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August 5, 2015

Via Electronic Filing and Federal Express

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301-3612

Re: PORTLAND GENERAL ELECTRIC
2015 General Rate Case
Docket No. UE 294

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the Supplemental Power Cost Testimony of Bradley G. Mullins on behalf of the Industrial Customers of Northwest Utilities ("ICNU").

The sealed confidential portions of ICNU's testimony will follow to the Commission via Federal Express, and will be sent via First Class U.S. Mail to the parties that have signed Protective Order No. 15-036.

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

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the confidential portions of the **Supplemental Power Cost Testimony of ICNU** upon the parties shown below by sending copies via First Class U.S. Mail, postage prepaid.

Dated at Portland, Oregon, this 5th day of August, 2015.

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 294

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY,)
)
Request for a General Rate Revision.)
)
_____)

REDACTED SUPPLEMENTAL POWER COST TESTIMONY

OF BRADLEY G. MULLINS

ON BEHALF OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

August 5, 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 400,
3 Portland, Oregon 97204.

4 **Q. ARE YOU THE SAME BRADLEY G. MULLINS THAT HAS PREVIOUSLY**
5 **SUBMITTED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. I have previously submitted both Opening Power Cost Testimony and Opening
7 Testimony in this proceeding on behalf of the Industrial Customers of Northwest Utilities
8 (“ICNU”). ICNU is a non-profit trade association whose members are large industrial
9 customers served by electric utilities throughout the Pacific Northwest, including Portland
10 General Electric Company (“PGE” or the “Company”). A summary of my education and work
11 experience can be found at ICNU/101.

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. My testimony responds to the Supplemental Testimony of Company witnesses Niman,
14 Peschka, Hager, and Dwyer on Net Variable Power Costs (“NVPC”), including the Company’s
15 proposed changes to the 2016 maintenance outage schedule for Port Westward I.^{1/}

16 **Q. PLEASE PROVIDE AN OVERVIEW OF YOUR TESTIMONY**

17 A. On June 30, 2015, the Company filed an update to its planned thermal maintenance outage
18 schedule for 2016.^{2/} The update increased Port Westward I’s maintenance outage in the spring
19 of 2016 by 52 days to permanently repair one of the plant’s gas turbine rotors.^{3/} The Company
20 states that the rotor was damaged by its contractor while the contractor was performing
21 maintenance work.^{4/} This increase to Port Westward I’s planned outage is likely to materially

^{1/} PGE/1600

^{2/} Docket No. UE 294, PGE Planned Thermal Maintenance Update (June 30, 2015).

^{3/} PGE/1600 at 3:2-19; PGE/1601C at 3.

^{4/} Id. at 3:14-16.

1 increase the Company's 2016 NVPC forecast because it will need to purchase replacement
2 power while the plant is out of service. However, because the Company admits that the
3 extension to Port Westward I's 2016 planned outage was caused by contractor error, and
4 because the outage could have been conducted in a more cost-effective manner in 2015, the
5 Commission should not require customers to assume these increased replacement power costs
6 through the 2016 Annual Update Tariff ("AUT") filing. Rather, those costs should be trued-up
7 through the 2017 Power Cost Adjustment Mechanism ("PCAM").

8 **Q. WHAT IS THE TOTAL REPLACEMENT POWER COST PROPOSED IN THE 2016**
9 **AUT AS A RESULT OF THE PROPOSED MAINTENANCE OUTAGE?**

10 A. Based on the Company's July 15, 2015 Power Cost Filing, the Company is requesting
11 approximately \$ [REDACTED] in replacement power cost in 2016 in connection with the extended
12 outage.^{5/}

13 **Q. IS THERE ANY DISAGREEMENT ABOUT WHO CAUSED THE DAMAGE TO THE**
14 **ROTOR?**

15 A. No. There is no disagreement that the damage was caused by an error on the part of the
16 Company's contractor. As stated by the Company, "[b]ased on the findings described in the
17 [root cause analysis (PGE/1607C)] and corroborated observations by PGE personnel at the
18 plant, the damage resulted from the contractor's actions."^{6/} The Company states that it is
19 pursuing the costs of repairing the damaged equipment from the contractor under the long-term
20 service agreement ("LTSA").

^{5/} See PGE's July MONET Update, Attachment 2 (electronic file) \ToPUC\ #2016GRC-ModelSteps-
July15Filing.xls, Model Step 93.

^{6/} PGE/1600 at 6:13-15.

1 **Q. WHY DOES THE COMPANY SUGGEST THAT RATEPAYERS SHOULD BE**
2 **RESPONSIBLE FOR REPLACEMENT POWER COSTS ASSOCIATED WITH THE**
3 **CONTRACTOR’S ERROR?**

4 A. The Company claims it has no remedy to recover the replacement power costs associated with
5 the outage from the contractor.^{7/} Had the error been made by a Company employee, there
6 would be little question whether the replacement power costs should be borne by ratepayers, as
7 the Company has typically not been allowed to pass costs associated with imprudent actions,
8 such as this, onto ratepayers. In this case, the only reason why the Company believes that the
9 costs should be borne by ratepayers is the fact that the individual who made the error was a
10 contractor.

11 **Q. DO YOU AGREE WITH THE COMPANY?**

12 A. No. The fact that the error was caused by a contractor, rather than an employee of the
13 Company, should have little bearing on whether ratepayers should ultimately be responsible for
14 the replacement power costs associated with the maintenance outage. When the Company
15 hired the contractor it undertook a process of due diligence to determine whether the contractor
16 would perform satisfactory work,^{8/} similar to the process that it would undertake for its own
17 employees. The Company also indicated that it employed tenured technicians to oversee the
18 contractor’s work,^{9/} just as it would have overseen the work if performed by one of its own
19 employees. Accordingly, as a policy matter, it would be inappropriate for the Company to pass
20 imprudent costs onto ratepayers, simply because the imprudent action was performed by a
21 contractor. If it were allowed to evade responsibility in this manner, the Company could
22 simply hire contractors to pass any number of imprudent costs onto ratepayers.

^{7/} Id. at 5:21:6:10

^{8/} Id. at 6:16-7:7.

^{9/} Id. at 7:8-8:15.

1 Consider, for example, a scenario where, due to a contractor's error, the cost to build a
2 power plant ended up being twice as much as what it otherwise would have been. Under the
3 theory that it should be absolved of responsibility related to contractor error, the Company
4 would be allowed to pass the imprudent rate base, and associated capital costs, related to the
5 contractor's error onto customers. This result, however, does not make sense because the
6 Company has the responsibility to oversee the actions of the contractor in order to prevent such
7 an outcome.

8 **Q. DO RATEPAYERS HAVE ANY CONTROL OVER THE ACTIONS OF**
9 **CONTRACTORS?**

10 A. No. Despite its claims to the contrary, the Company has control over the actions of its
11 contractors. To the extent that the contractors are performing tasks that have the potential to
12 result in great costs to the Company, such as sensitive work on the rotor, the Company should
13 ensure that the contractor is taking adequate precautions to prevent major damage to the
14 generator. Ratepayers, on the other hand, do not have any control over the actions of the
15 contractor, and, therefore, it is not fair to hold ratepayers responsible for costs associated with
16 the contractor's errors.

17 **Q. IS THE TIMING OF THE OUTAGE ALSO CONCERNING?**

18 A. Yes. The Company had the option to perform the maintenance work this year, rather than
19 postponing the maintenance until 2016. Under that option, however, the Company would have
20 been required to seek recovery of the replacement power costs in its PCAM, which is subject to
21 dead bands, sharing, and an earnings test. Instead, the Company has proposed to delay the
22 outage until 2016, and as a result, is able to include the power cost impacts of the extended
23 outage in its 2016 power cost forecast. This eliminates the impact of the dead bands, sharing
24 bands and earnings test that would have otherwise applied if the costs were to flow through the

1 2015 PCAM. This is concerning because the Company is in control of when the outage will
2 occur and has the ability to defer the outage until 2016 in order to collect more of the
3 replacement power costs from ratepayers, regardless of whether deferring the outage is the
4 most cost-effective option.

5 **Q. WAS IT THE MOST COST-EFFECTIVE OPTION TO DEFER THE MAINTENANCE**
6 **OUTAGE UNTIL 2016?**

7 A. No. In testimony, the Company alludes to the fact that performing the outage in 2016 was not
8 the most cost effective option. The Company states that postponing the outage until 2016 was
9 only “one of the lowest-cost options for repairing the equipment.”^{10/} [REDACTED]

10 [REDACTED]

11 [REDACTED] ^{11/} [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED] ^{12/} [REDACTED]

15 [REDACTED] ^{13/} [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 **Q. WHAT WAS THE COMPANY’S JUSTIFICATION FOR SELECTING THE MORE**
19 **EXPENSIVE OPTION?**

20 A. The Company suggests that equipment risk as well as the need to have the resource available in
21 the summer months was sufficient enough to warrant moving the outage to 2016.^{14/} Lacking

^{10/} Id. at 5:9 (emphasis added).

^{11/} PGE/1604C at 6.

^{12/} Id.

^{13/} Id.

^{14/} PGE/1600 at 4:21-5:4

1 any quantification of these risks, however, it is impossible to know whether the Company
2 simply postponed the outage until 2016 to achieve greater recovery of the replacement power
3 costs from ratepayers.

4 **Q. WHAT DO YOU RECOMMEND?**

5 A. It is not fair for ratepayers to bear the \$ [REDACTED] in replacement power costs caused by
6 contractor error in base net variable power costs established in the AUT. Despite its claims in
7 testimony, the Company does have control over the activities of contractors, whereas
8 ratepayers have no control over these activities. In addition, the maintenance outage could
9 have been performed in a more cost effective manner if done in 2015, when the ratepayer
10 obligation for replacement power costs would have been subject to the PCAM design elements.
11 Accordingly, I propose that the Commission exclude the replacement power costs associated
12 with the proposed major maintenance activities from base net variable power costs established
13 in the AUT. Rather, I propose that the Company be allowed to include the replacement power
14 costs in its 2017 PCAM filing, as these costs would have otherwise been included in its 2016
15 PCAM filing, had the most cost-effective option been selected.

16 **Q. DOES THIS CONCLUDE YOUR REBUTTAL POWER COST TESTIMONY?**

17 A. Yes.