Q. Please state your name, business address, and present position with PacifiCorp dba Rocky Mountain Power (“the Company”).

A. My name is Stefan A. Bird. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. I am Senior Vice President, Commercial and Trading, for PacifiCorp Energy, a division of PacifiCorp.

Q. Please describe your education and business background.

A. I hold a B.S. in mechanical engineering from Kansas State University. I joined PacifiCorp Energy and assumed my current position in January 2007. From 2003 to 2006, I served as president of CalEnergy Generation U.S., an owner and operator of Qualifying Facility and merchant generation assets, including geothermal and natural gas-fired cogeneration projects across the United States. From 1999 to 2003, I was vice president of acquisitions and development for MidAmerican Energy Holdings Company (“MEHC”). From 1989 to 1997, I held various positions at Koch Industries, Inc., including energy marketing, financial services, corporate acquisitions, project engineering and maintenance planning in the Americas and Europe.

In my current position I oversee the Company’s Commercial and Trading organization which is responsible for dispatch of the Company’s owned and contracted generation resources, procurement of new generation resources, and natural gas and electricity wholesale purchases and sales to balance the Company’s load and resources. I am also responsible for PacifiCorp’s load and revenue forecast, integrated resource plan (“IRP”) and net power costs modeling. Most relevant to this testimony, I oversee PacifiCorp’s renewable energy credit

(“REC” or “RECs”) portfolio, including sale of RECs in excess of compliance requirements.

Q. What is the purpose of your testimony?

A. My testimony addresses the level of revenue in this case related to the sale of RECs. First, I support and provide the basis for the REC revenue forecast of $42.2 million or $25.0 million on a Utah basis for the test period in this case, the 12 months ending May 2013 (“the Test Period”). Second, I explain why the REC revenue in the Test Period is lower than both the actual revenue booked in the base period, the 12 months ended June 2011**,** and the amount of REC revenue currently in base rates established in Docket No. 10-035-124 (the “2011 GRC”). Finally, I explain the current REC market, and provide additional insights into the expectations for future REC sales.

Test Period REC Revenue

Q. How much revenue from the sale of RECs is included in the Test Period?

A. The Test Period includes $42.2 million of REC revenue on a total Company basis, or $25.0 million on a Utah-allocated basis. My testimony provides support for the total Company level of REC sales, and Company witness Mr. Steven R. McDougal provides details of the allocation of total Company REC revenue to Utah.

Q. How did the Company calculate the forecast REC revenue in the Test Period?

A. The Company has included expected REC revenue from three executed Agreements that are in place at the time this case is filed (“Existing Contracts”) plus additional revenue at projected volumes and forecasted market prices for RECs. To determine the volume of RECs available for sale in the Test Period above and beyond the Existing Contracts the Company considered the wind resource generation output during the Test Period, net of amounts banked to satisfy renewable portfolio standards in California, Oregon and Washington ("RPS Banking Requirements"). After accounting for RPS Banking Requirements, the Company's policy is to make available for sale [redacted] percent of the forecast RECs generated during a given year, with [redacted] percent available for sale in the subsequent year ("Vintage RECs").[1] In this case the total marketable wind RECs projected in the Test Period is [redacted] ("Total Projected RECs"). The sales from Existing Contracts were then subtracted from the projected RECs to determine the remaining marketable REC volume in the Test Period.

For purposes of this case, due to the lack of market opportunities that I describe later in my testimony, the Company has capped the volume of additional projected REC sales at [redacted] per annum in 2012 and [redacted] per annum in 2013 ("Market REC Cap"). These projected sales are assumed to be made at an average forecast price of [redacted] per MWh. Prorating the annual Market REC Cap for the Test Period results in a total of [redacted] sold during the Test Period in addition to the Existing Contracts.[2] See Confidential Exhibit

[1] Due to the application of the Market REC Cap to projected sales the Company has not included additional revenue from forecast Vintage RECs sales that could be made during the Test Period.

[2] [redacted].

RMP___(SAB-1) for a summary of total Test Period REC sales, including the Existing Contracts and additional forecast sales.

Q. Has the Company changed the REC revenue forecast methodology from that used in the 2011 GRC, which set the level of REC revenue that is currently in base rates?

A. The Company's REC revenue forecast methodology is consistent with what was used in the 2011 GRC with the exception of imposing the Market REC Cap. The Company assumes that all of the projected marketable RECs in the Test Period are available to be sold; however, for the purpose of forecasting REC revenues for the Test Period the Company applied the Market REC Cap.

Q. Why did you impose the Market REC Cap to the Test Period REC sales volumes?

A. The Market REC Cap was imposed to recognize the limited market opportunities for REC sales that the Company experienced in 2011, and that the Company expects will continue through May 2013. The REC market is currently illiquid and not transparent. The cause of the limited market opportunities is twofold. First, there has been an overall increase to the supply of renewable projects and long term power purchase agreements that can provide REC products. Second, the new requirements and product definitions adopted under the recent Renewable Portfolio Standard ("RPS") decision in California for products that are more desirable to purchasers has limited the Company's to sell RECs in the California market.

Q. What was the REC volume that the Company sold in 2011 above the volumes associated with the Existing Contracts?

A. In 2011 the total REC MWh sold above the Existing Contracts was [redacted] MWh. See Confidential Exhibit RMP___(SAB-2).

Q. How did the Company determine the level of megawatts associated with the Market REC Cap in 2012 and 2013?

A. The size of the Market REC Cap is based on the Company's experience marketing and selling RECs. Prior to the recent unique opportunities generated by the Company in California and Nevada in 2009 and 2010, the Company's REC sales volumes ranged from 132,965 MWh in 2005 to 918,822 MWh in 2008. See Exhibit RMP___(SAB-3). The unique opportunities that existed at the end of 2009 through the beginning of 2011 have now been eliminated. The forecast Market REC Cap in 2012 and 2013 is calculated using the level of megawatts sold in the past, prior to the unique opportunities.

Q. Why is the Market REC Cap forecasted in calendar 2012 [redacted] than in 2013?

A. The Market REC Cap in 2012 is forecasted to be [redacted] than 2012 because the Company has additional time to potentially transact in the 2013 REC market.

Q. If an opportunity arose that pushed sales over the Market REC Cap would the Company sell its marketable RECs?

A. Yes. The Company would sell RECs available for sale after RPS Banking Requirements consistent with its policy on forward REC sales; however, based on current experience the Company is unlikely to be able to sell the projected RECs in the Test Period above the Market REC Caps.

Q. If an additional sale was made over the Market REC Cap would customers still receive credit for the additional REC revenues not included in the Test Period in this case?

A. Yes. The Commission established a REC Balancing Account ("RBA") in Docket No. 10-035-124 which provides for a symmetrical, dollar-for-dollar true-up of REC revenue in base rates to actual REC revenue booked for the same time period. This ensures Utah customers are made whole should any additional REC sales materialize.

2011 GRC Revenue vs. Test Period Revenues

Q. How does the recent change in the REC market climate impact the difference between the current base level of REC revenues from the 2011 GRC and the amount projected for the Test Period?

A. As established in Docket No. 10-035-124, REC revenue in the 2011 GRC was $86.1 million on a system-wide basis or $50.9 million on a Utah-allocated basis. By comparison, the revenue forecast for the Test Period in this case is $42.2 million on a system-wide basis and $25 million on a Utah-allocated basis.

Q. What are the main drivers that reduce the REC revenue from the base amount in the RBA set in the 2011 GRC to the Test Period?

A. There are two primary drivers. First, the [redacted] structured, [redacted], bundled Existing Contracts expire December 31, 2012, and there are [redacted], [redacted] contracts in 2013. Second, due to the lack of market opportunity described below, there is no market for additional structured, bundled transactions, and there are limited opportunities for even simple unbundled REC transactions.

Q. How much of the Test Period revenue is attributable to the Existing Contracts that will expire December 31, 2012?

A. Approximately [redacted] million of the $42.2 million of REC revenue forecast in the Test Period is from the [redacted] Existing Contracts. The remainder is from the projected sales of RECs at [redacted] per MWh. See Confidential Exhibit RMP___(SAB-1).

Q. Has the Company sold any RECs on a forward basis other than the three Existing Contracts in the Test Period?

A. No.

Q. Is the price assumed for unspecified projected sales in the Test Period the same as what was assumed in the 2011 GRC?

A. Yes. The price for unspecified RECs sold in addition to the Existing Contracts is forecast to be [redacted] per MWh. This is consistent with the price assumption used to develop the REC revenue forecast in the 2011 GRC. However, as discussed below, this assumption is [redacted].

Q. What is the Company's basis for the [redacted] price per MWh associated with the forecast Market REC Cap megawatts in 2012 and 2013?

A. The Company has been tracking its activity on both the pricing available for sales of RECs in the market and the prices associated with the Company REC purchases executed under the Blue Sky program. During 2011, the Company participated in several requests for proposals from the market, issued a reverse request for proposal to the market and completed [redacted] bilateral transactions, as described in the attached Confidential Exhibit RMP___(SAB-4).

Q. Please explain the range of pricing in the seven transactions the Company executed and explain the differences in those transactions compared to what is available in 2012 and 2013.

A. The Company executed [redacted] structured transaction [redacted] which is one of the three Existing Contracts included in this Test Period. The [redacted] additional contracts executed in 2011 are [redacted] REC transactions. Throughout the year, the value of RECs continued to [redacted]. The Company's last REC transaction in [redacted] was executed at [redacted] per MWh for 2011 RECs. Confidential Exhibit RMP___(SAB-5). The Company continues to work with the broker market and is issuing request for proposals for the sale of RECs; however, there has been no interest to date. The Company will continue to issue request for proposals on a rolling monthly basis for the sale of RECs throughout 2012 in addition to working on a bilateral basis and with the broker market.

Q. What was the response to the Company's reverse request for proposal?

A. Although the reverse request for proposal was posted on the Company's website and also emailed directly to [redacted] potentially interested parties, the Company received [redacted] responses. [redacted]

[redacted].

Q. What was the average price for the RECs sold in 2011 above the Existing Contracts?

A. The average price for the RECs sold in 2011 above the Existing Contracts was [redacted] MWh. Confidential Exhibit RMP___(SAB-2).

Q. Did the prices decrease throughout the calendar 2011?

A. Yes, prices for RECs went from [redacted] per REC in March 2011 to [redacted] per REC in December 2011. Confidential Exhibits RMP___(SAB-2), RMP___(SAB-4) and RMP___(SAB-5).

Q. What were the volumes and prices of the RECs that the Company purchased to meet the requirements under the Blue Sky program?

A. The Company purchased [redacted] MWh of RECs for the Blue Sky program in 2011 for an average price of [redacted] per MWh. Confidential Exhibit RMP____(SAB-4).

Q. Has the Company pursued either an extension to the executed transaction with NV Energy or a new transaction?

A. Yes, however NV Energy has met its RPS compliance requirements through 2015. See Exhibit RMP___(SAB-6) page 26.

Q. Did the Company respond to the three California investor-owned utilities' request for proposals?

A. Yes.

Q. Was the Company successful in any of the proposals it submitted?

A. No. The Company was provisionally shortlisted under the Pacific Gas and Electric request for proposals, contingent on California regulatory approval of certain matters respecting the 33 percent RPS requirement, for an unbundled REC transaction with a range of [redacted] per MWh to [redacted] per MWh in 2011 through 2015. However, the Company was subsequently informed that PG&E no longer needed the unbundled RECs.

Q. Please explain why the REC market in California is limited.

A. Before California amended its RPS law in 2011, the Company's renewable resources qualified for use by compliance entities without discrimination by the California Energy Commission's "firming and shaping" delivery standard. This is no longer the case. The new RPS eliminates that standard, and breaks compliance products down into a premium product ("Bucket One"), a lesser product, called "firming and shaping" ("Bucket Two"), and a RECs-only product ("Bucket Three"). Bucket One is the only desired product and it requires real-time, hourly scheduling of resources into a California balancing authority, which the Company is unable to supply since the Company's resources are not located in California. The Company's balancing area territory in California is specifically not a qualifying balancing authority. The amendments to the RPS favor in-state resources over out-of-state resources by granting privileges, such as bankability, to Bucket One products that are not granted to other products.

Further limiting the California market are the three tiered compliance periods related to the California RPS requirements. The first compliance period is

2011-2013 where at least 50 percent of renewable generation must be from Bucket One for the period, rising to 65 percent in the second compliance period between 2014-2016, and rising to 75 percent by the third compliance period between 2017-2020. Up to 25 percent of procurement targets can be satisfied with unbundled RECs in 2011-2013 decreasing to 15 percent in 2014-2016, and 10 percent in 2017-2020. The out-of-state energy imported into California that is firmed and shaped can account for the remainder of a utility's RPS obligations in each compliance period. Currently the investor-owned utilities in California have indicated that they have satisfied their ability to purchase from other product categories during the first and second compliance periods.

Q. Is the Company pursuing additional opportunities to sell RECs despite these limitations?

A. Yes. The Company has responded to a request for proposals from [redacted] in California at prices ranging from [redacted] per MWh for the first compliance period. This proposal is currently outstanding. [redacted] is expected to make a decision in [redacted]. In addition, the Company has pursued opportunities with counterparties in Arizona and Nevada, but with no success to date.

Q. What do you conclude regarding the Company's forecast of REC revenues during the Test Period?

A. The Company's forecast of amounts in addition to the Existing Contracts is [redacted].

Q. Is there an existing mechanism in Utah that allows the Company to true up the forecast REC revenues in the Test Period to actual REC revenues realized?

A. Yes. As I mentioned earlier, variances between actual REC revenues realized and forecast REC revenues set in this case will be symmetrically trued up, with interest, in the RBA.

Q. Given the RBA, do the Company and its customers have a common objective in forecasting REC revenues during the Test Period?

A. Yes. The Company and its customers have a common objective of attempting to keep the balance in the RBA as low as possible. Customers would not be well served by forecasting an unreasonably high level of REC revenues during the Test Period and then being required to make up the shortfall with interest in the future through the RBA.

Q. Does this conclude your direct testimony?

A. Yes.