a calculated value that is determined by various CWC methods. In
 6 this proceeding the Company is proposing inclusion of CWC in the test period
 7 using the 1/8th of Operations and Maintenance (O&M) expenses method
 8 described in my direct testimony.

9 The Company's initial filing reflected CWC balances in the per books
 10 data. This amount was calculated by dividing the Washington per books O&M,
 11 less fuel and purchase power, by eight. This balance was subsequently adjusted
 12 to account for the changes of the other restating and pro forma normalizing
 13 adjustments included in the Company's filing. This treatment is summarized in
 14 the table below.

Company's Original Filing				
<i>Washington-Allocated Basis</i>				
	(1)	(2)	(3)	(4)
			(1) + (2)	(3) + (4)
	Per Books CWC	Restating CWC Adjustment	Restated CWC	Pro forma CWC Adjustment
				Normalized Test Period CWC
Cash Working Capital (CWC)	11,447,427	(618,622)	10,828,804	276,299
				11,105,103

15 The Company has revised its approach by removing all CWC from the per
 16 books data and adding all CWC balances to test period normalized results though
 17 the restating and pro forma CWC adjustments (page 8.1). This revised treatment
 18 is summarized in the table below.

Company's Revised Filing					
<i>Washington-Allocated Basis</i>					
	(1)	(2)	(3)	(4)	(5)
			(1) + (2)		(3) + (4)
	Per Books CWC	Restating CWC Adjustment	Restated CWC	Pro forma CWC Adjustment	Normalized Test Period CWC
Cash Working Capital (CWC)	-	10,828,804	10,828,804	276,299	11,105,103

1 This modification requires revisions to the following sections/pages of
2 the exhibit, all of which have all been marked “Revised 11/23/10”.

- 3 • Tab 1 – SUMMARY (all pages).
- 4 • Tab 2 – RESULTS OF OPERATIONS (all pages).
- 5 • Tab 8 – RATE BASE (pages 8.0 through 8.1)
- 6 • Tab 11– HISTORICAL RATE BASE (all pages)

7 **Q. Referring to Page 1.0 - Revised 11/23/10, please explain why there is a per**
8 **books balance associated with the category “Working Capital” on line 41.**

9 A. This amount (\$2,159,291) reflects the per books balances associated with
10 miscellaneous current asset accounts shown on page 2.35 – Revised 11/23/10,
11 lines 2470 through 2490. These balances are removed from normalized test
12 period results through the Miscellaneous Rate Base restating adjustment 8.5.

13 **Q. Did the Commission render a decision on CWC in the Company’s last**
14 **litigated general rate case?**

15 A. Yes. In Docket UE-061546 the Commission rejected both Staff and the
16 Company’s proposals related to CWC. In its final order, no CWC balance was
17 included in the Washington revenue requirement calculation.

1 **Q. Has the Company provided support for its proposed change in treatment for**
2 **CWC?**

3 A. Yes. My previously filed testimony in this docket provides support for the
4 Company's proposed change in treatment for CWC.

5 **Q. In addition to CWC balances, has the Company included per books balances**
6 **associated with materials and supplies and fuel stock in Washington test**
7 **period results?**

8 A. Yes. The per books balances associated with materials and supplies and fuel
9 stock have been reflected in the Washington test period results. In Docket UE-
10 061546, the Commission removed all rate base balances associated with materials
11 and supplies and fuel stock along with the materials and supplies and pit
12 inventory included in the Jim Bridger mine normalizing adjustment. My
13 previously filed testimony provides support for the Company's proposed change
14 in treatment with respect to fuel stock and materials and supplies.

15 **Q. Please describe the file named "Supplemental Workpaper - Cash Working**
16 **Capital".**

17 A. This supplemental workpaper reflects the adjustments to the Company's per
18 books filing necessary to remove all CWC, fuel stock, and materials and supplies
19 balances, consistent with the Commission's order in Docket UE-061546. The
20 impact of these adjustments on Washington test period results is also reflected.

1 **Presentation of the Jim Bridger Mine and Production Factor Adjustments**

2 **Q. Please describe the revisions the Company has made to the presentation of**
 3 **the Jim Bridger Mine adjustment.**

4 A. The Company has two-thirds ownership in the Bridger Coal Company (BCC),
 5 which supplies coal to the Jim Bridger generating plant. However, the
 6 Company's investment in BCC is recorded on the books of Pacific Minerals Inc.
 7 (PMI), a wholly owned subsidiary. Because the investment is recorded on the
 8 books of PMI, it is not reflected in the Company's per books electric plant in
 9 service balances. As a result, a restating adjustment is necessary to add the
 10 Company's investment in BCC to the Washington test period results.

11 In the Company's original filing, this restating adjustment was done on a
 12 consolidated basis. In other words, the net plant investment in the mine, including
 13 gross plant, pit inventory, materials and supplies, deferred long wall costs,
 14 accumulated depreciation and lease payables were combined and added to Federal
 15 Energy Regulatory Commission (FERC) account 399 – Other Tangible Property.
 16 The Company's revised filing separates the components of the mine into separate
 17 FERC accounts as shown in the table below.

Jim Bridger Mine Components	FERC Account Used in Revised Filing
Gross Plant	399
Materials and Supplies	154
Pit Inventory	151
Deferred Long Wall Costs	186
Accumulated Depreciation	108
Bonus Bid/Lease Payable	186

18 This change in presentation requires revisions to pages 8.2 and 8.2.1 of the
 19 exhibit, both of which have been marked "Revised 11/23/10".

1 **Q. Please describe the revisions the Company has made to the presentation of**
2 **the Production Factor adjustment.**

3 A. Associated with the change in the presentation of the Jim Bridger Mine
4 adjustment discussed above, the Company has revised the presentation of the
5 Production Factor adjustment. In the Company's original filing, the production
6 factor was applied to the consolidated Jim Bridger Mine net plant addition
7 included in FERC account 399 - Other Tangible Property. In the revised
8 adjustment, the Company has itemized the production factor application for each
9 of the separate components of the Jim Bridger Mine adjustment. This change in
10 presentation requires revisions to pages 9.0 through 9.1.4 of the exhibit, all of
11 which have been marked "Revised 11/23/10".

12 **Revisions to Supporting Worksheets**

13 **Q. Please describe the revisions the Company has made to the supporting**
14 **worksheets included in Exhibit No.____(RBD-3).**

15 A. The Company has revised the supporting worksheets associated with the Net
16 Power Costs Adjustments 5.1 and 5.2, the Cash Working Capital Adjustment 8.1,
17 and the Production Factor Adjustment 9.1. All of these changes are to present the
18 calculations of each adjustment more clearly.

19 **Q. Please describe the changes to the Net Power Cost Adjustments 5.1 and 5.2.**

20 A. Supporting page 5.2.1 of the exhibit has been revised to show more clearly the per
21 books, normalized, and pro forma net power costs included in the Company's
22 filing. This page, marked "Revised – 11/23/10", reflects all three net power cost

1 amounts, along with the associated restating and pro forma adjustments, on both a
2 west control area and Washington-allocated basis.

3 **Q. Please describe the changes to the CWC adjustment 8.1.**

4 A. In addition to the changes in the CWC approach discussed above, supporting
5 workpaper 8.1 of the exhibit has been updated to show more clearly the
6 development of both the restated and pro forma CWC amounts. As mentioned
7 above, this page has been marked “Revised – 11/23/10”.

8 **Q. Please describe the changes to the Production Factor Adjustment 9.1.**

9 A. The presentation of the production factor has been modified to show the
10 development of the adjustment beginning with the per books Washington-
11 allocated amounts. All of the normalizing adjustments that impact the production
12 factor are then itemized in separate columns. As discussed above, revised pages
13 9.1 through 9.1.4 have been marked “Revised – 11/23/10”.

14 **Supplemental Workpapers**

15 **Q. Have you provided additional workpapers with your supplemental**
16 **testimony?**

17 A. Yes. In addition to the CWC supplemental workpaper described above, my
18 supplemental testimony includes an additional workpaper named “Supplemental
19 Revenue Requirement Summary”. This file is a simplified version of the more
20 sophisticated revenue requirement models used to produce Exhibit No.__(RBD-
21 2) and Exhibit No.__(RBD-3). The summary file also contains direct links to
22 the formulas and calculations underlying each of the Company’s adjustments to
23 its per books data, as requested by the Commission in Bench Request 1.

1 This file begins with a summary sheet that shows the Washington-
2 allocated unadjusted (per books) data in column (1). Column (2) Restating
3 Adjustments shows the combined Washington-allocated impact of the Company's
4 proposed restating adjustments. Column (3) Total Restated Actual Results
5 reflects the Washington-allocated restated results. Column (4) Pro forma
6 Adjustments shows the combined Washington-allocated impact of the Company's
7 proposed pro forma adjustments. Column (5) Total Normalized Results shows
8 the Washington-allocated normalized test year results. Column (6) Price Change
9 reflects the revenue increase of \$56.7 million necessary to raise the ROE to 10.6
10 percent. Column (7) Results with Price Change shows the Washington
11 normalized results with the \$56.7 million price increase included. This summary
12 sheet is consistent with Pages 1.0 and 1.1 – Revised 11/23/10 of Exhibit
13 No.____(RBD-3).

14 The worksheets named "Restating Adj." and "Pro forma Adj." show each
15 of the Company's proposed restating and pro forma adjustments on a
16 Washington-allocated basis. Each adjustment is shown in a separate column with
17 a reference to the corresponding page of Exhibit No.____(RBD-3). For ease in
18 following the calculations, the Washington-allocated adjustment values are each
19 linked back to a supporting file that provides the calculations and development of
20 the adjustment. The supporting files are also provided as part of my workpapers
21 and are organized consistent with the presentation of the adjustments in Exhibit
22 No.____(RBD-3). The sum of the Restating Adj. and Pro forma Adj. sheets are
23 then carried forward to the Summary sheet columns (2) and (4) respectively.

1 The sheets named “CWC Calc” and “Interest Calc” show the calculations
2 of cash working capital and interest expense respectively, as described in my
3 direct testimony. These calculations are consistent with the presentations
4 reflected on pages 8.1 – Revised 11/23/10 Cash Working Capital and 7.1 Interest
5 True Up of Exhibit No.____(RBD-3).

6 The sheet named “Variables” reflects the capital structure and costs
7 proposed by the Company in this proceeding as described by Company witnesses
8 Mr. Bruce N. Williams and Mr. Samuel C. Hadaway. It also shows the
9 development of the revenue requirement gross-up factor consistent with the
10 presentation on page 1.3 – Revised 11/23/10 of Exhibit No.____(RBD-3).

11 The sheet named “Check Sheet” is provided to ensure that the summary
12 file produces results that are identical to the Company’s full revenue requirement
13 models.

14 **Q. Does this conclude your supplemental testimony?**

15 A. Yes.