

REDACTED

Docket No. 20000-__-EM-20

Witness: Kelcey A. Brown

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

REDACTED

Direct Testimony of Kelcey A. Brown

April 2020

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

3 A. My name is Kelcey A. Brown. My business address is 825 NE Multnomah, Suite 0600,
4 Portland, Oregon 97232. I am employed by PacifiCorp as Vice President of Energy
5 Supply Management.

6 **Q. Please describe your education and business experience.**

7 A. I have been employed by PacifiCorp since May 2011 and I have been in my current
8 role since November 2019. Before my current role at PacifiCorp, I was the Director of
9 Market Policy and Analytics since July 2015, wherein my responsibilities were
10 primarily related to the Energy Imbalance market, contract administration, and short-
11 term post analytics. I have also worked as the Manager of Load Forecast and as a Senior
12 Consultant in the Regulatory Net Power Costs Department. Before joining PacifiCorp,
13 I worked at the Public Utility Commission of Oregon from November 2007 through
14 May 2011. From 2003 through 2007, I was the Economic Analyst with Blackfoot
15 Telecommunications Group, where I was responsible for revenue forecasts, resource
16 acquisition analysis, pricing, and regulatory support. I have a Bachelor of Science
17 degree in Business Economics from the University of Wyoming, and I have completed
18 all course work towards a Master’s degree in Economics from the University of
19 Wyoming.

20 **Q. Please explain your responsibilities as PacifiCorp’s Vice President of Energy**
21 **Supply Management.**

22 A. My current responsibilities include directing PacifiCorp’s front office organization in
23 commercial and trading activities. I serve as the vice president of the organization

1 responsible for commercially managing PacifiCorp’s diverse generation portfolio. This
2 includes the electric and natural gas hedging, term and day-ahead trading, and real-time
3 trading and system balancing. Most relevant to this docket, I also manage PacifiCorp’s
4 renewable energy credit (“REC”) portfolio including the sale of RECs in excess of
5 compliance requirements.

6 **Q. Please describe the REC and Sulfur Dioxide (“SO₂”) Revenue Adjustment**
7 **(“RRA”) Mechanism, referred to as Schedule 93.**

8 A. The RRA Mechanism, as established in the Company’s 2010 General Rate Case,
9 Docket No. 20000-384-ER-10, contains two main components. First, it imputes REC
10 and SO₂ revenue forecasted for the 12 months ending December 31, 2020 (“Forecast
11 Period”). Second, it calculates the deferral amount which accrued during the 12 months
12 ending December 31, 2019 (“Comparison Period”) to true-up the actual REC and SO₂
13 revenue.

14 **Q. Please describe the purpose of your testimony.**

15 A. First, I discuss the actual REC revenue and SO₂ sales that were used by Company
16 witness Mr. Terrell H Spackman to calculate the RRA deferral component of this RRA
17 filing. Second, I provide and support the basis for the REC revenue and SO₂ sales
18 forecast for the Forecast Period. Finally, I explain REC revenue related to the Leaning
19 Juniper I wind project in the Forecast Period and Comparison Period.

20 **ACTUAL REC AND SO₂ REVENUE**

21 **Q. What was the REC volume the Company sold in the Comparison Period?**

22 A. In the Comparison Period, the total RECs sold was [REDACTED]. Confidential
23 Exhibits RMP___(KAB-5) and RMP___(KAB-6) provide the details of REC revenues

1 received for the Comparison Period. Confidential Exhibit RMP___(KAB-5) provides
2 a summary table of actual REC revenues by month and resource for the Comparison
3 Period. This information is provided on a total-Company basis for all of the Company’s
4 REC sales and is summarized by Renewable Portfolio Standard (“RPS”) eligibility.
5 Exhibit RMP___(THS-3), page 3.3 shows how these revenues are allocated to
6 Wyoming based on their eligibility for RPS compliance. Confidential
7 Exhibit RMP___(KAB-6) provides a summary table of the actual number of RECs sold
8 by entity, tag price, resource, and vintage for the Comparison Period.

9 **Q. What were the actual REC revenues for the Comparison Period?**

10 A. Actual REC revenues for the Comparison Period were approximately \$4.8 million on
11 a total-Company basis or \$1 million on a Wyoming-allocated basis, as shown in
12 Confidential Exhibit RMP___(KAB-5). The calculation of the Wyoming-allocated
13 amount is discussed in the testimony and exhibits of Mr. Spackman.

14 **Q. What were the actual SO₂ sales in the Comparison Period?**

15 A. In 2019, the Company made no SO₂ sales transactions. However, the Company
16 received its allocation of the annual Environmental Protection Agency (“EPA”) auction
17 proceeds. The revenue from the EPA auction was \$173 on a total-Company basis and
18 \$29 on a Wyoming-allocated basis. The calculation of the Wyoming-allocated amount
19 is discussed in the testimony of Mr. Spackman. The monthly detail for the Comparison
20 Period SO₂ sales is provided in Confidential Exhibit RMP___(KAB-4).

21 **FORECAST REC AND SO₂ REVENUE**

22 **Q. What is the Company’s REC forecast for the Forecast Period in this RRA filing?**

23 A. As shown in Confidential Exhibit RMP___(KAB-1), the 2020 REC revenue forecast

1 included in this RRA filing is \$3.9 million on a total-Company basis or \$869 thousand
 2 on a Wyoming-allocated basis. The method used to calculate the Wyoming-allocated
 3 amount is discussed in the testimony of Mr. Spackman.

4 **Q. Please explain how the Company calculated the forecast REC revenue for the**
 5 **Forecast Period.**

6 A. To calculate the Forecast Period REC revenue, the Company included expected REC
 7 revenue from two existing contracts in place as of March 31, 2020 (“Existing
 8 Contracts”), additional REC revenues at projected volumes and forecast market prices,
 9 and the forecast REC revenues related to the Leaning Juniper wind project. The REC
 10 revenue related to the signed Existing Contracts in 2020 accounts for approximately
 11 [REDACTED] of the approximately \$3.9 million total REC revenue, as shown in
 12 Confidential Exhibit RMP___(KAB-1). The Forecast Period assumes additional
 13 forecast REC sales of [REDACTED] RECs at an average forecast REC price of [REDACTED] per
 14 REC for the Structured REC Market, [REDACTED] per REC for the Unstructured REC Market
 15 for RECs generated 2019 or later, and [REDACTED] per REC for the Unstructured REC Market
 16 for RECs generated prior to 2019. The forecast prices and volumes are based on the
 17 Company’s historical experience in voluntary and compliance markets, the information
 18 from counterparties that are active in the REC market, and the bids received through
 19 Company’s REC Reverse RFP in 2019. Confidential Exhibit RMP___(KAB-1) is a
 20 summary of total Forecast Period REC sales, including the Existing Contracts and
 21 additional forecast REC sales. Confidential Exhibit RMP___(KAB-2) provides a
 22 summary of REC sales forecast for the Forecast Period for the Existing Contracts, by
 23 entity, per REC price, resource, on a megawatt hour basis. Confidential

1 Exhibit RMP___(KAB-3) provides a summary of REC sales forecast for the Forecast
 2 Period for the Existing Contracts, by entity, per REC price, resource, on a dollar
 3 revenue basis.

4 **Q. What is the Company’s basis for the \$ [REDACTED] price per REC associated with the**
 5 **Structured REC forecast, \$ [REDACTED] per REC for the Unstructured REC market for**
 6 **RECs generated 2019 or later, and \$ [REDACTED] per REC for the Unstructured RECs**
 7 **generated prior to 2019 used in 2020?**

8 A. The Company has been following the activity on both the pricing and availability of
 9 RECs in the Unstructured REC Market and the Structured REC Market and the prices
 10 associated with the Company REC purchases executed under the voluntary Blue Sky
 11 program. Structured REC Market forecast assumes a three year historical average price
 12 of \$ [REDACTED] per REC which also aligns with REC market research. Unstructured REC
 13 Market forecast assumes a historical average price of \$ [REDACTED] for RECs generated since
 14 2019 and \$ [REDACTED] for RECs generated prior to 2019 based on transactions executed since
 15 2019. The newer vintage RECs are more desirable in the Unstructured REC Market
 16 due to broader qualification with RPS and Green-e eligibility in western states, and
 17 have a higher price point than older vintage RECs.

18 **Q. How does the Comparison Period REC revenue and volumes compare to the**
 19 **Forecast Period REC revenue and volumes?**

20 A. In 2019, the actual total REC revenue was approximately \$ [REDACTED] from
 21 approximately [REDACTED] RECs sold. The 2020 revenue from Existing Contracts is
 22 forecasted to not exceed Comparison Period revenue with \$ [REDACTED] from
 23 approximately [REDACTED] RECs sold. The Forecast Period assumes [REDACTED] total RECs

1 will be sold. The forecast volume is determined using average annual REC sales since
 2 2017. Based on historical averages, the forecast assumes █ percent of total RECs sold
 3 in 2019 will come from Structured Market RECs, █ percent from Unstructured Market
 4 RECs generated 2019 or later, and █ percent from Unstructured Market RECs
 5 generated prior to 2019.

6 **Q. What was the response to the Company’s reverse RFPs?**

7 A. The Company issued █ reverse RFP during the Comparison Period. The reverse RFP
 8 was emailed directly to over █ potentially interested parties. The Company completed
 9 █ separate sale transactions as a result of bids received from these reverse RFPs,
 10 which are summarized in Confidential Exhibit RMP ___(KAB-9).

11 **Q. Please describe why the Company is forecasting limited REC revenue related to**
 12 **the Leaning Juniper I wind project.**

13 A. The Company is forecasting limited REC revenue related to the Leaning Juniper I wind
 14 project due to a contract unique to that wind project, as summarized in Confidential
 15 Exhibit RMP ___(KAB-10).

16 **Q. What is the value of the RECs from the Leaning Juniper I wind project used in**
 17 **the Forecast Period?**

18 A. The Company used a value of \$█ per REC in the Forecast Period.

19 **Q. How was the value determined?**

20 A. It was a negotiated value for the RECs between the parties for 2019 and used as the
 21 forecast for the Forecast Period. The REC revenues related to the Leaning Juniper I
 22 wind project are included in the Company’s revenue requirement calculation presented
 23 by Mr. Spackman.

1 **Q. What is the SO₂ Forecast for the Forecast Period?**

2 A. The Company is forecasting no sales from SO₂ allowances.

3 **Q. Why is the Company forecasting no sales related to SO₂ credits?**

4 A. The Clean Air Interstate Rule (“CAIR”) SO₂ program was superseded by the Cross-
5 State Air Pollution Rule (“CSAPR” pronounced “Caspar”) on January 1, 2012.
6 PacifiCorp’s SO₂ credits were usable through any of the remaining CAIR compliance
7 periods but are not usable as currency in CSAPR. CSAPR was subject to numerous
8 challenges since 2012, which created regulatory uncertainty as well as devastating the
9 market, resulting in minimal sales opportunities for recent vintage allowances. In
10 November 2014, EPA issued a revised implementation and schedule of CSAPR as a
11 result of final order from the US Court of Appeals in the District of Columbia allowing
12 a three year delay in implementation. CSAPR was reset to take effect January 1, 2015,
13 with CAIR retained through the 2014 compliance periods, and then replaced by the
14 CSAPR. While the forward market for PacifiCorp’s SO₂ credits has vanished, the
15 Company continues to monitor the market and occasionally can take advantage of
16 inquiries for 2015-vintage or earlier SO₂ credits. However, because of the change in
17 the clean air rules, the Company does not expect any future market sales opportunities
18 to materialize.

19 **Q. Given the RRA mechanism, does the Company and its customers have a common
20 objective in forecasting REC and SO₂ revenues during the Forecast Period?**

21 A. Yes. The Company and its customers have a common objective of attempting to keep
22 the balance in the RRA as low as possible. Therefore, the Company has reflected its

1 best attempt to impute a reasonable level of REC and SO₂ revenues into the Forecast
2 Period.

3 **Q. Does this conclude your direct testimony?**

4 A. Yes.

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Exhibit RMP__ (KAB-1)

Docket No. 20000-__-EM-20

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Summary of REC & SO₂ Revenue Forecasts

April 2020

**THIS EXHIBIT IS CONFIDENTIAL IN
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Exhibit RMP__ (KAB-2)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Summary of REC Sales Forecast for Calendar Year 2020 by Entity and Resource (in MWh)

April 2020

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Exhibit RMP__ (KAB-3)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Summary of REC Sales Forecast for Calendar Year 2020 by Entity and Resource (in \$)

April 2020

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Exhibit RMP__ (KAB-4)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Actual SO₂ Revenue for Calendar Year 2019 and Forecast for Calendar Year 2020

April 2020

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Exhibit RMP__ (KAB-5)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Actual REC Revenue Sales by Resource (in \$)

April 2020

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Exhibit RMP__ (KAB-6)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Actual REC Revenue Sales by Entity, Tag Price, Resource, and Vintage (in MWh)

April 2020

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Exhibit RMP__ (KAB-7)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Actual REC Revenue Sales by Resource (in \$)

April 2020

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Exhibit RMP__ (KAB-8)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

REC Sale Transactions Completed in 2019 by Structured and Unstructured Type

April 2020

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Exhibit RMP__ (KAB-9)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

REC Request for Proposals Since 2019

April 2020

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Exhibit RMP__ (KAB-10)

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Exhibit Accompanying Direct Testimony of Kelcey A. Brown

Leaning Juniper I Indemnity Memo

April 2020

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