

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

DOCKETS UE-140188 & 140189

DIRECT TESTIMONY OF LEA FISHER (LF-1CT)

ON BEHALF OF

PUBLIC COUNSEL

JULY 22, 2014

REDACTED VERSION

DIRECT TESTIMONY OF LEA FISHER (LF-1CT)
DOCKETS UE-140188 & UG-140189

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Exhibit No. LF-2	REC Revenue Rebate Calculation with Public Counsel’s Proposed Interest Rate
Exhibit No. LF-3	REC Revenue Rebate Calculation with Public Counsel’s Proposed REC Purchase Adjustment and Interest Rate
Exhibit No. LF-4	Public Counsel Proposed REC Rebate Allocation
Exhibit No. LF-5C	Total REC Expenses, January 2012 – June 2016
Exhibit No. LF-6	Avista’s Response to Public Counsel’s Data Request No. 130
Exhibit No. LF-7	Avista’s Response to Public Counsel’s Data Request No. 210, and Attachment A
Exhibit No. LF-8	Avista’s Response to Public Counsel’s Data Request No. 207

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I. INTRODUCTION AND SUMMARY

Q: Please state your name, business address, employer, and title.

A: My name is Lea Fisher, and my business address is 800 Fifth Avenue, Suite 2000, Seattle, Washington, 98104. I am employed as a Regulatory Analyst with the Public Counsel Division of the Washington Attorney General’s Office.

Q: Please briefly outline your education and employment background.

A: I received a B.A. in International Studies from the University of Oregon in 2006. In 2008, I received a Masters in Public Administration from the Mark Hatfield School of Government at Portland State University. Since joining Public Counsel in August 2008, I have worked on a wide range of energy issues, including the review and analysis of utility conservation programs, decoupling mechanisms, low-income rate assistance programs, renewable energy credits, and other various issues in electric and natural gas general rate case (GRC) and tariff filings before the Commission.

Q: Have you previously testified before this Commission?

A: Yes. Most recently, I filed testimony in PacifiCorp’s 2013 general rate case. Additionally, I testified in Avista’s 2012 rate case opposing the multiparty settlement reached in that case. I have also filed written testimony and testified as a member of the settlement panel supporting a number of rate case settlements, including Avista’s 2010 and 2011 general rate case settlements and PacifiCorp’s 2011 general rate case settlement.

Q: What is the purpose of your testimony in this case?

1 A: My testimony will address Avista’s Renewable Energy Credit (REC) rebate
2 mechanism presented in the testimonies of Company witnesses, Mr. William G.
3 Johnson and Mr. Patrick D. Ehrbar.

4 **Q: Please summarize your testimony and recommendations.**

5 A: I recommend the following with respect to Avista’s REC rebate mechanism:
6 (1) The interest rate applied to the REC balance should be based on Avista’s
7 overall after-tax authorized rate of return instead of the estimated actual cost of
8 debt; (2) Avista’s REC rebate should be allocated among customer classes in the
9 same manner as the generation resources that give rise to RECs are allocated,
10 instead of being allocated on an equal cents per kWh across all customer classes;
11 and (3) certain REC purchase expenses should be removed from Avista’s
12 proposed REC revenue rebate, and, going forward, the REC revenue tracker
13 should not include REC purchase expenses. The table below demonstrates the
14 impact of my recommendations on Avista’s total proposed REC revenue rebate.

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TABLE 1: Summary of Adjustments

Items	Adjustment To REC Rebate
Avista proposed total REC rebate	\$ 7,754,377
Interest rate adjustment	\$ 210,352
REC purchase adjustment*	\$ 1,033,654
Public Counsel proposed total REC rebate	\$ <u>8,788,031</u>
Public Counsel proposed Annualized 2015 REC rebate**	\$ <u>5,864,763</u>

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*Includes proposed interest rate change.

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**This reflects the annualized 2015 REC rebate amount based on the January 2015- June 2016 18-month proposed amortization period.

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1 **II. BACKGROUND**

2 **Q: Please describe what was ordered with respect to Avista's REC revenues in**
3 **the last general rate case.**

4 A: In Avista's last general rate case, the Commission ordered Avista to defer the
5 difference between the REC sales proceeds in base rates and actual REC sales
6 proceeds to a separate account not subject to the trigger mechanism of the Energy
7 Recovery Mechanism (ERM). Prior to the Commission's Order in the last rate
8 case, the Company included REC revenue in the power supply pro forma and
9 tracked the difference between actual and authorized REC revenue in the ERM.
10 The Commission ordered that, in the next rate case, Avista should propose a
11 mechanism to true-up these REC revenues and begin to separately track REC
12 revenues outside of the ERM. Specifically, the Commission ordered Avista to
13 project the REC revenues expected in the rate year and to defer such revenues to a
14 tracking account to be returned to customers via a mechanism consistent with
15 those used by Puget Sound Energy and PacifiCorp.¹

16 **Q: Please describe Avista's proposed REC revenue rebate mechanism.**

17 A: Avista proposes a REC revenue rebate mechanism that includes actual REC
18 revenues above those in base rates for 2012-2013, the estimated REC revenues in
19 excess of base rates for 2014, and the total estimated REC revenues for the period
20

¹ *Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Order 09, ¶¶ 83-85, Dockets UE-120436 and UG-120437 (consolidated), Order 14, Dockets UE-110876 and UG-110877 (consolidated) (Hereafter, Order 09).

1 January 2015 through June 2016.² These revenues amount to \$7,754,377³ and
2 include not only REC revenues but also REC sales expenses and REC purchase
3 expenses. The Company proposes that the REC rebate be allocated on a uniform
4 cents per kWh basis across all customer classes and be allowed to go into effect
5 on January 1, 2015, coinciding with any change in base rates from the general rate
6 case filing. The proposed amortization period is 18 months, January 2015
7 through June 2016. Under the proposed amortization period, the annualized 2015
8 REC rebate is \$5,181,469.⁴ Going forward, Avista proposes that the mechanism
9 would be true-up and re-set on an annual basis on or before April 1, at the same
10 time the ERM filing is made.

11 **Q: Do you have any concerns with the revenues Avista proposes to include in the**
12 **REC revenue rebate mechanism?**

13 A: Based on my review, I conclude that the Company has appropriately reflected
14 REC revenues for the time periods ordered by the Commission in the last GRC.
15 However, I have concerns with certain REC purchase expenses Avista has netted
16 against its REC revenue rebate and its proposal to include future REC purchases
17 in its tracker going forward.

18 **Q: Do you have any concerns with the proposed amortization period or REC**
19 **revenue true-up process going forward?**

² Direct Testimony of William J. Johnson, Exhibit No. WGJ-1T, p.16.

³ The Company's total REC revenue rebate was decreased from \$7,841,726 to \$7,754,377 due to the addition of REC sales related expenses for 2012 and 2013 that Avista inadvertently excluded from the REC revenue tracker. See Exhibit No. LF-7 and Exhibit No. LF-8.

⁴ Avista's Response to Public Counsel's Data Request No. 210, Attachment B.

1 A: No, I do not have any concerns with Avista’s proposed amortization period of 18
2 months or the proposed REC revenue true-up process going forward, and I
3 recommend this treatment be approved.

4 **III. RECOMMENDED CHANGES TO AVISTA’S REC REVENUE**
5 **REBATE MECHANISM**
6

7 **A. Interest Rate Applied to REC Revenue Rebate.**

8 **Q: What is the interest rate Avista applies to the REC revenue rebate balance?**

9 A: Avista uses an interest rate of 5.2%⁵ on the REC revenue balances for 2014-
10 2016,⁶ which the Company says is “illustrative” of its actual cost of debt.⁷ The
11 Company states that the actual cost of debt is the appropriate interest rate to use
12 on the REC rebate balance because this is also the interest rate used for the ERM
13 balance, and the proposed settlement in the last rate case stated that the REC
14 revenue balance would accrue interest consistent with the ERM balances.

15 However, because the Company’s actual cost of debt beginning January 1, 2015,
16 is unknown, Avista uses an estimate or “illustrative” actual cost of debt of 5.2%.

17 **Q: What are your concerns with Avista’s proposed interest rate for the REC**
18 **revenue rebate balance?**

19 I have concerns with the estimated interest rate Avista uses in place of the actual
20 cost debt and I also disagree that actual cost of debt should be used as the basis

⁵ Avista’s Supplemental Response to Public Counsel’s Data Request No. 218.

⁶ Public Counsel’s recommendation on the interest rate issue is limited to the 2014-2016 balances, which have not yet accrued interest, unlike the 2012-2013 revenues.

⁷ Avista’s Response to Public Counsel’s Data Request No. 218. The Company incorrectly stated in the direct testimony of Mr. William Johnson and in response to Public Counsel’s Data Request No. 12 that the interest rate used on the REC rebate balance was based on the “weighted cost of debt.” The response to Public Counsel’s Data Request No. 218 notes this error and clarifies that Avista uses the actual cost of debt as the interest rate for the ERM and its proposed interest rate for the REC revenue rebate. The supplemental response to Public Counsel’s Data Request No. 218 further clarifies that the interest rate used on the REC balance is 5.2%, which is “illustrative” of Avista’s actual cost of debt.

1 for the interest rate. With respect to the estimated interest rate, Avista states that
2 the 5.2% interest rate it used to accrue interest on the REC balances for 2014-
3 2016⁸ is illustrative of its actual cost of debt. However, the Company provides no
4 explanation as to why the 5.2% is a reasonable interest rate estimate or why this
5 estimate is more appropriate to use than the Company's currently authorized cost
6 of debt which is 5.72%.

7 **Q: Please explain why you disagree with using the actual cost of debt as the**
8 **interest rate on the REC revenue rebate balance?**

9 A: In Avista's last general rate case, the Commission ordered Avista to develop a
10 REC rebate mechanism similar to those used by PacifiCorp and Puget Sound
11 Energy (PSE), and both PacifiCorp and PSE use their authorized after-tax rate of
12 return to accrue interest on REC balances.⁹ Avista's proposal to use the actual
13 cost of debt as the interest rate departs from this practice and is contrary to the
14 Commission's Order.

15 In addition, the Company's explanation for why it chose to use the actual
16 cost of debt as the interest rate is illogical. In response to Public Counsel Data
17 Request No. 12, Avista states that it uses the actual cost of debt as the interest rate
18 because this is what the Company used to accrue interest on the ERM balance,
19 and the settlement in the last case stated the REC deferral would accrue interest
20 consistent with the ERM balances. However, the Commission modified the

⁸ Public Counsel's recommendation on the interest rate issue is limited to the 2014-2016 balances, which have not yet accrued interest, unlike the 2012-2013 revenues.

⁹ *Washington Utilities and Transportation Commission v. Puget Sound Energy*, Order 08, ¶ 16, Appendix C, "Multiparty Settlement Re: Electric Rate Spread, Electric Rate Design and Renewable Energy Tracker, Dockets UE-111048 and UG-111049. PacifiCorp Compliance Filing in Docket UE-100749, Annual Report of Proceeds from the Sale of Renewable Energy Credits, p. 2, May 1, 2014.

1 settlement in the last case pertaining to REC revenues and specifically ordered
2 Avista to no longer track REC revenues in the ERM.¹⁰ The Commission's Order
3 does not explicitly state what interest rate should be used to accrue interest on the
4 REC balance, but given that the Commission specifically ordered that REC
5 revenues be tracked separately from the ERM, the Company's argument that the
6 REC balance should accrue interest using the same interest rate as the ERM is
7 unconvincing.

8 **Q: What do you recommend be used as the interest rate on the REC balance?**

9 A: I recommend that the after-tax authorized rate of return be used as the basis for
10 the interest rate on the REC balance. My interest rate adjustment uses Public
11 Counsel witness Stephen Hill's proposed after-tax authorized rate of return, which
12 is 7.05% in this case. I recommend that the after-tax authorized rate of return
13 ultimately approved by the Commission in this case be used to calculate the
14 interest rate applied to the REC revenue balance.

15 **Q: What is the impact on the REC revenue rebate using the after-tax authorized**
16 **return recommended by Public Counsel in this case?**

17 A: Using Public Counsel's proposed after-tax authorized rate of return of 7.05% as
18 the interest rate applied to the REC revenue balance, instead of the Company's
19 proposal, which uses an estimated actual cost of debt of 5.2%, the interest accrued
20 on REC balances for 2014-June 2016 increases by \$210,352.¹¹

¹⁰ Order 09, ¶¶ 83-85.

¹¹ As shown in Exhibit No. LF-2, using Public Counsel's proposed after-tax authorized rate of return produces total interest on the REC balance of \$801,610. Total interest accrued using the Company estimated actual cost of debt of 5.2% produces total interest of \$591,258.

1 **B. Tracking REC Expenses in the REC Revenue Tracker.**

2 **Q: Please describe Avista’s proposal to include REC expenses in the REC**
3 **revenue tracker.**

4 A: Avista proposes to include both REC revenues and REC expenses in its REC
5 revenue tracker. REC expenses include costs related to the sale of RECs such as
6 WREGIS fees, Green-E fees, and broker fees, as well as REC purchase
7 expenses.¹² Total REC expenses included in the REC tracker and offset against
8 the REC rebate equal [BEGIN CONFIDENTIAL] ██████████¹³ [END
9 CONFIDENTIAL] Going forward, Avista proposes to include future REC
10 purchase expenses in its REC revenue tracker.¹⁴

11 **Q: Do you have any concerns with Avista including REC sales related expenses**
12 **(Green-E Fees, WREGIS Fees, etc.) in the REC revenue tracker?**

13 A: No, I do not. These expenses are directly related to REC sales transactions and
14 are appropriately netted against the total revenues in the REC revenue tracker.

15 **Q: Do you have any concerns with Avista including REC purchase expenses in**
16 **its REC revenue tracker?**

17 A: Yes. In approving REC revenue trackers for both Puget Sound Energy and
18 PacifiCorp, the Commission has recognized that is appropriate to return the
19 revenues from the sale of renewable energy credits to ratepayers because
20 ratepayers pay for the resources, such as wind farms, that produce the RECs.¹⁵

¹² Direct Testimony of William J. Johnson, Exhibit No. WGJ-1T, p. 17.

¹³ Confidential Exhibit No. LF-5C.

¹⁴ Direct Testimony of William J. Johnson, Exhibit No. WGJ-1T, p. 17.

¹⁵ See, e.g., *Wash. Utilities & Transp. Comm’n v. PacifiCorp*, Order 06, ¶¶ 199-200, Docket UE-100749 (March 25, 2011).

1 Avista’s proposal to include REC purchases in its REC revenue tracker
2 seeks to dramatically change the purpose and scope of the REC revenue tracker.
3 Both REC purchases and renewable resource acquisitions like wind farms are
4 generally made, in part, to meet renewable energy portfolio standards. Including
5 REC purchase expenses in the REC revenue tracker is akin to including the costs
6 associated with renewable energy investments that give rise to REC revenues (for
7 example, wind farms) in the REC revenue tracker.

8 **Q: Why is it not appropriate to include the cost of REC purchase expenses and**
9 **wind farms in the REC revenue tracker?**

10 A: REC purchases, like wind farms, are resource acquisition decisions that require
11 substantial review and a prudence determination. These acquisitions should be
12 reviewed in a general rate case, which is the most appropriate place for a
13 prudence review. If REC purchases were included in the REC revenue tracker,
14 the opportunity to address prudence would be much more limited.

15 **Q: Why does Avista argue that REC purchase expenses should be included in its**
16 **REC revenue tracker?**

17 A: Avista does not describe in its testimony why it is appropriate to include REC
18 purchase expenses in its REC revenue tracker. However, in response to
19 discovery, the Company explains that it understands the Commission considers
20 REC sales proceeds akin to revenues from utility property sales that belong to
21 ratepayers and should be returned to them in full. The response continues: “for
22 property sales that utilities return to customers, it is standard accounting practice
23 to net the cost of the sale and the original investment cost with the sales

1 proceeds.”¹⁶ The Company also states that under the Energy Independence Act
2 (EIA) an investor-owned utility is entitled to recover all prudently incurred costs
3 associated with compliance with this chapter (Chapter 19.285.050). The response
4 goes on to state: “to the extent the Company incurs expenses in order to comply
5 with the EIA, it is allowed to recover those expenses.”¹⁷

6 **Q: How do you respond to the Company’s statements?**

7 A: Public Counsel agrees that the Commission considers REC sales proceeds akin to
8 utility property sales. The Company is also correct that it is standard accounting
9 practice to net the cost of sale and original investment cost with sales proceeds.
10 With respect to REC sales, however, the costs that are appropriately netted with
11 the sales proceeds are REC sales expenses, such as WREGIS fees and broker fees.
12 REC purchases, on the other hand, are entirely unrelated to the REC sales or the
13 original investment. Therefore, the accounting practice cited by Avista does not
14 support the Company’s proposal to include REC purchases in the REC revenue
15 tracker.

16 With respect to the Company’s argument that it is allowed to recover all
17 prudently incurred expenses associated with complying with the EIA, Public
18 Counsel agrees. However, these expenses are separate and distinct from the
19 revenues included in the REC revenue tracker and should not be combined in the
20 REC revenue tracker.

¹⁶ Avista’s Response to Public Counsel’s Data Request No. 13.

¹⁷ Avista’s Response to Public Counsel’s Data Request No. 13.

1 **Q: How do you propose that Avista recover its prudently incurred REC**
2 **purchase expenses, if not through the REC revenue tracker?**

3 A: I recommend that Avista propose recovery of REC purchase expenses the same
4 way it seeks recovery of other renewable resource investments, which is through a
5 general rate case.

6 **Q: Are there any other reasons you believe the Company should not include**
7 **REC purchase costs in its REC revenue tracker?**

8 A: Yes. I believe Avista’s proposal to include REC purchase expenses in its REC
9 revenue tracker is beyond the scope of what the Commission ordered in the last
10 rate case. Order 09 is devoid of any mention of REC purchase expenses and only
11 addresses REC revenues.

12 **Q: Please describe the REC purchase contracts and expenses that are currently**
13 **included in the REC revenue tracker.**

14 A: Avista has included REC purchase expenses in its REC revenue tracker for the
15 years 2012 through 2015. For the years 2012 and 2013, Avista reflects expenses
16 for two REC purchase contracts--one with [BEGIN CONFIDENTIAL]

17  ¹⁸

18 [END CONFIDENTIAL] For 2014 and 2015, Avista’s REC purchase expenses
19 are limited to the EWEB REC purchase contract.¹⁹

20 **Q: What is your recommendation with respect to the REC purchase expenses**
21 **included in the tracker?**

¹⁸ Avista’s Response to Public Counsel’s Data Request No. 89C, Supplemental Confidential Attachment A.
¹⁹ Avista’s Response to Public Counsel’s Data Request No. 89, Attachment A.

1 A: As discussed previously, I believe REC purchase expenses should not be included
2 in the REC revenue tracker. However, in this particular case, I believe it is
3 reasonable to allow the majority of REC purchase expenses to remain in the
4 tracker because they are related to sales revenues also included in the tracker.

5 Q: Please explain.

6 A: [BEGIN CONFIDENTIAL] [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

12 [REDACTED] [END CONFIDENTIAL] Therefore, I recommend that all of the
13 REC purchase expenses, with the exception of the 2015 EWEB REC purchase be
14 allowed to remain in the REC revenue tracker. The 2015 EWEB REC purchase is
15 discussed later in this section of my testimony. In the future, I recommend all
16 prudently incurred REC purchases be included in general rates, not the REC
17 revenue tracker.

18 [BEGIN CONFIDENTIAL]

19 Q: [REDACTED]
20 [REDACTED]

21 A: [REDACTED]
22 [REDACTED]
23 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]²⁰

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]²¹ [REDACTED]

19 [REDACTED]

20 [REDACTED]²²

²⁰ Avista’s Confidential Response to Public Counsel’s Data Request No. 126.

²¹ Avista’s Confidential Response to Public Counsel’s Data Request No. 212.

²² Avista’s Confidential Response to Public Counsel’s Data Request No. 212.

1 **Q:** [REDACTED]

2 [REDACTED]

3 **A:** [REDACTED]²³ [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]²⁴ [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 **[END CONFIDENTIAL]**

15 **Q. In the future, if Avista sells RECs it purchased, how do you recommend the**
16 **revenues be treated?**

17 **A:** In the future, if Avista makes a prudent decision to sell RECs it purchased, the
18 revenues for these sales should be passed through the REC revenue tracker in the
19 same manner REC sales related to renewable energy investments are returned
20 through the REC revenue tracker. The REC purchase expenses should be

²³ Avista’s Response to Public Counsel’s Data Request No. 89, Attachment A.
²⁴ Avista’s Confidential Response to Public Counsel’s Data Request No. 126.

1 included in general rates in the same manner renewable energy investments are
2 included in general rates.

3 **Q: Please summarize your recommendation with respect to the treatment of**
4 **REC purchase expenses.**

5 A: I recommend that \$725,000 of REC purchase expenses associated with the EWEB
6 contract for 2015 be removed from Avista's REC revenue tracker. As shown in
7 Exhibit No. LF-3, including Public Counsel's proposed adjustment to the interest
8 rate used on the REC balance, this adjustment increases the total REC revenue
9 rebate to \$8,788,031. This results in a total increase to the REC revenue balance
10 of \$1,033,654 from the original rebate of \$7,754,377 proposed by the Company.
11 The REC purchase expenses currently included in the tracker, with the exception
12 of 2015 EWEB REC purchase expenses, should be allowed on a one-time only
13 basis. Going forward, Avista should be directed to exclude REC purchases from
14 its REC revenue tracker and include these, instead, in base rates through a general
15 rate case filing. If Avista sells REC purchases in the future, the resulting revenues
16 should be included in the REC revenue tracker.

17 **C. Allocation of the REC Revenue Rebate.**

18 **Q: Please describe how Avista allocates its REC revenue rebate among customer**
19 **classes and your concerns with this approach.**

20 A: The Company proposes that the REC revenue rebate be implemented on a
21 uniform cents per kWh basis across all rate classes. The Company argues that
22 because RECs are the byproduct of qualifying renewable energy, and are
23 energy-related as opposed to capacity-related, the net REC revenues should be

1 spread on an equal cents per energy (kWh) basis.²⁵ However, this approach is
2 inconsistent with the manner in which the costs associated with the generation
3 resources that produce RECs are allocated among customer classes. The
4 generation resources that produce RECs are production-related and are allocated
5 using the Company's cost of service study, which allocates production costs on
6 both an energy and demand basis. In the Company's proposed cost of service
7 study, all production costs are allocated 31.27% to demand and 68.73% to
8 energy.²⁶ Avista's proposal to return REC revenues on an energy basis alone is
9 inconsistent with the manner in which the costs of the REC producing resources
10 are allocated and is therefore unequitable to customers.

11 **Q: How do you recommend that the REC revenue rebate be allocated among**
12 **customers?**

13 A: I recommend that the REC revenue rebate be allocated across customers in the
14 same manner that Avista's REC generating resource costs are allocated in
15 Avista's proposed cost of service study. This is the most equitable approach
16 because customers will receive a share of REC revenues commensurate with their
17 share of costs paid for REC generating resources. This ensures that each
18 customer class receives their fair share of the REC revenues derived from the
19 REC generating resources.

²⁵ Exhibit No. LF-6.

²⁶ Exhibit No. LF-6.

1 **Q: What is the impact on the REC rebate allocation to residential customers**
2 **under your proposal using the allocation factors in the Company’s proposed**
3 **cost of service study?**

4 A: As shown in Exhibit No. LF-4, Public Counsel’s total proposed REC 2015
5 annualized REC revenue rebate to be credited to customers beginning January 1,
6 2015, is \$5,864,763. Under my proposed allocation, the rebate for residential
7 customers increases from \$2,469,613 to \$2,587,213, which amounts to a \$117,600
8 increase. This impact, and the impact on other rate schedules, is shown in Exhibit
9 No. LF-4 as well.

10 **Q: Is this approach consistent with how PSE and PacifiCorp allocate REC**
11 **revenues?**

12 A: Yes. Public Counsel’s understanding is that PSE and PacifiCorp allocate REC
13 revenues consistent with the manner in which REC generating resource costs are
14 allocated.²⁷

15 **Q: Please summarize your recommendation.**

16 A: I recommend that Avista be required to allocate its REC revenues in the same
17 manner that REC generating resource costs are allocated, using the energy and
18 demand splits derived from the Company’s cost of service study. This increases
19 the 2015 annualized REC revenue rebate for residential customers, which goes
20 into effect January 1, 2015, by \$117,600.

²⁷ See: Joint Response on Behalf of Commission Staff, Public Counsel and INCU to the Commission’s Notice Providing Opportunity to File in Compliance with Orders 10 and 11, Revised March 26, 2013, p. 2, Docket UE-100749, and “*In the Matter of the Petition of Puget Sound Energy, Inc. to Update Methodologies Used To Allocate Electric Cost of Service and for Electric Rate Design Principles,*” Docket UE-141368, Prefiled Direct Testimony (Non-Confidential) of Jon A. Piliaris, Exhibit No. JAP-1T, p. 19.

