Exhibit No. BGM-10T
Docket UE-152253
Witness: Bradley G. Mullins

BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PACIFIC POWER & LIGHT COMPANY, Respondent.	DOCKET UE-152253

CROSS-ANSWERING TESTIMONY OF BRADLEY G. MULLINS

ON BEHALF OF

BOISE WHITE PAPER, L.L.C.

April 7, 2016

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

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

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

A. My Cross-Answering Testimony makes one clarification and correction to my policy recommendation regarding accelerated deprecation for the Company's coal facilities. In addition, I respond to certain revenue requirement proposals presented by Staff and Public Counsel, as well as to Staff's support of a rate plan with a second rate increase.

Q. WHAT IS YOUR CLARIFICATION AND CORRECTION REGARDING YOUR RESPONSE TESTIMONY ON ACCELERATED DEPRECIATION?

A. In my Response Testimony, I stated that the Company planned to reduce the depreciable lives of both Jim Bridger *and* Colstrip to 2025. This was an error. While the Company did propose to reduce the depreciable life of Jim Bridger to 2025, the Company proposed to reduce the depreciable life of Colstrip to 2032. To clarify, provided that the Commission adopts a policy to exclude from rates the costs meant to extend the economic life of coal facilities (such as the Jim Bridger SCRs), I am not opposed to the Company's proposal to accelerate depreciation of its coal facilities, including a 2025 depreciable life for Jim Bridger *and* a 2032 depreciable life for Colstrip.

Q. HAVE YOU UPDATED YOUR REVENUE REQUIREMENT CALCULATIONS IN RESPONSE TO OTHER PARTIES?

A. Yes. See Table 1-CA, below.

Table 1-CA

Rate Base, Net Operating Income, and Revenue Requirement Impacts of Proposed and Accepted Adjustments from Company Filing

		Rate Base	Operating Income*	Revenue Requirement Deficiency
Company Filing		$ 838,124,164	$ 54,518,748	$ 10,746,470
Adjustments From Company Filing:				
BWP-A	Jim Bridger Unit 3 SCR Investments	(12,336,974)	489,175	(2,241,065)
BWP-B	Bonus Depreciation	(2,441,357)	(22,508)	(251,091)
BWP-C	Pro Forma Capital Reduction	(2,148,791)	87,781	(394,495)
BWP-D	Reject EOP Rate Base	(12,172,852)	(112,226)	(1,251,963)
BWP-E	Colstrip O&M	-	635,930	(1,025,462)
BWP-F	Transmission O&M	-	704,339	(1,135,774)
BWP-G; PC-2, PC-3	Pension and OPEB	-	167,062	(269,394)
BWP-H	General Office Expense	-	345,537	(557,191)
BWP-I	Cholla O&M	-	(63,050)	101,671
BWP-J	EIM Costs	(1,882,496)	80,202	(350,928)
BWP-K	Hydro Deferral Balance	-	85,913	(138,538)
BWP-Z	Balancing Impact of Boise Adjustments	5,690,759	260,228	250,262
PC-1	Employee Reductions	-	426,187	(687,244)
PC-3	Salary Overhead Cost Normalization	-	11,882	(19,161)
Staff-8.2	Environmental Remediation	(326,569)	139,311	(263,086)
Staff-4.9	Memberships & Subscriptions	-	14,967	(24,135)
	Adjusted:	**812,505,884**	**57,769,478**	**2,488,875**
			Normalized Revenues	335,672,661
* Operating Income Excludes NPC			*% Rate Increase*	0.74%

As can be seen from Table 1-CA, even if the Commission accepts the Company's accelerated depreciation proposal, the Company is justified in increasing its rates by only 0.74%. The unique thing about this case is that, if my adjustments are accepted, the State can adopt a policy to accelerate depreciation of coal facilities, with an impact to ratepayers that is less than 1%. In contrast to Staff and Public Counsel—who have both rejected accelerated depreciation and proposed reductions to the Company's revenue requirement in the first rate period—Boise could be willing to accept a 0.74% rate increase, if it means writing off the coal assets more quickly. Provided that the Company is not needlessly adding capital to the facilities, paying off the assets more quickly has the potential to reduce the rate base of the facilities more quickly, saving ratepayers money in the long term.

Q. WHAT REVENUE REQUIREMENT ADJUSTMENTS OF PUBLIC COUNSEL AND STAFF DO YOU SUPPORT?

A. I support the adjustments Ms. Ramas has proposed in relation to the Company's labor model: Adjustments PC-1 through PC-4. In addition, I support Ms. O'Connell's adjustment related to environmental remediation costs,[1/] as well as Ms. Van Meter's recommendation related to memberships and subscriptions.[2/] Updated revenue requirement calculations reflecting these additional adjustments are included in Exh. No. BGM-11.

Q. WHY DO YOU SUPPORT MS. RAMAS' LABOR ADJUSTMENTS?

A. In my view, Ms. Ramas has made a strong case that the Commission should require the Company to update its labor cost calculations to more recent information, in a manner that is generally consistent with the Commission's decision in the 2014 General Rate Case ("GRC"), Dockets UE-140762, *et al*. One of the more compelling pieces of information presented by Ms. Ramas was that employee levels have decreased even more dramatically since the conclusion of the 2014 GRC.[3/] Accordingly, I have accepted Ms. Ramas' labor adjustments, as well as her calculation of the rate base, net operating income, and revenue requirement impact associated with the adjustment for pension and other post-retirement benefits included in my Response Testimony.

1/ Exh. No. ECO-1T at 32:1-33:22.

2/ Exh. No. TMV-1T at 3:10-5:18.

3/ See Exh. No. DMR-1T Revised (4/01/16) at 35:19-36:5.

Q. TURNING TO THE RATE PLAN, DO YOU AGREE WITH MR. BALL THAT THE SECOND RATE INCREASE IS APPROPRIATE?

A. No. Mr. Ball supports the second year rate increase because the "near constant flow of general rate cases wearies ratepayers with more frequent rate changes." [4/] Mr. Ball also suggests that the current pattern of rate cases "apparently fails to yield stable revenues for the companies."[5/] I disagree that these are appropriate reasons to adopt a rate plan. Agreeing to two successive rate increases does not reduce the frequency of rate changes to ratepayers. While doing so may reduce the administrative burden to the parties, from a customer perspective, a rate plan would maintain the status quo pattern of annual rate increases over the coming years.

In addition, my view is that the Company's returns have been quite stable in recent years. Based on the Company's calculations, it achieved a return on equity ("ROE") of 8.2% and 7.5% in 2013 and 2014, respectively.[6/] In fact, based on the Company's most recently filed results of operations, I calculate that the Company earned an ROE of approximately 9.56% in calendar year 2015.[7/] From my perspective, these returns indicate that recent rate cases have provided the Company with the opportunity to earn a reasonable return.

4/ Exh. No. JLB-1T at 17:1-2.

5/ Id. at 17:3.

6/ Exh. No. RBD-1T at 9, Table 1.

7/ See Docket UE-160351, Initial Filing. ROE was calculated using the net operating income ($57.7 m) and rate base ($786.6 m) presented on Page 2.2 of the Company's initial filing, based on the cost of capital parameters proposed in this proceeding.

Q. DO YOU AGREE WITH MR. BALL'S PROPOSED PARAMETERS FOR A SECOND YEAR RATE INCREASE?

A. Mr. Ball recommends that the second year rate increase be implemented through an attestation and prudence review.[8/] Absent the opportunity to review all aspects of the Company's revenue requirement—to determine if there are any factors that may offset the second year rate increase—an attestation and prudence review will do little to assure customers that the Company's rates in the second period are reasonable. Irrespective of whether there is an attestation and prudence review, the request is still single-issue ratemaking, which is generally not fair to ratepayers for the reasons discussed in my Response Testimony

Q. DOES THIS CONCLUDE YOUR CROSS-ANSWERING TESTIMONY?

A. Yes.

8/ Exh. No. JLB-1T at 24:15-28:12.