

Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • jog@dvclaw.com

Suite 450

1750 SW Harbor Way

Portland, OR 97201

August 15, 2018

Via Electronic Filing

Public Utility Commission of Oregon

Attn: Filing Center

201 High St. SE, Suite 100

Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.
2018 Request for a General Rate Revision
Docket No. UE 335

Dear Filing Center:

Please find enclosed the Rebuttal Testimony of Bradley G. Mullins (AWEC/400) on behalf of the Alliance of Western Energy Consumers in the above-referenced docket.

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

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON
UE 335**

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for a General Rate Revision.

)
)
)
)
)
)
)
)

**REBUTTAL TESTIMONY OF BRADLEY G. MULLINS
ON BEHALF OF THE ALLIANCE OF WESTERN ENERGY CONSUMERS**

August 15, 2018

TABLE OF CONTENTS

I.	Introduction	1
II.	Storm Balancing Account	1
III.	Associated Energy Storage.....	5

I. INTRODUCTION

Q. ARE YOU THE SAME WITNESS WHO PREVIOUSLY FILED TESTIMONY IN THIS MATTER?

A. Yes. On May 24, 2018, I filed Opening Power Cost Testimony on behalf of the Alliance of Western Energy Consumers (“AWEC”). On June 6, 2018, I also filed Opening Testimony on behalf of AWEC in the general rate case portion of this proceeding.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My testimony responds to two remaining issues in the case. I respond to the Rebuttal Testimony of Nicholson – Bekkedahl regarding the storm balancing account, and Macfarlane – Goodspeed regarding PGE’s proposed changes to the Renewable Adjustment Clause for energy storage.^{1/}

II. STORM BALANCING ACCOUNT

Q. WHAT DID YOU RECOMMEND WITH RESPECT TO PORTLAND GENERAL ELECTRIC COMPANY’S PROPOSAL FOR A STORM BALANCING ACCOUNT?

A. In Direct Testimony, I recommended that the Commission reject the proposal of Portland General Electric Company (“PGE” or “Company”) for a balancing account to recover service restoration costs associated with level III storms. I noted that the existing mechanism, based on the use of a 10-year rolling average, is sufficient for PGE to adequately recover the costs association with level III storms.

^{1/} As noted in the Motion to Modify Procedural Schedule, filed by PGE on August 14, 2018, some parties have reached a settlement in principle covering direct access issues. AWEC intends to oppose that settlement, and will file testimony in accordance with the schedule adopted to address the direct access stipulation. Further, in previous settlement discussions, all parties reached settlements in principle of other issues that I do not cover in this Rebuttal Testimony and are in the process of preparing stipulations and joint testimony to file with the Commission for review.

1 **Q. HOW DID PGE RESPOND TO YOUR RECOMMENDATION?**

2 A. PGE argues that use of a rolling ten-year average is insufficient because it does not provide
3 PGE with full recovery for the costs incurred in that year.^{2/} PGE notes that, in 2017, actual
4 level III storm costs exceeded the \$2.6 million accrual used to set rates in PGE's 2015 General
5 Rate Case.

6 **Q. DOES THAT MEAN THE ACCRUAL IS FOR INSUFFICIENT COST RECOVERY?**

7 A. No. It is true that, in some years, the actual cost of level III storms might exceed the 10-year
8 average. That is beside the point, however, since the reason for using an average is not an
9 attempt to predict what the actual level III storm costs might be in any particular future rate
10 period. The purpose is to establish a level of cost recovery that, over an extended period of
11 time, provides the utility with reasonable compensation for major storms. In some years, such
12 an accrual will be less than the actual amount incurred for level III. In other years, however,
13 the accrual will exceed the rolling average. Overall, the cost recovery, using this method,
14 balances out to provide the utility with a reasonable level of recovery.

15 **Q. HAVE THERE BEEN PERIODS WHEN PGE HAS OVER-COLLECTED RELATIVE**
16 **TO THE HISTORICAL AVERAGE?**

17 A. In Exhibit PGE/801, it can be noted that over the period 2010 through 2013, PGE incurred no
18 level III storm costs. Using PGE's faulty logic, the fact that there were no level III storm
19 restoration costs in those years would be evidence that the use of the accrual is unfair because
20 it results in *over*-collection. That is the nature of using an average—in some years the actual
21 value is higher than the average and in other years lower. The need for a storm balancing
22 account such as this cannot be reasonably established by simply pointing to a single year when

^{2/} Exhibit PGE/2100 at 9:3-9.

1 the actual costs exceeded the average, and summarily concluding that an extraordinary
2 ratemaking mechanism is necessary. PGE's analysis simply disregards the fact that, in the
3 many previous accounting periods, the accrual has resulted in over-collection, and for that
4 reason, should be given little weight.

5 **Q. ARE INFLATION-ADJUSTED, HISTORICAL STORM COSTS REPRESENTATIVE**
6 **OF EXPECTED FUTURE STORM COSTS?**

7 A. The historical data is the best information that we have to establish the expected level of storm
8 costs to include in rates. It is important to note that PGE does not respond by arguing that
9 storm costs are expected to increase in the future, such that the inflation-adjusted average
10 would no longer be reflective of the expected future storm costs. It is also important to note
11 that the methodology already applies an inflation adjustment to account for the fact that the
12 cost of responding to level III storms increases over time due to increasing prices.

13 **Q. WILL A STORM BALANCING ACCOUNT SERVE TO MINIMIZE THE**
14 **FREQUENCY OF RATE CHANGES OR THE FLUCTUATION OF RATE LEVELS?**

15 A. No. As a threshold matter, PGE's proposal is not fully developed since it contains no
16 discussion of how the funds accrued to the balance might be amortized to rates. Further, it is
17 not clear if PGE intends to implement this mechanism as a deferral or an automatic adjustment
18 clause, or through some other regulatory avenue.

19 What is clear, however, is that a balancing account will not reduce the frequency of rate
20 changes, or minimize fluctuation of rate levels, relative to the existing methodology that is in
21 use today. Use of a rolling average is specifically designed for the purpose of minimizing
22 fluctuations of rate levels, allowing for only incremental changes to the accrual level as large
23 storms are reflected in the ten-year averaging period, and as other storms subsequently roll-out
24 of the ten-year period.

1 In fact, for the year PGE cites as evidence of the need for a balancing account, 2017,
2 PGE has filed a deferral to recover these costs. AWEC intends to oppose that deferral in that
3 docket and at the appropriate time. For purposes of this case, it is important to note that PGE's
4 proposed balancing account would obviate the need for PGE to justify collecting this money
5 from customers, as it will need to do in the deferral docket, since it would occur automatically
6 with a balancing account. PGE should not be able to use one mechanism to avoid what it
7 would otherwise need to do under a different mechanism.

8 **Q. WILL A STORM BALANCING ACCOUNT BETTER MATCH THE COSTS AND**
9 **BENEFITS TO RATEPAYERS?**

10 A. Use of an accrual method is a more equitable method to align the costs and benefits associated
11 with major storms to ratepayers. Major storms occur periodically, and one might take a point
12 of view that matching requires the cost of a major storm to be matched by customers in the
13 year that the major storm occurs. Such treatment is not equitable, however, because it would
14 penalize those customers who so happen to be customers of the Company in the particular year
15 when the large storm occurred. In addition to avoiding unnecessary rate fluctuations, using the
16 average ensures that ratepayers are contributing a relatively consistent amount towards storm
17 costs in each year, and transitioning to dollar-for-dollar tracking will not result in any better
18 matching between costs and benefits.

19 **Q. PLEASE SUMMARIZE YOUR RESPONSE WITH RESPECT TO PGE'S PROPOSED**
20 **STORM BALANCING ACCOUNT.**

21 A. AWEC continues to oppose PGE's storm balancing account. The existing mechanisms provide
22 PGE with adequate cost recovery and PGE has not demonstrated that a balancing account is
23 necessary.

III. ASSOCIATED ENERGY STORAGE

Q. IS PGE STILL PROPOSING TO RECOVER ALL ENERGY STORAGE THROUGH ITS RENEWABLE ADJUSTMENT CLAUSE TARIFF (“RAC”)?

A. Yes. PGE continues to propose to include all energy storage in the RAC, irrespective of whether it is associated with renewable energy resources. In Opening Testimony, I recommended PGE be allowed to revise Schedule 122 to include the exact phrase “associated energy storage” as included in SB 1547 and not simply “energy storage” as PGE had proposed. In its Rebuttal Testimony, PGE agreed with my recommendation to include the term “associated energy storage” in the tariff. Notwithstanding, PGE has taken the position that energy storage used to integrate renewables throughout the system meets the definition of “associated energy storage,” and PGE requests the Commission affirm its position.^{3/}

Q. IS THE AFFIRMATION PGE SEEKS APPROPRIATE FOR THIS PROCEEDING?

A. No. The affirmation PGE seeks is unnecessary, untimely, and unsupported. Such a declaration by the Commission could have far-reaching consequences, since just about any form of interconnected energy storage would constitute “associated energy storage” under PGE’s definition.

First, PGE has made no concrete proposal to construct or acquire energy storage, which might be reviewed by the parties as potentially being associated with renewables. Without any concrete proposal before the Commission, it is simply not necessary at this time for the Commission to make a blanket policy decision regarding the types of energy storage that may be recovered through the RAC.

^{3/} Exhibit PGE/2400 at 9:20-23.

1 Second, a policy decision on the types of energy storage that constitute “associated
2 energy storage” will impact all investor-owned electric utilities in Oregon. Requesting a
3 blanket affirmation on energy storage is not appropriate for PGE’s rate case. Rather, a
4 rulemaking or other investigatory proceeding is a better forum to consider the issues
5 surrounding the phrase “associated energy storage.”

6 Third, PGE has offered little more than a paragraph of unsupported statements to
7 support its position.^{4/} PGE makes statements such as “Energy storage resources can be rapidly
8 dispatched, deployed at large or very small scales due to their modularity, can be relatively
9 easily sited and quickly developed, and have zero direct emissions.” PGE also states
10 “Renewable resources require a flexible grid, and storage has the potential to provide the types
11 of balancing and distribution services that are needed to do that.” These statements, however,
12 have no bearing on whether any particular energy storage resource is associated with
13 renewable energy, and are hardly a record upon which the Commission might make the
14 sweeping policy declaration PGE is seeking. As I noted in my Opening Testimony, every one
15 of PGE’s generation resources could be considered to be “associated” with renewable energy
16 under PGE’s reading of that word, but such a reading would make “associated” meaningless in
17 the statute.^{5/} PGE wholly failed to respond to this argument.

18 I continue to recommend the Commission decline to affirm PGE’s understanding with
19 respect to energy storage.

20 **Q. DOES THIS CONCLUDE YOUR OPENING TESTIMONY?**

21 **A. Yes.**

^{4/} Id. at 9:24-10:9.
^{5/} Exhibit AWEC/200 at 52:21-53:7.