

Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • mail@dvclaw.com
Suite 400
333 SW Taylor
Portland, OR 97204

May 11, 2015

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
3930 Fairview Industrial Drive SE
Salem OR 97302

Re: PORTLAND GENERAL ELECTRIC and
PACIFICORP d/b/a PACIFIC POWER
Request for a Generic Power Cost Adjustment Mechanism Investigation
Docket No. UM 1662

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Opening Testimony of Bradley G. Mullins of the Industrial Customers of Northwest Utilities.

Thank you for your assistance. If you have any questions, please do not hesitate to call our office.

Sincerely,

/s/ Hannah A. Adams
Hannah A. Adams

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1662

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
and)
)
PACIFICORP d/b/a PACIFIC POWER)
)
Request for Generic Power Cost Adjustment)
Mechanism Investigation.)
_____)

REPLY TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

May 11, 2015

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OPENING TESTIMONY OF BRADLEY G. MULLINS**

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ATTACHED EXHIBITS

Exhibit ICNU/101—Qualification Statement of Bradley G. Mullins

I. INTRODUCTION AND SUMMARY

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bradley G. Mullins, and my business address is 333 SW Taylor Street, Suite 400, Portland, Oregon 97204.

Q. PLEASE STATE YOUR OCCUPATION AND ON WHOSE BEHALF YOU ARE TESTIFYING.

A. I am an independent consultant representing industrial customers throughout the western United States. I am appearing on behalf of the Industrial Customers of Northwest Utilities (“ICNU”), a non-profit trade association whose members are large customers served by electric utilities throughout the Pacific Northwest, including Portland General Electric Company (“PGE”) and PacifiCorp d/b/a Pacific Power (“PacifiCorp”) (collectively, the “Joint Utilities”).

Q. PLEASE SUMMARIZE YOUR EDUCATION AND WORK EXPERIENCE.

A. An overview of my educational background and work experience can be found in Exhibit ICNU/101.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony responds to the Joint Testimony for the Joint Utilities filed by Jay Tinker for PGE and Brian Dickman for PacifiCorp in support of a “renewable resource tracking mechanism” (“RRTM”).

Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY.

A. I recommend that the Commission reject the Joint Utilities’ RRTM proposal. The Commission should continue to provide the Joint Utilities with recovery of power costs attributable to renewable resources through the Annual Power Cost Update (“APCU”).

and Power Cost Adjustment Mechanism (“PCAM”) filings. Specifically, I testify as follows:

- **The RRTM Proposal.** I don’t agree with the Joint Utilities’ argument that their current PCAMs do not allow them to recover the variable costs of renewable resources. The Commission has established the current regulatory framework for power cost recovery giving due consideration of the requirements established in Senate Bill (“SB”) 838. That regulatory framework allows for recovery of all variable net power costs, including those associated with SB 838 compliance.
- **RRTM History.** The arguments raised by the Joint Utilities in this proceeding are similar to those that have already been litigated in prior proceedings. No compelling, new information has been presented to justify modifications to the current regulatory framework.
- **Technical Problems.** The proposed RRTM contains a number of technical problems that cannot be resolved in a manner that is fair to customers. Of particular concern are the following:
 - **Design Criteria.** The RRTM does not satisfy the Commission’s design criteria for a power cost tracking mechanism. The customer protections provided by the Commission’s design criteria should be applicable to all power costs, including those attributable to SB 838 compliance.
 - **Carving-Out SB 838 Costs.** It is difficult to accurately carve-out the power costs attributable solely to renewable resources. The power cost impacts of renewable resources are based on complex interactions between a diverse portfolio of generation resources, not just market value.
 - **Market Prices.** The RRTM would true-up the impact of market prices, which are unrelated to SB 838 compliance. Changes in market prices have broader impacts on power costs than just on the market value of renewable resource generation.
 - **Renewable Resource Variability.** The year-to-year variability of renewable resource output is no more variable than other aspects of power costs, indicating that no extraordinary mechanism is necessary to capture the annual variances in renewable resource output.
 - **Production Tax Credits.** Production tax credits are a component of the tax provision calculations developed in general rate cases. Updating this single component of the tax provision would disregard offsetting tax impacts, particularly for accumulated deferred income taxes (“ADIT”).

II. THE RRTM PROPOSAL

Q. PLEASE SUMMARIZE THE JOINT UTILITIES' PROPOSAL.

A. The Joint Utilities propose an automatic adjustment clause mechanism, available pursuant to ORS 757.210(b), “to track and recover renewable resource costs separately from other variable costs in the [Joint Utilities’] net variable power costs (NPC).”^{1/} They intend to implement their proposal “by removing renewable resources from their [PCAM] and reflecting all variable benefits and costs of those resources through an annual supplemental tariff filing called the Renewable Resource Tracking Mechanism.”^{2/} The impact of their proposal would be to “carve-out” the market value of renewable resource generation from their respective PCAMs, eliminating the impact of the PCAM design elements—the dead band, sharing percentages, and earnings test. The Joint Utilities also propose to track production tax credit amounts, which are currently only evaluated in the context of general rate proceedings.^{3/}

Q. WHY DID THE JOINT UTILITIES PROPOSE TO CARVE-OUT THE MARKET VALUE OF RENEWABLE RESOURCES FROM THEIR RESPECTIVE PCAMS?

A. The Joint Utilities point out that, under SB 838, prudently incurred costs associated with compliance with Oregon’s renewable portfolio standard (“RPS”) are recoverable in rates.^{4/} The Joint Utilities seem to suggest that their current PCAMs are designed to prevent the variable costs associated with SB 838 from being recoverable.^{5/}

^{1/} PGE-PAC/100 at 1:12-17.

^{2/} Id.

^{3/} Id. at 8:6-8.

^{4/} Id. at 4:1-7:15.

^{5/} Id. at 6:3-11.

Q. DO YOU AGREE WITH THE JOINT UTILITIES' ARGUMENTS?

A. No. Under the Commission's current regulatory framework, consisting of the APUC and PCAM, all prudently incurred net power costs, including those associated with SB 838 compliance, are recoverable in rates. The Commission has established the current regulatory framework to provide recovery of any prudently incurred power cost item, regardless of whether it is connected to SB 838 compliance.

Q. IS THE MARKET VALUE OF RENEWABLE RESOURCE GENERATION A COST OF COMPLYING WITH SB 838?

A. No. The RRTM proposal would true-up the "market value" of renewable resource generation. Market value, however, is not representative of an actual cost of complying with SB 838. It is a modeling concept that represents the opportunity cost of energy generated from renewable resources. The Joint Utilities' application did not identify any specific market transactions that have been made as a direct result of SB 838 compliance, and therefore, their application does not address actual costs that can be appropriately tied to the requirements of SB 838.

III. RRTM HISTORY

Q. HAVE THE JOINT UTILITIES PREVIOUSLY MADE PROPOSALS SIMILAR TO THE RRTM?

A. Yes. In its 2014 general rate case, PGE made a similar proposal, which Staff, the Citizens' Utility Board, and ICNU all opposed.^{6/} PGE eventually agreed to withdraw its proposal as part of a partial settlement in that docket.^{7/} PacifiCorp also made similar arguments in its 2013 general rate case, where it proposed a dollar-for-dollar true-up of

^{6/} In re PGE Request for a General Rate Revision, Docket No. UE 283, ICNU/100 at 4:3-10:20; Staff/1100; CUB/100 at 10:16-20:3.

^{7/} Docket No. UE 283, Order No. 14-422 at 9 (Dec. 4, 2014).

all of its power costs premised on satisfying the requirements of SB 838. Additionally, in PacifiCorp's most recent rate case before the Washington Utilities and Transportation Commission ("WUTC"), it proposed a mechanism to track and true-up the costs of its renewable resources that is identical to its proposal in this proceeding.^{8/}

Q. PLEASE DESCRIBE PACIFICORP'S PROPOSAL IN ITS 2013 GENERAL RATE CASE.

A. In Docket No. UE 246, PacifiCorp requested a dollar-for-dollar PCAM because it claimed it could not accurately forecast costs associated with renewable resources and was, therefore, improperly recovering net power costs.^{9/} The Commission, however, rejected PacifiCorp's arguments and, instead, required that all of PacifiCorp's net power costs, including costs associated with RPS compliance, be recoverable through a PCAM that contained a dead band, sharing percentages, and an earnings test.^{10/} After taking into consideration the recoverability requirements of SB 838, the Commission held that "the most prudent way to accomplish proper recovery [of net power costs] is through a well-designed PCAM."^{11/}

Q. DID THE COMMISSION CONSIDER THE REQUIREMENTS OF SB 838 WHEN IT ESTABLISHED PACIFICORP'S PCAM IN DOCKET NO. UE 246?

A. Yes. In that proceeding, the Commission was confronted with a question similar to that posed in this proceeding: whether a PCAM with a dead band, sharing percentages and an earnings test provides a utility with the opportunity to recover all prudently incurred costs

^{8/} WUTC v. PacifiCorp, Docket No. UE-140762, Exh. No.__(GND-1CT) at 38:4-43:23 (May 1, 2014).

^{9/} In re PacifiCorp, dba Pacific Power, Request for a General Rate Revision, Docket No. UE 246, PAC/1800 at 3:7-10:8

^{10/} Docket UE 246, Order No. 12-493 at 14-15 (Dec. 20, 2012).

^{11/} Id. at 14.

associated with SB 838 compliance.^{12/} In approving PacifiCorp's PCAM with these features in place, the Commission implicitly determined that the PCAM was consistent with the SB 838 recoverability requirements. The Joint Utilities have presented no compelling, new information in this proceeding that was not already evaluated in Docket No. UE 246 in order to justify modifications to the current regulatory framework approved by the Commission.

Q. PLEASE DESCRIBE PACIFICORP'S PROPOSAL BEFORE THE WUTC.

A. In WUTC Docket No. UE-140762 *et al.*, PacifiCorp made a proposal for an RRTM mechanism that was similar to that proposed in this proceeding.^{13/} PacifiCorp justified the Washington RRTM proposal based on RCW § 19.285.050(2) arguing that Washington law requires that customers bear the costs of prudent compliance with that state's RPS.^{14/} Containing language similar to SB 838, that law reads: "An investor-owned utility is entitled to recover all prudently incurred costs associated with compliance with [the RPS]." The WUTC rejected PacifiCorp's proposal, finding that PacifiCorp's reliance on this statute to justify its proposed RRTM was "far wide of the mark."^{15/} The WUTC also found that "[a]nother flaw in the RRTM is that it ignores the performance of Pacific Power's diverse portfolio of resources. Without considering the financial performance of Pacific Power's entire generation portfolio it is not possible to determine whether the Company under-recovers or over-recovers its power costs during any given period."^{16/}

^{12/} Id. at 9-10.

^{13/} Docket Nos. UE-140762 *et al.*, Order 08 ¶ 134 (March 25, 2015).

^{14/} Docket No. UE-140762, Exh. No.__(GND-1CT) at 39:6-7.

^{15/} Docket Nos. UE-140762 *et al.*, Order 08 ¶ 134.

^{16/} Id. ¶ 135.

IV. TECHNICAL PROBLEMS

A. Design Criteria

Q. DOES THE RRTM PROPOSAL SATISFY THE DESIGN CRITERIA ESTABLISHED BY THE COMMISSION FOR A WELL-DESIGNED PCAM?

A. No. The Commission has established five general principles that form the basis of a well-designed PCAM.^{17/} The design criteria are “(1) any adjustment under a PCAM should be limited to unusual events and capture power cost variances that exceed those considered normal business risk for the utility; (2) there should be no adjustments if the utility's overall earnings are reasonable; (3) the PCAM's application should result in revenue neutrality; (4) the PCAM should operate in the long-term to balance the interests of the utility shareholder and ratepayer; and, implicitly, (5) the PCAM should provide an incentive to the utility to manage its costs effectively.”^{18/} Because it will not be subject to sharing bands, dead bands, and an earnings test, the proposed RRTM does not conform to these principles.

Q. SHOULD THE DESIGN CRITERIA APPLY TO COSTS ASSOCIATED WITH SB 838 COMPLIANCE?

A. Yes. Nothing has been presented to demonstrate why the PCAM design criteria should not apply equally to the power costs associated with SB 838 compliance, just as the criteria are applied to all other prudently incurred power costs. As discussed above, the current regulatory framework based on these design criteria was developed to allow for recovery of all prudently incurred power costs, including those that result from RPS compliance.

^{17/} See Docket Nos. UE 180, UE 181, UE 184, Order No. 07-015 at 26-27 (Jan 12, 2007).

^{18/} Supra 10 at 13.

Q. WOULD THE RRTM PRODUCE A FINANCIAL WINDFALL TO THE UTILITIES AS A RESULT OF NOT CONFORMING TO THE DESIGN CRITERIA?

A. Yes. The Joint Utilities' proposal would institute dollar-for-dollar recovery of one aspect of power costs, while maintaining the dead bands, sharing bands, and earnings test for all other power cost items. This structure has the potential to provide for deferrals when the utility is already over-recovering power costs. For example, in three of the five years between 2009 and 2013, PGE over-forecast total power costs, and in only one of these years did it refund any money to customers through the PCAM.^{19/} Meanwhile, in every year between 2009 and 2013, PGE's proposed RRTM model indicates that it would have collected additional funds as a result of carving out variances in the market value of renewable resource generation. Thus, had the RRTM been in place in these years, PGE would have received extraordinary recovery through the RRTM, despite the fact that it had over-collected on the totality of power costs without refunding that over-collection to customers. This scenario would represent inequity to customers and provides further support that the above design criteria should apply to all power costs, including the power costs attributable to renewable resources.

B. Carving-Out SB 838 Costs

Q. DOES THE JOINT UTILITIES' PROPOSAL ACCURATELY CARVE OUT THE POWER COSTS ATTRIBUTABLE SOLELY TO RENEWABLE RESOURCES?

A. Renewable resources operate as an integrated part of the Joint Utilities' overall supply portfolio. If renewable resource generation is less than expected, the utility will rebalance its position by increasing thermal resource output or making market purchases.

^{19/} In re PGE 2011 Power Cost Variance Mechanism, Docket No. UE 256, PGE/100 at 7:17-18, 9:14-15 (indicating \$34.3 million over-recovery of NPC and \$5.5 million refund to customers).

If renewable resource generation is greater than expected, the utility will rebalance its overall position by decreasing thermal resource output or making market sales. The costs associated with varying levels of renewable resource generation are the result of complex, offsetting interactions between various types of resources within its portfolio. Comparing generation to market prices, as the Joint Utilities propose, is not an entirely accurate method to isolate the system costs associated with renewable generators and has the potential to produce an economic windfall to the utility.

Q. DID PACIFICORP PREVIOUSLY ARGUE THAT IT WAS IMPOSSIBLE TO ACCURATELY ISOLATE THE COSTS ASSOCIATED WITH RENEWABLE RESOURCES?

A. Yes. In Docket No. UE 246, PacifiCorp took the position in that it was impossible to independently isolate the net power costs attributable solely to RPS resources and that, as a result, a dollar-for-dollar PCAM was necessary for all net power cost categories in order to comply with SB 838.^{20/} Specifically, PacifiCorp argued as follows:

It is not possible to isolate and quantify the precise cost of wind variability and the related cost of shaping, firming or integration; therefore, the *only* way that “all of these costs” can be recovered is through a dollar-for-dollar PCAM that allows for recovery of all prudently incurred actual NPC.^{21/}

No analysis or justification was presented by the Joint Utilities to demonstrate why PacifiCorp’s prior position on this matter is no longer valid. In fact, some of the same or similar analyses that were used to support PacifiCorp’s position in Docket No. UE 246 are now being used to justify the RRTM.^{22/}

^{20/} Docket No. UE 246, PAC/2200 at 2:15-16.

^{21/} Id. at 17:10-13 (emphasis in original).

^{22/} See e.g. PGE-PAC/100 at 6:19-7:3.

Q. DOES THE RRTM PROPOSAL ADDRESS VARIANCES RELATED TO WIND INTEGRATION COSTS?

A. No. The RRTM proposal does not address how variations in the level of wind integration costs incurred in actual operations would be calculated in the mechanism. The level of wind integration costs incurred in actual operations is another component of net power costs that is difficult to accurately carve-out of the actual dispatch. The Joint Utilities state that they are not attempting “at this time” to isolate and recover the costs of integration,^{23/} demonstrating an admitted problem with the proposed mechanism.

Q. DOES THE JOINT UTILITIES’ PROPOSAL ACCOUNT FOR THE DIVERSITY BENEFITS ASSOCIATED WITH RENEWABLE RESOURCE GENERATION?

A. No. Portfolio diversification is one of the fundamental principles relied on by utilities in order to develop a least-cost, least-risk resource portfolio. In general, a diversified portfolio will have less risk than the aggregate risk associated with each asset in the portfolio when viewed separately. For purposes of utility planning, this means that a utility will benefit from procuring power supplies that are dependent on many different fuel and resource types. As PGE stated in its most recent integrated resource plan:

One of the most common forms of hedging with respect to portfolio construction and management is asset diversification. From the standpoint of an electric utility, this can be accomplished by increasing the number and type of resources (both technology and fuel types) used to serve customer demand. By diversifying its portfolio of energy and capacity resources, a utility is less likely to experience large, adverse changes in the cost to produce and deliver electricity to its customers over time.^{24/}

Because the risks associated with different fuel types are based, in whole or in part, on independent risk variables, the utility’s overall risk profile will decline as a result

^{23/} PGE-PAC/100 at 8:5-6.

^{24/} In re PGE 2013 Integrated Resource Plan, Docket No. LC 56, 2013 Integrated Resource Plan at 100 (Mar. 27, 2014).

of the offsetting nature of each of the fuel or resource types in its portfolio. For example, low wind output in any given year may be offset by higher hydro generation or lower gas prices resulting in more stability in overall power costs.

Q. WHY ARE YOU CONCERNED THAT THE RRTM DOES NOT ADDRESS RESOURCE DIVERSITY?

A. My concern with the Joint Utilities' proposal is that, by attempting to isolate only the variability associated with a single class of resources, the Joint Utilities are ignoring the fact that their overall systems are benefiting as a result of the diverse nature of all the types of resources in their portfolios. To illustrate my concern, assume the Joint Utilities' resource portfolios were the equivalent of a diversified investment portfolio consisting of Fortune 500 stocks. Under this scenario, the RRTM mechanism would be similar to the Joint Utilities requesting a special recovery mechanism for losses, or gains, associated with a single stock holding, irrespective of how the overall portfolio performed for the period.

C. Market Prices

Q. HOW DO MARKET PRICE VARIANCES IMPACT THE RRTM PROPOSAL?

A. Another problem with the RRTM proposal is that it not only trues-up the annual difference between forecasted and actual generation output, but also the difference between forecasted and actual market prices.^{25/} Variances between forecast and actual market prices are caused by a multitude of market factors largely unrelated to the variability of renewable resources and have little to do with RPS compliance. It is,

^{25/} PGE-PAC/100 at 8:14-16.

therefore, not appropriate to reflect the impacts of changing market prices in a mechanism premised on RPS compliance.

Q. HOW WOULD VARIANCES BETWEEN FORECAST AND ACTUAL MARKET PRICES IMPACT THE PROPOSED RRTM?

A. The following table provides a simplified illustration of how variances between forecast and actual market prices would impact the proposed RRTM.

Table 1
Impact of Market Prices on RRTM

| | Forecast | Actual | Deferral |
|-----------------------|----------|--------|----------|
| RPS Output (MWH) | 100 | 100 | - |
| Market Price (\$/MWH) | 35 | 30 | (5) |
| RPS Market Value (\$) | 3,500 | 3,000 | (500) |

As can be noted in the table, variances in market prices have the potential to produce a deferral, regardless of how accurately the utility forecasts the output from renewable resources. In this example, the generation output was perfectly forecasted. Because market prices were lower in actual operations than forecast, however, the result was a deferral, providing the utility with the opportunity to collect additional funds from customers.

Q. WHY IS THE IMPACT OF MARKET PRICES ON THE RRTM CONCERNING?

A. Under the Joint Utilities' proposal, if market prices are lower in actual operation than in the Joint Utilities' forecast, the proposed RRTM mechanism would result in a larger deferral. This is concerning because lower market prices may result in a reduction to overall power costs, yet the Joint Utilities would be entitled to receive a higher level of

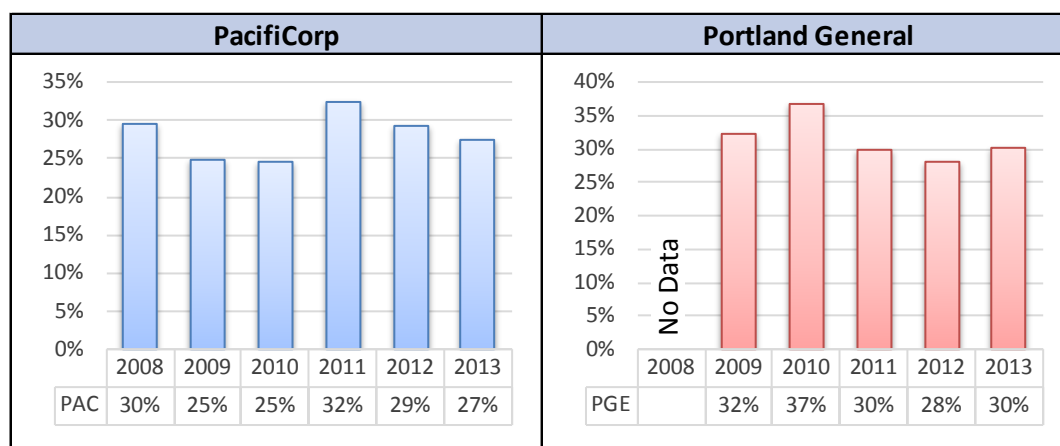
recovery through their proposed RRTM. On the other hand, if market prices are higher in actual operation than in the Joint Utilities’ forecast, the proposed RRTM may result in an increased refund to customers, despite the fact that the Joint Utilities’ overall power costs may be higher as a result of higher market prices. This fundamental problem with the Joint Utilities’ proposal would produce results that are not reasonable, suggesting that the RRTM should be rejected.

D. Renewable Resource Variability

Q. HOW DOES THE YEAR-TO-YEAR VARIABILITY OF RENEWABLE RESOURCES COMPARE TO OTHER ASPECTS OF POWER COSTS?

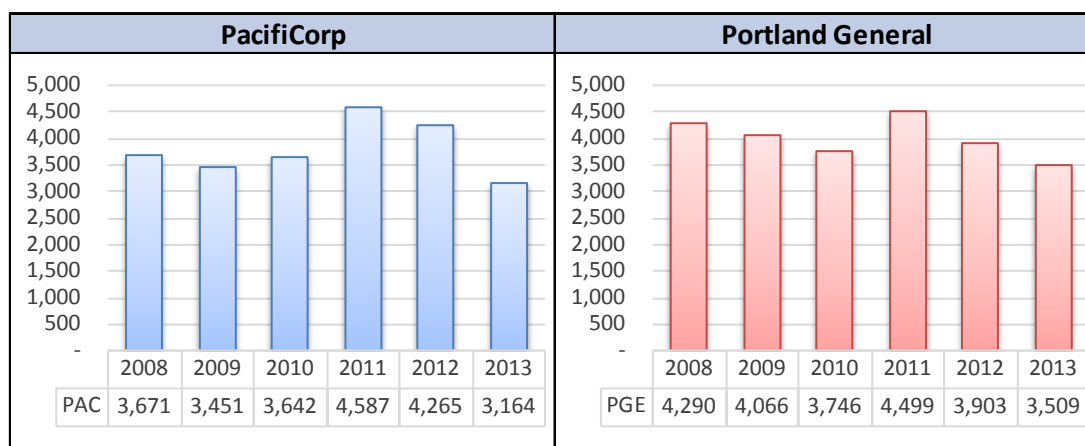
A. The annual level of generation expected from renewable resources remains relatively stable, year-to-year, compared with other aspects of power costs. Figure 1, below, demonstrates the actual capacity factor of the Joint Utilities’ wind resources between 2008 and 2013. The figure demonstrates the relative stability of wind output on an annual basis. The relative standard deviation of the year-to-year variation in wind output is approximately 10.8% and 10.7% percent for PacifiCorp and PGE, respectively.

Figure 1
Actual Wind Generation (System Capacity Factor)
2008 – 2013



A threshold question for determining whether the variability associated with renewable resources is so extraordinary to warrant unique rate treatment is whether renewable resource generation is more variable year-to-year than other power cost items. As a comparator, Figure 2, below, details the Joint Utilities’ actual hydro generation between 2008 and 2013.

Figure 2
Actual Hydro Generation (GWh)
2008 – 2013



As can be noted from a comparison of the two figures, the year-to-year variability of wind output between 2008 and 2013 has been comparable to the variability of hydro output over the same period. In contrast to wind output, with a relative standard deviation of approximately 11.0% for both utilities, the relative standard deviation of hydro output detailed in the above figure above was 14.0% and 9.0% for PacifiCorp and PGE, respectively. This demonstrates that the year-to-year variability in hydro output was comparable to that of wind output in the period 2008 to 2013. Based on this, it does not appear that the annual variability of renewable resource generation is so significant as to warrant the extraordinary rate treatment proposed by the utilities.

In Order No. 05-1261, the Commission determined that recovery under a hydro-only PCAM should be “limited to unusual events.”^{26/} Given that hydro output has been at least as variable as wind output, such variability does not provide a basis for the Joint Utilities to request a special recovery mechanism that is not subject to the same design criteria as their hydro resources.

Q. DO YOU AGREE WITH THE UTILITIES THAT SB 838 COMPLIANCE HAS MADE IT MORE DIFFICULT TO FORECAST POWER COSTS?

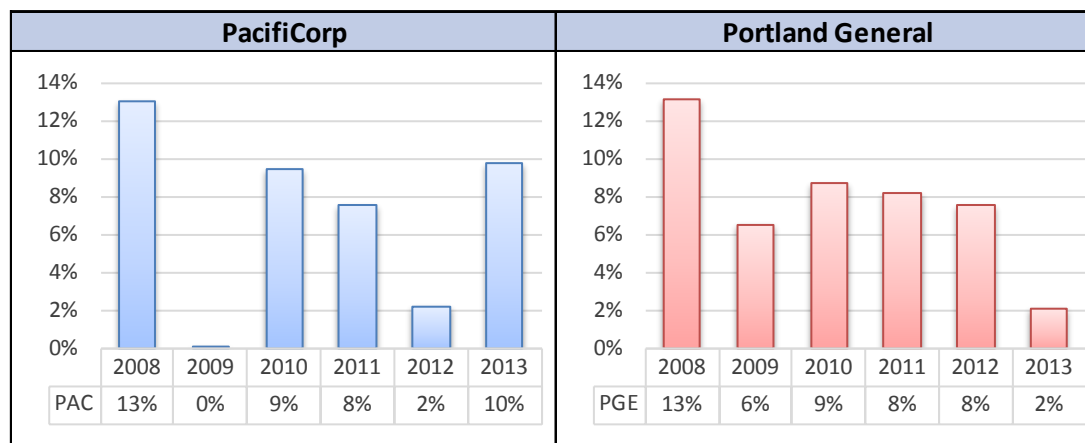
A. No. The Joint Utilities argue that their circumstances have changed since SB 838 was passed and that they now have far more renewable resources on their systems, which is making it more difficult to forecast power costs.^{27/} They argue that “[t]his problem will only become worse as the Joint Utilities’ renewable energy requirements increase to 25 percent of retail load in 2025.”^{28/} The data, however, does not support the Joint Utilities’ position that increased renewables on the system are making it more difficult for them to forecast power costs. Figure 3, below, details the absolute value of deviations between forecast and actual power costs between 2008 and 2013, on a percentage basis.

^{26/} Docket Nos. UE 165/UM 1187, Order No. 05-1261 at 8 (Dec. 21, 2005).

^{27/} PGE-PAC/100 at 5:17-6:2.

^{28/} Id. at 7:14-15.

Figure 3
Absolute Percent Deviation between Forecast and Actual Power Costs
2008 – 2013



In 2008, the difference between PacifiCorp’s forecast and actual power costs was \$127.7 million on a total-company basis, a deviation of 13%. In 2014, its forecast deviation was 10%, and in no year since 2008 did the difference between the utility’s forecasted and actual power costs exceed 13%. The same is true for PGE. The utility’s forecast deviation in 2008 was also 13%, compared to a forecast deviation of two percent in 2013. Like PacifiCorp, in no year since 2008 did the utility’s forecast deviation exceed 13%. Between 2008 and 2013, PacifiCorp and PGE added approximately 1,300 MW and 325 MW of new wind resources, respectively. Yet, the power cost differentials over this period actually declined. Thus, the data does not support the Joint Utilities’ argument that increased renewable resources on their systems has made it more difficult to forecast power costs in rates.

E. Production Tax Credits

Q. DO YOU AGREE WITH THE PROPOSAL TO TRUE-UP THE IMPACT OF PRODUCTION TAX CREDITS?

A. No. Production tax credits are a component of tax provision calculations that have broader revenue requirement impact than can be addressed in the RRTM proposal. The level of production tax credits claimed in any given year depends on the utility's overall tax liability. To the extent the utility's overall tax liability is too low, production tax credits may not be usable and would be carried forward as a tax asset. Tax credit carryforwards are reflected as a reduction to ADIT and can have a material impact on revenue requirement. For example, approximately \$53.1 million in tax credit carryforwards were reflected in ADIT in PGE's 2014 General Rate Case.^{29/} Because under the RRTM proposal, however, the ADIT balances would continue to be reviewed only in the context of a general rate case, it would not be appropriate to true-up the production tax credits claimed in the intervening periods between rate cases.

Q. HOW COULD THE PRODUCTION TAX CREDIT PROPOSAL POTENTIALLY HARM CUSTOMERS?

A. If the utility forecast a tax asset related to production tax credit carryforwards in a general rate case, a true-up to the actual production tax credits claimed would result in an inaccurate level of ADIT benefit reflected in rates. If, under this example, the production tax credits actually claimed were less than that forecast in a general rate case, the offsetting increase to ADIT would not be properly credited to customers. As a result of this potential inconsistency with the tax provisions calculated in general rate cases, it is

^{29/} Docket No. UE 283, PGE/1900 at 4, Table 3.

not fair to ratepayers to true-up production tax credits outside of a general rate proceeding.

Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?

A. Yes.

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Request for Generic Power Cost Adjustment)
Mechanism Investigation.)
_____)

EXHIBIT ICNU/101

QUALIFICATION STATEMENT OF BRADLEY G. MULLINS

May 11, 2015

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Bradley G. Mullins, and my business address is 333 SW Taylor Street, Suite
3 400, Portland, Oregon 97204.

4 **Q. PLEASE STATE YOUR OCCUPATION AND ON WHOSE BEHALF YOU ARE**
5 **TESTIFYING.**

6 A. I am an independent consultant representing industrial customers throughout the western
7 United States. I am appearing on behalf of the Industrial Customers of Northwest
8 Utilities (“ICNU”).

9 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND WORK EXPERIENCE.**

10 A. I received Bachelor of Science degrees in Finance and in Accounting from the University
11 of Utah. I also received a Master of Science degree in Accounting from the University of
12 Utah. After receiving my Master of Science degree, I worked as a Tax Senior at Deloitte
13 Tax, LLP, where I provide tax compliance and consulting services to multi-national
14 corporations and investment fund clients. Subsequently, I worked at PacifiCorp Energy
15 as an analyst involved in regulatory matters primarily involving power supply costs. I
16 began performing independent consulting services in September 2013. I currently
17 provide consulting services for utility customers, independent power producers, and
18 qualifying facilities on matters ranging from power costs and revenue requirement to
19 power purchase agreement negotiations.

20 **Q. PLEASE PROVIDE A LIST OF YOUR REGULATORY APPEARANCES.**

21 A. I have sponsored testimony in regulatory proceedings throughout the western United
22 States, including the following:

- 1 • Or.PUC, UM 1712: In re PacifiCorp, dba Pacific Power, Application for Approval of
2 Deer Creek Mine Transaction
- 3 • Bonneville Power Administration, BP-16: 2016 Joint Power and Transmission Rate
4 Proceeding
- 5 • Wa.UTC, UE-141368: In re Puget Sound Energy, Petition to Update Methodologies
6 Used to Allocate Electric Cost of Service and for Electric Rate Design Purposes
- 7 • Wa.UTC, UE-140762: In re Pacific Power & Light Company, Request for a General
8 Rate Revision Resulting in an Overall Price Change of 8.5 Percent, or \$27.2 Million
- 9 • Wa.UTC, UE-141141: In re Puget Sound Energy, Revises the Power Cost Rate in WN
10 U-60, Tariff G, Schedule 95, to reflect a decrease of \$9,554,847 in the Company's
11 overall normalized power supply costs
- 12 • Wy.PSC, 20000-446-ER-14: In re The Application of Rocky Mountain Power for
13 Authority to Increase Its Retail Electric Utility Service Rates in Wyoming
14 Approximately \$36.1 Million Per Year or 5.3 Percent
- 15 • Wa.UTC, UE-140188: In re Avista Corporation, General Rate Increase For Electric
16 Services, RE: Tariff WN U-28, Which Proposes an Overall Net Electric Billed Increase
17 of 5.5 Percent Effective January 1, 2015
- 18 • Or.PUC, UM 1689: In re PacifiCorp, dba Pacific Power, Application for Deferred
19 Accounting and Prudence Determination Associated with the Energy Imbalance Market
- 20 • Or.PUC, UE 287: In re PacifiCorp, dba Pacific Power, 2015 Transition Adjustment
21 Mechanism.

- 1 • Or.PUC, UE 283: In re Portland General Electric Company, Request for a General Rate
2 Revision
- 3 • Or.PUC, UE 286: In re Portland General Electric Company's Net Variable Power Costs
4 (NVPC) and Annual Power Cost Update (APCU)
- 5 • Or.PUC, UE 281: In re Portland General Electric Company 2014 Schedule 145
6 Boardman Power Plant Operating Adjustment
- 7 • Or.PUC, UE 267: In re PacifiCorp, dba Pacific Power, Transition Adjustment, Five-
8 Year Cost of Service Opt-Out (adopting testimony of Donald W. Schoenbeck).