

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255

TELECOPIER (513) 421-2764

Via Electronic Mail - puc.filingcenter@state.or.us

June 6, 2018

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97301-3398
Attn: Filing Center

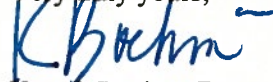
Re: Case No. UE-335

Dear Sir or Madam:

Please find attached the OPENING TESTIMONY OF JUSTIN BIEBER on behalf of THE KROGER CO. AND QUALITY FOOD CENTERS, DIVISION OF THE FRED MEYER STORES, INC. for filing in the above referenced matter.

Copies have been served on all parties of record. Please place this document of file.

Very truly yours,



Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

BOEHM, KURTZ & LOWRY

KJBkew

Enclosure

cc: Certificate of Service

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 335

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

**OPENING TESTIMONY OF
JUSTIN BIEBER
ON BEHALF OF
FRED MEYER STORES**

JUNE 6, 2018

1 **OPENING TESTIMONY OF JUSTIN BIEBER**

2

3 **Introduction**

4 **Q. Please state your name and business address.**

5 A. My name is Justin Bieber. My business address is 215 South State Street,
6 Suite 200, Salt Lake City, Utah 84111.

7 **Q. By whom are you employed and in what capacity?**

8 A. I am a Senior Consultant at Energy Strategies, LLC. Energy Strategies is
9 a private consulting firm specializing in economic and policy analysis applicable
10 to energy production, transportation, and consumption.

11 **Q. On whose behalf are you testifying in this proceeding?**

12 A. My testimony is being sponsored by Fred Meyer Stores and Quality Food
13 Centers (“Fred Meyer”), divisions of The Kroger Co. Kroger receives most of its
14 service from Portland General Electric (“PGE”) under rate Schedule 485.

15 **Q. Please describe your professional experience and qualifications.**

16 A. My academic background is in business and engineering. I earned a
17 Bachelor of Science in Mechanical Engineering from Duke University in 2006
18 and a Master of Business Administration from the University of Southern
19 California in 2012. In 2017, I completed Practical Regulatory Training for the
20 Electric Industry sponsored by the New Mexico State University Center for
21 Public Utilities and the National Association of Regulatory Utility
22 Commissioners. I am also a registered Professional Civil Engineer in the state of
23 California.

1 I joined Energy Strategies in January 2017, where I provide regulatory and
2 technical support on a variety of energy issues, including regulatory services,
3 transmission and renewable development, and financial and economic analyses.
4 During the time I have worked at Energy Strategies I have provided analytical
5 support for the development of testimonies before several different state utility
6 regulatory commissions.

7 Prior to joining Energy Strategies, I held positions at Pacific Gas and
8 Electric Company as Manager of Transmission Project Development, ISO
9 Relations and FERC Policy Principal, and Supervisor of Electric Generator
10 Interconnections. During my career at Pacific Gas and Electric Company, I
11 supported multiple facets of utility operations, and led efforts in policy,
12 regulatory, and strategic initiatives, including support developing testimonies and
13 comments at the FERC, California ISO, and the California Public Utility
14 Commission.

15 **Q. Have you testified previously before this Commission?**

16 **A.** No. This is my first opportunity to testify before the Public Utility
17 Commission of Oregon (Commission).

18 **Q. Have you filed testimony previously before any other state utility regulatory**
19 **commissions?**

20 **A.** Yes. I have filed testimony before the Indiana Utility Regulatory
21 Commission, the Kentucky Public Service Commission, and the North Carolina
22 Utilities Commission.

23

1 **Overview and Conclusions**

2 **Q. What is the purpose of your opening testimony in this proceeding?**

3 A. My testimony addresses PGE's proposed customer impact offset (CIO)
4 and the amortization of the excess accumulated deferred income tax (ADIT)
5 resulting from recent legislative tax changes, referred to as the Tax Plan.

6 **Q. What are your primary conclusions and recommendations?**

7 A. I support PGE's proposal not to include any impact offset amount for
8 Schedule 485 through its CIO because it maintains the alignment between cost
9 causation and cost recovery. I also support PGE's proposal to begin amortizing
10 the excess ADIT immediately. PGE should return the protected excess ADIT as
11 quickly as allowed under the rules of the Tax Plan without incurring a
12 normalization violation.

13

14 **Customer Impact Offset (CIO)**

15 **Q. What general guidelines should be employed in spreading any change in**
16 **rates?**

17 A. In determining rate spread, or revenue apportionment, it is important to
18 align rates with cost causation, to the greatest extent practicable. Properly
19 aligning rates with the costs caused by each customer group is essential for
20 ensuring fairness, as it minimizes cross subsidies among customers. It also sends
21 proper price signals, which improves efficiency in resource utilization.

22 At the same time, it can be appropriate to mitigate the impact of moving
23 immediately to cost-based rates for customer groups that would experience

1 significant rate increases from doing so by employing the ratemaking principle of
2 gradualism. When employing this principle, it is important to adopt a long-term
3 strategy of moving in the direction of cost causation, and to avoid practices that
4 result in permanent cross-subsidies from other customers.

5 **Q. How does PGE allocate costs amongst customer classes?**

6 A. PGE uses its Marginal Cost of Service Study to guide the allocation of the
7 functional revenue requirements. In some cases, PGE uses the CIO to offset costs
8 or rate impacts for certain rate schedules.

9 **Q. Has PGE proposed any CIO charges or credits for Schedule 485?**

10 A. No, PGE has not proposed any CIO charges or credits for Schedule 485.

11 **Q. What is your recommendation regarding this element of PGE's proposed
12 rate spread?**

13 A. I support PGE's proposal not to include any CIO charges for Schedule
14 485. This aligns the cost recovery for Schedule 485 with the underlying costs, as
15 determined by PGE's Marginal Cost of Service Study.

16

17 **Tax Plan Impacts**

18 **Q. What are the impacts of the recent tax legislation on PGE's proposed
19 revenue requirement?**

20 A. The Tax Plan includes several tax changes that impact PGE's proposed
21 revenue requirement. The most significant change results from the reduction of
22 the Federal Income Tax (FIT) rate from 35 percent to 21 percent. According to
23 PGE witnesses Alex Tooman and Marco Espinoza, the other changes include a

1 reduction of PGE's ADIT liability, elimination of the Domestic Production
2 Activities Deduction, adjustment of production tax credits (PTCs) in power costs
3 due to the lower gross-up for taxes, and the reversal of the excess ADIT.

4 **Q. What is excess Accumulated Deferred Income Tax (ADIT)?**

5 A. Deferred income tax liabilities are created when the tax expense on the
6 Company's tax returns are greater than the related tax expenses on the regulatory
7 books. Eventually, these temporary differences reverse when the regulatory tax
8 expense becomes greater than the expense on the tax return. These differences
9 are held in an ADIT liability account to pay back the future taxes. Excess ADIT
10 occurs because the amount of tax liability held to pay back future taxes was
11 previously based on the expectation that the taxes would be paid at the FIT rate of
12 35 percent. Now that the FIT rate is 21 percent, a portion of that ADIT account is
13 now in excess of the future tax liability. This excess ADIT needs to be returned
14 to customers.

15 There are two categories of excess ADIT: protected and unprotected. For
16 the protected excess ADIT, the Tax Plan requires that the amortization not occur
17 more rapidly than it would occur using the average rate assumption method
18 (ARAM), in order to avoid a normalization violation that would result in a tax
19 penalty. Amortizing the excess ADIT using the ARAM would essentially
20 amortize the excess ADIT over the useful life of the underlying assets. However,
21 the ARAM constraint does not apply to unprotected excess ADIT, and the
22 appropriate reversal period for this category is within the Commission's
23 discretion.

1 **Q. How does PGE propose to return the excess ADIT to customers?**

2 A. PGE witnesses Tooman and Espinoza explain that PGE calculated the
3 amortization rate for the excess ADIT using the ARAM, resulting in an income
4 tax expense reduction of \$7.0 million.

5 **Q. What is your assessment of PGE's proposal to return the excess ADIT to**
6 **customers?**

7 A. I support PGE's proposal to begin returning the excess ADIT to customers
8 immediately. At the time of this filing, I am still seeking clarification through
9 discovery regarding PGE's calculation of the amortization amount for the excess
10 reversal. The protected excess ADIT should be returned to customers as quickly
11 possible, subject to the timing constraints of the ARAM.

12 **Q. Does this conclude your opening testimony?**

13 A. Yes, it does.

BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UE 335

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

AFFIDAVIT OF JUSTIN BIEBER

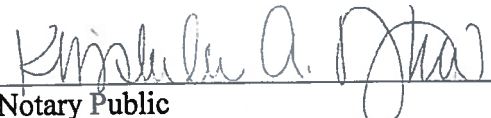
STATE OF UTAH)
)
COUNTY OF SALT LAKE)

Justin Bieber, being first duly sworn, deposes and states that:

1. He is a Senior Consultant with Energy Strategies. L.L.C., in Salt Lake City, Utah;
2. He is the witness who sponsors the accompanying testimony entitled "Opening Testimony of Justin Bieber;"
3. Said testimony was prepared by him and under his direction and supervision;
4. If inquiries were made as to the facts and schedules in said testimony he would respond as therein set forth; and
5. The aforesaid testimony and schedules are true and correct to the best of his knowledge, information and belief.


Justin Bieber

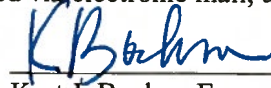
Subscribed and sworn to or affirmed before me this 6th day of June, 2018, by Justin Bieber.


Notary Public



CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served via electronic mail, unless otherwise noted, this 6th day of June, 2018.



Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.

STEPHANIE S ANDRUS
PUC STAFF--DEPARTMENT OF JUSTICE

BUSINESS ACTIVITIES SECTION
1162 COURT ST NE
SALEM OR 97301-4096
stephanie.andrus@state.or.us

SOMMER MOSER
PUC STAFF - DEPARTMENT OF JUSTICE

1162 COURT ST NE
SALEM OR 97301
sommer.moser@doj.state.or.us

ALBERTSONS

BRIAN BETHKE
11555 DUBLIN CANYON ROAD

250 PARKCENTER BLVD
BOISE ID 83706
brian.bethke@albertsons.com

CHRIS ISHIZU
ALBERTSONS COMPANIES, INC.

250 PARKCENTER BLVD
BOISE ID 83706
chris.ishizu@albertsons.com

GEORGE WAIDELICH
ALBERTSONS COMPANIES' INC.

11555 DUBLIN CANYON ROAD
PLEASANTON OR 94588
george.waidelich@albertsons.com

AWEC UE 335

BRADLEY MULLINS (C)
MOUNTAIN WEST ANALYTICS

1750 SW HARBOR WAY STE 450
PORTLAND OR 97201
brmullins@mwanalytics.com

TYLER C PEPPE (C)
DAVISON VAN CLEVE, PC

1750 SW HARBOR WAY STE 450
PORTLAND OR 97201
tcp@dvclaw.com

ROBERT SWEETIN (C)
DAVISON VAN CLEVE, P.C.

185 E. RENO AVE, SUITE B8C
LAS VEGAS NV 89119
rds@dvclaw.com

CALPINE SOLUTIONS

GREGORY M. ADAMS (C)
RICHARDSON ADAMS, PLLC

PO BOX 7218
BOISE ID 83702
greg@richardsonadams.com

GREG BASS
CALPINE ENERGY SOLUTIONS, LLC

401 WEST A ST, STE 500
SAN DIEGO CA 92101
greg.bass@calpinesolutions.com

KEVIN HIGGINS (C)
ENERGY STRATEGIES LLC

215 STATE ST - STE 200
SALT LAKE CITY UT 84111-2322
khiggins@energystrat.com

NIPPC

ROBERT D KAHN
NORTHWEST & INTERMOUNTAIN POWER
PRODUCERS COALITION

PO BOX 504
MERCER ISLAND WA 98040
rkahn@nippc.org

IRION A SANGER (C)
SANGER LAW PC

1117 SE 53RD AVE
PORTLAND OR 97215
irion@sanger-law.com

SIDNEY VII LANIEVA (C)

1117 SE 53RD AVE

SANGER LAW, PC

PORTLAND OR 97215
sidney@sanger-law.com

OREGON CITIZENS UTILITY BOARD

OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400
PORTLAND OR 97205
dockets@oregoncub.org

MICHAEL GOETZ (C)
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY STE 400
PORTLAND OR 97205
mike@oregoncub.org

ROBERT JENKS (C)
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400
PORTLAND OR 97205
bob@oregoncub.org

PACIFICORP

PACIFICORP, DBA PACIFIC POWER

825 NE MULTNOMAH ST, STE 2000
PORTLAND OR 97232
oregondockets@pacificorp.com

MATTHEW MCVEE
PACIFICORP

825 NE MULTNOMAH
PORTLAND OR 97232
matthew.mcvee@pacificorp.com

PORTLAND GENERAL ELECTRIC

PGE RATES & REGULATORY AFFAIRS

PORTLAND GENERAL ELECTRIC
COMPANY
121 SW SALMON STREET, 1WTC0306
PORTLAND OR 97204
pge.opuc.filings@pgn.com

STEFAN BROWN (C)
PORTLAND GENERAL ELECTRIC

121 SW SALMON ST, 1WTC0306
PORTLAND OR 97204
stefan.brown@pgn.com;
pge.opuc.filings@pgn.com

DOUGLAS C TINGEY (C)
PORTLAND GENERAL ELECTRIC

121 SW SALMON 1WTC1301
PORTLAND OR 97204
doug.tingey@pgn.com

SBUA

JAMES BIRKELUND
SMALL BUSINESS UTILITY ADVOCATES

548 MARKET ST STE 11200
SAN FRANCISCO CA 94104
james@utilityadvocates.org

DIANE HENKELS (C)
CLEANTECH LAW PARTNERS PC

420 SW WASHINGTON ST STE 400
PORTLAND OR 97204
dhenkels@cleantechlaw.com

STAFF

MARIANNE GARDNER (C)
PUBLIC UTILITY COMMISSION OF OREGON

PO BOX 1088
SALEM OR 97308-1088
marianne.gardner@state.or.us

WALMART

VICKI M BALDWIN (C)
PARSONS BEHLE & LATIMER

201 S MAIN ST STE 1800
SALT LAKE CITY UT 84111
vbaldwin@parsonsbehle.com

STEVE W CHRISS (C)
WAL-MART STORES, INC.

2001 SE 10TH ST
BENTONVILLE AR 72716-0550
stephen.chriss@wal-mart.com