

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION	)	
	)	
Complainant,	)	
	)	DOCKET UE-161204
v.	)	
	)	
PACIFIC POWER & LIGHT	)	
COMPANY,	)	
	)	
Respondent.	)	
	)	

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**CROSS-ANSWERING TESTIMONY OF BRADLEY G. MULLINS  
ON BEHALF OF BOISE WHITE PAPER, L.L.C.**

**May 17, 2017**

## **EXHIBIT LIST**

Exhibit BGM-5: Data Responses

1 **Q. ARE YOU THE SAME BRADLEY G. MULLINS THAT FILED RESPONSE**  
2 **TESTIMONY IN THIS PROCEEDING?**

3 A. Yes. I previously filed Response Testimony on behalf of Boise White Paper, L.L.C.  
4 (“Boise”), which is served by Pacific Power & Light Company (“Pacific Power” or the  
5 “Company”).

6 **Q. WHAT IS THE PURPOSE OF YOUR CROSS-ANSWERING TESTIMONY?**

7 A. My Cross-Answering Testimony responds to certain positions taken by Washington  
8 Utilities and Transportation Commission (“WUTC” or the “Commission”) Staff and the  
9 Washington State Office of the Attorney General, Public Counsel Unit (“Public  
10 Counsel”).

11 **Q. DO YOU HAVE ANY CONCERNS WITH PUBLIC COUNSEL’S RESPONSIVE**  
12 **TESTIMONY AND POSITIONS IN THIS CASE?**

13 A. Yes. I agree with Public Counsel witness Ms. Kathleen A. Kelly’s ultimate  
14 recommendation, which is for the Commission to “deny Pacific Power’s proposed  
15 revision to Rule 6 and Schedule 300.”<sup>1/</sup> That said, I have two primary concerns with Ms.  
16 Kelly’s testimony. First, I disagree with certain Public Counsel recommendations, which  
17 would apply in the event that the Commission does approve any Net Removal Tariff  
18 revisions. Second, I am concerned that Public Counsel testimony and later discovery  
19 responses demonstrate an over-reliance upon Company representations of facts.

20 **Q. WHAT SPECIFIC CONCERNS DO YOU HAVE WITH PUBLIC COUNSEL**  
21 **RECOMMENDATIONS?**

22 A. If the Commission approves Net Removal Tariff revisions, Ms. Kelly recommends that a  
23 Stranded Cost Recovery Fee be calculated by “[m]ultiplying average revenue per

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<sup>1/</sup> Kelly, Exh. KAK-1T at 59:16-17.

1 customer times 3.0 for Residential customers and 4.5 for Non-Residential customers.”<sup>2/</sup>  
2 Ms. Kelly provides no compelling basis in her testimony, however, for having different  
3 treatment for residential and non-residential customers. Ms. Kelly testifies that “a six-  
4 year horizon, which corresponds to a multiple of 3.0, as shown in Table 3” of her  
5 testimony, should be used for any stranded cost calculations.<sup>3/</sup> In Ms. Kelly’s Table 3,  
6 however, the 3.0 factor was the “*Non-Residential Revenue Multiplier*,” measuring a  
7 timeframe analysis of 6 years.<sup>4/</sup>

8 I find it somewhat strange that Ms. Kelly has used a 3.0 multiplier calculated for  
9 non-residential customers to justify a lower stranded cost fee for residential customers. I  
10 find it even more perplexing, however, that Ms. Kelly does not propose the same  
11 treatment for non-residential customers, when it is the non-residential calculations that  
12 Ms. Kelly relied upon to justify the change.

13 In any case, Ms. Kelly testifies that “Non-Residential customers’ fees should be  
14 determined by a multiplier as originally proposed because these customers are *likely* to  
15 depart upon being offered incentives from a competitive supplier.”<sup>5/</sup> In my opinion,  
16 however, Ms. Kelly’s recommendation for different treatment for non-residential  
17 customers is not supported by rigorous analysis, and would be discriminatory.

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<sup>2/</sup> Id. at 59:17-22.

<sup>3/</sup> Id. at 47:7-14.

<sup>4/</sup> Id. at 29:6, Table 3 (emphasis added).

<sup>5/</sup> Id. at 45:16-18 (emphasis added).

1 **Q. DO YOU OTHER HAVE CONCERNS OVER THE WAYS MS. KELLY HAS**  
2 **CHARACTERIZED THE COMPANY’S FILING?**

3 A. Yes. Many of Ms. Kelly’s conclusions appear to rely predominantly on Company  
4 representations, rather than independent research or analysis.<sup>6/</sup> For example, Public  
5 Counsel confirms in discovery that Ms. Kelly “relied on testimony” from Pacific Power  
6 and made conclusions on competitive issues that were “informed by the Company’s  
7 claim.”<sup>7/</sup>

8 **Q. WHAT IS YOUR RESPONSE TO STAFF’S DISCUSSION OF BANDED RATES?**

9 A. Staff witness Mr. David J. Panco has suggested that a banded rate approach could  
10 possibly be applicable to the Company’s concerns with competing utilities.<sup>8/</sup> I do not  
11 necessarily disagree that banded rates may be a reasonable means to address the  
12 Company’s competitiveness concerns. Notwithstanding, such a proposal is better  
13 considered in Pacific Power’s next general rate case. I do not understand Mr. Panco to be  
14 suggesting that the Company should file a banded rate proposal in this proceeding or  
15 outside a general rate case,<sup>9/</sup> although I do think it worth emphasizing that such a  
16 relatively novel approach should be thoroughly vetted in the context of a larger rate  
17 proceeding.

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<sup>6/</sup> See, e.g., id. at 4:9-18; id. at 10:14-18; id. at 22:9-18 & nn.37-39; id. at 43:10-21; id. at 48:4-18 & nn.78-83; id. at 53:2-3; id. at 57:16-22; id. at 58:9-11.

<sup>7/</sup> See, e.g., Exh. BGM-5 at 1 (Public Counsel’s Response to Columbia Rural Electric Association (“Columbia REA”) Data Request (“DR”) 002(a)); id. at 2 (Public Counsel’s Response to Columbia REA DR 003).

<sup>8/</sup> Panco, Exh. DJP-1T at 25:1-15.

<sup>9/</sup> See Exh. BGM-5 at 8-11 (Staff’s Responses to Pacific Power DRs 5, 6, 10 & 12).

1 **Q. DOES THE POLICY ANALYSIS OF STAFF WARRANT FURTHER**  
2 **CONSIDERATION?**

3 A. Yes. Given Company concerns over the state of a “regulatory compact” in  
4 Washington,<sup>10/</sup> Staff has some interesting and thoughtful perspectives that may merit  
5 future consideration by the Commission, both in this docket and more generally in larger  
6 rate and policy proceedings. For instance, in express recognition of state statutes, Staff  
7 notes that “[t]he regulatory compact metaphor does not fully or accurately describe  
8 Washington law.”<sup>11/</sup> Also, Staff provides supporting documentation regarding the  
9 fundamentals of the “regulatory compact” concept “which informed the development of  
10 Staff’s testimony.”<sup>12/</sup> The analysis provided by Staff contains highly informative  
11 considerations of the “used and useful” standard, U.S. Supreme Court precedent, and the  
12 components of the “regulatory compact” metaphor that are sometimes taken for granted,  
13 yet appear worthy of further consideration.<sup>13/</sup>

14 **Q. DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?**

15 A. Yes.

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<sup>10/</sup> Dalley, Exh. RBD-1T at 3:10-16.

<sup>11/</sup> Exh. BGM-5 at 3 (Staff’s Response to Pacific Power DR 1).

<sup>12/</sup> Id. at 3-7 (Staff’s Response to Pacific Power DR 1 & “attached article by Scott Hempling”).

<sup>13/</sup> Id.