

Exhibit No. ____ (RF-14T)
Docket No. UE-100749
Witness: Ryan Fuller

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power

Respondent.

Docket No. UE-100749

PACIFICORP

SUPPLEMENTAL REBUTTAL TESTIMONY OF RYAN FULLER

December 2010

1 **Q. Are you the same Ryan Fuller who previously filed testimony in this case?**

2 A. Yes.

3 **Purpose and Summary of Testimony**

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

5 A. The purpose of my supplemental rebuttal testimony is to respond to Washington
6 Utilities and Transportation Commission (Commission) Staff witness Ms.
7 Kathryn H. Breda's new Adjustment 7.9. This new adjustment proposes an
8 additional \$1.2 million revenue requirement reduction to the Company's filing as
9 compared to revenue requirement originally proposed by Commission Staff. The
10 adjustment is inconsistent with Ms. Breda's position opposing the Company's
11 proposal to move to full normalization because the adjustment employs
12 normalized accounting for book-tax differences that 1) are not required to be
13 normalized by the Internal Revenue Code (IRC), and 2) have not been approved
14 for normalized accounting by the Commission.

15 **Commission Staff Adjustment 7.9**

16 **Q. What is the stated purpose of Commission Staff Adjustment 7.9?**

17 A. The stated purpose of Commission Staff Adjustment 7.9 is to adjust the per books
18 deferred income tax expense and rate base reduction for accumulated deferred
19 income taxes to reflect the current Commission policy for the regulatory treatment
20 of income taxes.

21 **Q. How does Commission Staff describe the current Commission policy for the
22 regulatory treatment of income taxes?**

23 A. Commission Staff describes the current Commission policy for the regulatory

1 treatment of income taxes as requiring the use of flow-through accounting for
2 temporary book-tax differences when it is lawful to do so. As a limited exception
3 to this policy, Commission Staff describes that on a case-by-case basis, the
4 Commission may approve normalized accounting for temporary book-tax
5 differences even though flow-through accounting is lawful.

6 **Q. Is Commission Staff's new Adjustment 7.9 consistent with the Commission's**
7 **policy for the regulatory treatment of income taxes as described by**
8 **Commission Staff?**

9 A. No. Commission Staff's new adjustment 7.9 includes normalized accounting for
10 temporary book-tax differences where 1) it is lawful to use flow-through
11 accounting, and 2) normalized accounting has not been approved by the
12 Commission.

13 Because these particular book-tax differences do not meet the limited
14 exception to the Commission's policy of flow-through accounting as described by
15 Commission Staff, Commission Staff's Adjustment 7.9 is inconsistent with its
16 stated purpose.

17 **Q. Can you please identify the specific book-tax differences to which you are**
18 **referring?**

19 A. Yes. Exhibit No.__(RF-15) provides a reconciliation of the differences between
20 the analysis provided by the Company (Exhibit No.__(RF-12)) and Commission
21 Staff (Exhibit No.__(KHB-6)) for deferred income tax expense and accumulated
22 deferred income tax. The reconciling items consist of five book-tax differences
23 and a small amount associated with the elimination of state income tax expense.

1 **Q. Is it lawful for flow-through accounting to be employed for book-tax**
2 **differences identified in Exhibit No.__(RF-15)?**

3 A. Yes. Flow-through accounting can be employed for all of these book-tax
4 differences since they are not covered by the normalization requirements of the
5 IRC.

6 **Q. Has the Commission approved normalized accounting for the book-tax**
7 **differences identified in Exhibit No.__(RF-5)?**

8 A. No. The Company has reviewed the Commission orders to which each of these
9 book-tax differences relate. The Commission does not approve normalized
10 accounting for income taxes in any of these orders.

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

12 A. Yes.