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

A. My name is Stacey J. Kusters. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. I am Director of Origination in Commercial and Trading for the Company.

Q. Please describe your education and professional background.

A. I hold a B.A. in political science from Simon Fraser University and an EMBA from the University of British Columbia. I joined PacifiCorp Energy in January 2001 as a manager of origination and assumed my current position as Director of Origination in 2006. From 1996 to 2001, I was employed at Powerex, the marketing arm for BC Hydro in Vancouver, British Columbia as the marketing manager to develop the Northwest and California regions. I held various positions at Powerex, which included business development, energy trading and origination. In addition to my positions, I also represented Powerex on the board of both the California Independent Operator ("CAISO") and the California Power Exchange ("CalPX") from 1999 through January 1, 2001.

Q. Please explain your responsibilities as PacifiCorp's Director of Origination.

A. I manage the procurement of new generation resources, contract administration, market forecast group, the integrated resource plan ("IRP"), and structuring and pricing. Most relevant to this docket, I manage PacifiCorp's renewable energy credit ("REC" or "RECs") portfolio (also known as the "green book"), including the sale of RECs not used to meet 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 provide and support the basis for the REC revenue forecast of $3.67 million or $2.0 million on a Utah-allocated basis for the test period in this case, the 12 months ending June 30, 2015 ("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 ending June 30, 2013) and the amount of REC revenue currently in base rates established in Docket No. 11-035-200 (the "2012 GRC"). Third, I explain the current REC market, and provide additional insights into the expectations for future REC sales. And finally, I explain why the Company is forecasting a small amount of REC revenue related to the Leaning Juniper I wind project.

Test Period REC Revenue

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

A. The Test Period includes $3.67 million of REC revenue on a total-Company basis, or $2.0 million on a Utah-allocated basis. My testimony provides support for the total Company level of REC sales and the REC revenue related to the Leaning Juniper I wind project. 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 included expected REC revenue from [redacted] executed agreement that was in place at the time this case was filed ("[redacted]"), additional REC revenues at projected volumes and forecasted market prices in the Test Period, and the forecast REC revenues related to the Leaning Juniper I wind project.

For purposes of this case, the Company has capped the sales volume of additional projected REC sales at [redacted] per annum in 2014 and [redacted] in 2015 ("Market REC Cap"), which I explain later in my testimony. These projected sales over the Test Period are assumed to be made at an average forecast REC price of $[redacted] Prorating the annual Market REC Cap for the Test Period will result in a total of [redacted] during the Test Period, in addition to [redacted] the [redacted] amounting to [redacted] MWhs, for a total of [redacted] on a total-Company basis [redacted] on a Utah-allocated basis. Confidential Exhibit RMP___(SJK-1) is a summary of total Test Period REC sales, including the [redacted] and additional forecast REC sales.

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

A. The REC market is not a transparent or liquid market. Market REC Caps make sense for three reasons. First, in the most opportune REC market in the Western Electric Coordinating Council ("WECC"), the California RPS compliance market, the Investor Owned Utilities ("IOUs") have projected that they will meet their compliance requirements through December 31, 2016 ("Compliance Period 2"), decreasing overall demand. Exhibit RMP___(SJK-5) demonstrates the IOUs' progress towards 33 percent renewables on projected actuals and forecasted basis.[1]

Second, for the IOUs as well as all remaining buyers, including the energy service providers ("ESP") and the publicly-owned utilities ("POU"), the product definitions adopted by the State under SB2 ("1X") and under California's Public Utility Commission Renewable Portfolio Standard ("RPS") Product Content decision, specifically disadvantage out-of-state renewable energy. This has limited the Company's ability to sell RECs into the California market, since the Company does not have renewable generation in the qualifying locations for Bucket One product. The new RPS separates compliance products into three buckets and sets limitations on what can be used for compliance: a premium product delivered "bundled" from qualifying locations ('Bucket One"); a product from generation from other locations subject to declining limits on compliance use over time, called "firming and shaping" ("Bucket Two"); and, a REC-only product also subject to declining limits on compliance use over time ("Bucket Three").

Third, Compliance Period 2 requires 65 percent of the renewable compliance purchases, for all compliance entities, effectively to be from resources in qualifying in-state locations, or to come from Bucket One, a product the Company is unable to provide. This reduces the future demand for the products the Company can provide. In addition, because buyers can purchase their compliance requirements for the next three years any time over those next three years, it is impossible to know when compliance entities will make their

[1]http://www.cpuc.ca.gov/NR/rdonlyres/68D58BFE-E350-4D49-B3D6-DAB43B806A5F/0/2013Q2RPSReportFINAL.PDF

compliance purchases of those products the Company can provide.

Q. How did the Company determine the level of megawatts associated with the Market REC Cap in 2014 and 2015 above the Existing Contract?

A. The size of the Market REC Cap is based on the Company's historical experience in marketing and selling RECs. The Market REC Cap is based on the potential marketability of two separate product categories of RECs. The unstructured REC markets ("Unstructured REC Market") are RECs that are sold in the WECC which are purchased for either compliance or voluntary programs and that do not include energy. The Unstructured REC Market is capped at [redacted], consistent with the Company's REC sales volumes prior to the compliance requirements in 2009. Structured REC markets ("Structured REC Market") are structured transactions which meet Bucket Two compliance requirements in California or Structured REC transactions in Nevada or Arizona. The Structured REC Market is capped at [redacted] MWhs for calendar year 2014 and [redacted] MWhs for calendar year 2015. In California, the Compliance Period 2 ends December 31, 2016 and has increased Bucket One purchase requirements for compliance entities from 50 percent to 65 percent of their total compliance portfolio, further reducing the market demand for resources not situated in qualifying areas of California. In addition, it is unclear when, over their multi-year compliance period, buyers will procure to meet their requirements. For the Test Period, the Structured REC Market is capped at [redacted] MWhs based on the actual sales of Bucket Two of [redacted] MWhs for [redacted] in the Base

Period. Unlike in the past, no additional opportunities to sell Structured REC products in Nevada and or Arizona exist at this time.

Q. What was the REC volume the Company sold in the Base Period?

A. In the Base Period, the total REC MWh sold was [redacted] MWh. Confidential Exhibit RMP___(SJK-2) provides actual REC sale volumes and revenue by counterparty and transaction.

Q. What unique circumstances led to higher revenues in the Base Period than those expected or forecasted in the Test Period?

A. [redacted] primary contracts ("Primary Contracts") were executed under unique circumstances and account for $[redacted] of the total [redacted] in revenues. These Primary Contracts contribute [redacted] percent of the total revenue in Base Period, as shown in Confidential Exhibit RMP___(SJK-2). It is highly unlikely the Company will see similar circumstances in the future.

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 and market outlook, 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 true-up of REC revenue in base rates to actual REC revenue booked for the same time period. This ensures Utah customers are not harmed should unforeseen REC sales materialize.

2012 GRC Revenue vs. Test Period Revenues

Q. How does the REC market impact the difference between the current base level of REC revenues from the 2012 GRC and the amount projected for the Test Period?

A. As established in the 2012 GRC, Utah-allocated REC revenue was set at $25 million for step one rates, effective October 12, 2012 and at $10 million for step two rates, effective September 1, 2013. By comparison, the revenue forecast for the Test Period is $3.67 million on a total-Company basis and $2.0 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 2012 GRC to the Test Period?

A. First, the structured, [redacted] priced bundled Primary Contracts expired December 31, 2012. Second, due to the lack of market opportunity described in my testimony, there is a limited market for additional structured [redacted] priced bundled transactions, and prices for all REC transactions have decreased.

Q. How much of the Test Period revenue is attributable to the [redacted] Contract that will expire December 31, 2014?

A. Approximately [redacted] of the $3.67 million of REC revenue forecast in the Test Period is from the [redacted] Contract. The remainder is from the projected sales of Unstructured RECs [redacted] per MWh and Structured RECs [redacted] per MWh, as shown in Confidential Exhibit RMP___(SJK-1).

Q. Has the Company sold any RECs on a forward basis other than the [redacted] Contract in the Test Period?

A. No.

Q. What is the Company's basis for the [redacted] price per MWh associated with the Unstructured REC forecast and [redacted] per MWh for the Structured REC market used in the Market REC Cap megawatts in 2014 and 2015?

A. The Company has been following the activity on both the pricing and availability of RECs in the Unstructured REC Market and the Structured REC Market and the prices associated with the Company REC purchases executed under the voluntary Blue Sky program. During 2012 and 2013, the Company participated in requests for proposals from the market, issued a reverse request for proposals to the market, and completed bilateral transactions, as described in the attached Confidential Exhibits RMP___(SJK-2), (SJK-3) and (SJK-4).

Q. Please explain the range of pricing in the transactions the Company executed in the Base Period and explain the differences in those transactions compared to revenues forecast in the Test Period.

A. The Company executed [redacted] Structured REC transaction in July 2013, the [redacted] transaction in the Test Period. Buyers were interested in buying to meet Compliance Period 1 in California. However, they have not shown strong interest in purchasing forward beyond 2013 for Compliance Period 2. The additional contracts executed for revenues received in the Base Period are Structured REC transactions and Unstructured REC transactions. Not including the [redacted] Primary Contracts, the Company executed [redacted] Structured REC transactions and [redacted] Unstructured REC transactions for REC revenues received in the Base Period, as shown in Confidential Exhibit RMP___(SJK-2). The Company will continue to issue requests for proposals on a minimum rolling quarterly basis for the sale of RECs throughout 2014 and 2015 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 proposals?

A. The Company issued five reverse requests for proposals during the Base Period. The reverse requests for proposals were emailed directly to over 150 potentially interested parties. The Company completed [redacted] separate sale transactions as a result of bids received from these reverse requests for proposals, which are more particularly described in Confidential Exhibit RMP___(SJK-3).

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

A. The Company purchased [redacted] MWhs of RECs for the Blue Sky program in 2013 at an average price of [redacted] per MWh, as set forth in Confidential Exhibit RMP___(SJK-4).

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

A. Before California amended its RPS law in 2011 with SB2 ("1X"), the Company's renewable resources qualified for use by compliance entities without discrimination by virtue of the California Energy Commission's "firming and shaping" delivery standard. This is no longer the case. As I mentioned earlier, the new RPS eliminates that standard, and separates compliance products into three buckets, and the new Bucket Two "firming and shaping" standard developed by the California Public Utilities Commission under the new statute is substantially different and capped. Bucket One is the highly desired product and requires real-time, hourly scheduling of resources into a California balancing authority, which the Company is unable to supply as the Company's resources are not located in a California balancing authority within the meaning of the California Public Utility Commission's rules. In fact, 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 enhanced bankability as well as no limitations on use for compliance, to Bucket One products that are not granted to other products; whereas, Bucket Two and Bucket Three products are subject to limitations on use for compliance purchases.

Further limiting the California market are the three-tiered compliance periods related to the California RPS requirements. The first compliance period is 2011 through 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 from 2014 through 2016, and rising to 75 percent by the third compliance period from 2017 through 2020. Up to 25 percent of procurement targets can be satisfied with unbundled RECs in Compliance Period 1, decreasing to 15 percent in Compliance Period 2, and 10 percent in Compliance Period 3. 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

IOUs in California have indicated they have satisfied their ability to purchase from the Buckets Two and Three product categories during the first and second compliance periods.

Q. Please describe why the Company is forecasting a small amount of REC revenue related to the Leaning Juniper I wind project.

A. The Company is forecasting a small amount of REC revenue related to the Leaning Juniper I wind project due to a contract unique to that wind project, as summarized in Confidential Exhibit RMP___(SJK-6).

Q. What is the value of the RECs from the Leaning Juniper I wind project used in the Test Period?

A. The Company used a value of [redacted] per MWh in the Test Period.

Q. How was the value determined?

A. It was a negotiated value for the RECs between the parties for 2013 and used as the forecast for the Test Period. The REC revenues related to the Leaning Juniper I wind project are included in the Company's revenue requirement calculation presented by Company witness Mr. McDougal.

Q. Does this conclude your direct testimony?

A. Yes.