

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
	)	DOCKETS UE-180899 and
Complainant,	)	UG-180900 (Consolidated)
	)	
v.	)	
	)	
PUGET SOUND ENERGY	)	
	)	
Respondent.	)	
_____	)	

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

**January 30, 2019**

1 **I. INTRODUCTION AND SUMMARY**

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

3 A. My name is Bradley G. Mullins, and my business address is 1750 SW Harbor Way, Suite  
4 450, Portland, Oregon 97201.

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

7 A. I am an independent consultant representing energy and utility customers in jurisdictions  
8 around the United States. I am testifying on behalf of the Alliance of Western Energy  
9 Consumers (“AWEC”). AWEC is non-profit trade association whose members are large  
10 customers of utilities located throughout the Pacific Northwest, including customers of  
11 Puget Sound Energy (“Puget”).

12 **Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS.**

13 A. I have been performing independent utility consulting services on matters such as power  
14 costs, revenue requirement, rate spread and rate design for approximately five years, and  
15 have sponsored testimony in several regulatory jurisdictions, including before the  
16 Washington Utilities and Transportation Commission (“Commission”). A list of  
17 regulatory proceedings in which I have sponsored testimony can be found in Exhibit No.  
18 BGM-2. Previously, I worked at PacifiCorp as an analyst involved in power supply cost  
19 forecasting. I also previously worked at Deloitte, where I ultimately specialized in  
20 research and development tax incentives. I have a Master of Science degree in  
21 Accounting from the University of Utah.

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

2 A. I provide AWEC's statement in support of the Settlement Stipulation and Agreement  
3 ("Stipulation") entered into by and between the parties to this proceeding.

4 **Q. DOES AWEC SUPPORT THE STIPULATION AS A REASONABLE**  
5 **RESOLUTION OF ALL ISSUES IN THIS PROCEEDING?**

6 A. Yes.

7 **Q. WHAT ARE THE KEY TERMS OF THE STIPULATION FROM AWEC'S**  
8 **PERSPECTIVE?**

9 A. AWEC sees three primary benefits from the Stipulation. First, it provides a zero net rate  
10 increase for electric customers. The impact is "net" because it is inclusive of certain  
11 Excess Deferred Federal Income Tax ("EDFIT) amortization amounts beginning March  
12 1, 2019. As a part of the Settlement, the parties agree to protected/plus EDFIT  
13 amortization of \$25,924,461 for power and \$6,098,128 for natural gas through a separate  
14 rate schedule 141X.

15 Second, the Stipulation reserves ratemaking treatment for all other remaining  
16 items associated with tax reform for Puget's next general rate case.

17 Finally, the Stipulation limits the net rate increase for all gas customers to 2.9%,  
18 or \$21,466,953 overall, including Puget's transportation customers. The gas and electric  
19 revenue requirement amounts were settled as a "black box," because parties had various  
20 opinions regarding which adjustments were necessary to arrive at the final revenue  
21 requirement result.

22 **Q. WHAT ARE THE REMAINING TAX REFORM ISSUES SUBJECT TO**  
23 **RATEMAKING IN PUGET'S NEXT GENERAL RATE CASE?**

24 A. Three remaining tax reform issues will be subject to litigation in Puget's next general rate  
25 case: 1) protected-plus EDFIT amortization for the period January 1, 2018 through

1 February 28, 2019; 2) unprotected EDFIT amortization; and 3) interim period tax  
2 expense savings over the period January 1, 2018 to April 30, 2018.

3 **Q. WHY WAS AWEC WILLING TO SUPPORT THE REVENUE REQUIREMENT**  
4 **AMOUNTS IN THE STIPULATION?**

5 A. For power, the Stipulation reduced the impact of the rate increase from 0.9% to zero, plus  
6 the stipulation reserved the ratemaking treatment associated with the remaining items of  
7 tax reform for Puget's next general rate proceeding. AWEC found this approach to be  
8 reasonable since many issues we had identified were related to these remaining tax  
9 reform issues and customers will receive the benefits associated with the remaining tax  
10 reform items in the next general rate case.

11 For natural gas, the stipulation keeps the approximate 2.9% rate increase Puget  
12 proposed in its initial filing. This resolution was satisfactory to AWEC because the  
13 natural gas business line was showing a revenue deficiency of \$37,470,801 in the revenue  
14 requirement model Puget presented in its initial filing, well above a 3% increase. While  
15 AWEC identified several issues with Puget's revenue requirement calculation, the  
16 adjustments identified were not so significant as to have a high likelihood of reducing the  
17 revenue deficiency to be less than the 3.0% cap imposed on the ERF. Accordingly,  
18 AWEC viewed the 2.9% natural gas rate increase to be reasonable.

19 Further, the Stipulation also limits the rate increase applied to transportation rate  
20 schedules to under 3.0%. In Puget's initial filing, transportation rate schedules were  
21 combined with sales customers rate schedules for purposes of applying the rate increase,  
22 leading to rate increases of 4.9% and 4.1% for schedules 41T and 85T, for example. The  
23 settlement ensures that rate impacts for all gas customer classes are held below 3%.

1 **Q. IS THE STIPULATION IN THE PUBLIC INTEREST AND DOES IT RESULT IN**  
2 **JUST AND REASONABLE RATES?**

3 A. Yes. The Stipulation represents a reasonable compromise of competing positions  
4 advanced by the parties to this case, which all parties were willing to support. It also  
5 leaves for a fuller proceeding more controversial issues so that parties can advance  
6 detailed arguments on these issues and a stronger record on which to make a decision can  
7 be more fully developed. I recommend that the Commission approve the Stipulation as  
8 filed.

9 **Q. DOES THIS CONCLUDE YOUR SETTLEMENT TESTIMONY?**

10 A. Yes.