

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of Otter Tail Power
Company's Petition for Approval of the
Customer Eligibility, Updated Baseline
and Annual Update to its Energy-
Intensive, Trade-Exposed Rider
Surcharge Rate

PUC Docket No. E-017/M-21-99

TESTIMONY
of
MARK RASMUSSEN

ON BEHALF OF
OTP-EITE

January 29, 2021

1 **I. INTRODUCTION AND QUALIFICATIONS**

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3 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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5 A. I am Mark Rasmussen and my business address is 707 SW Washington Street, Suite 1300,
6 Portland, OR 97205.

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8 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

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10 A. I am employed by Mason, Bruce & Girard, Inc. as the manager of the Forest Planning and
11 Economics Group. I am the senior partner of the firm.

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14 Q. PLEASE BRIEFLY OUTLINE YOUR WORK IN THIS POSITION.

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16 A. I direct the company's work related to forest economics, forest valuation, forest land
17 management planning, timber and product market analysis, timberland acquisition, and public land
18 management policy.

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20 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
21 PROFESSIONAL EXPERIENCE.

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23 A. I have a Bachelor of Science in Environmental Studies with a Minor in Economics from
24 Utah State University, where I graduated as valedictorian of the College of Natural Resources and
25 nominee of the Robins Scholar of the Year award. I have a Master of Science in Forest
26 Science/Economics from Utah State University, where I completed a thesis entitled "Two
27 Conceptual Approaches to Land Allocation in NFMA Forest Planning."

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29 In 2017 I offered testimony to the Minnesota Public Utilities Commission in support of
30 Otter Tail Power's petition to offer EITE rates to three wood processing facilities. From 1996 to
31 the present, I have been involved with long-term planning and/or appraisal on over 240 timberland
32 properties totaling more the 78 million acres of private, federal, state, and tribal timberlands at
33 Mason, Bruce & Girard. I have served as Project Manager on a variety of projects for public and
34 private clients. As relevant to my work on this petition, I am completing a study of the financial
35 and economic impacts to counties and taxing districts as a result of the state of Washington's
36 practices to provide habitat for the Marbled Murrelet. I directed projects to determine the financial
37 and economic impacts of forest restoration efforts in Eastern Oregon, Eastern Washington, and
38 Northern California. I have reported to the California Public Utilities Commission about that
39 state's efforts to facilitate forest restoration by providing favorable power rates to power generating
40 facilities fueled by biomass from High Hazard Zones. I have overseen a report on the economic
41 contribution of Oregon's forest and wood products manufacturing sector addressing forest
42 resources and conditions, employment and income in the forest sector, and trends, opportunities,
43 and challenges facing Oregon's forest sector. I have also testified as an expert witness in a variety
44 of forestry-related litigation, legislative, and agency hearings. Since 2008, I have served as a
45 member of the Oregon Governor's Council of Economic Advisors. From 1987 to 1996, I was a
46 Forest Economist at Timber Data Company, where I collected, edited, analyzed, and reported data

1 about timber sold from public lands, prepared a variety of standard and special reports about public
2 timber sale activity, and edited and published the monthly Stumpage Price Report, quarterly
3 Contract Activity Reports, and the Annual Purchaser Summary. From 1983 to 1987, I was a Policy
4 and Programs Analyst at the National Forest Products Association, where I analyzed the impacts
5 of federal policies affecting supplies of timber from federal lands and helped the industry formulate
6 and accomplish its public timber supply objectives. From 1980 to 1983, I was an Operations
7 Research Analyst at the U.S. Forest Service, where I helped interdisciplinary teams of specialists
8 build forest planning models, interpret results, and develop and analyze NFMA forest plan
9 alternatives.

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11 Q. IN WHAT SECTORS OF THE ECONOMY HAVE YOU PERFORMED ANALYSIS?
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13 A. My work has exclusively concerned the forest products industry.
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15 Q. HAVE YOU PERFORMED COST-BENEFIT ANALYSES AS PART OF YOUR
16 WORK?
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18 A. I have participated and directed several studies in the past that have elements similar to this
19 study. In 2012, I led a team that produced the Oregon Forest Report: 2012, an analysis that
20 described the economic contribution of the forest sector to Oregon's economy. I also led a team
21 that analyzed the social and economic impacts associated with a number of different land
22 management alternatives for the 2.5 million acres of Western Oregon timberland managed by the
23 U.S. Department of Interior's Bureau of Land Management. I led our firm's efforts to help
24 Minnesota Department of Natural Resources prepare long-term forest management plans for the 4
25 million acres managed by the agency. I routinely help clients evaluate investment opportunities
26 using benefit/cost analysis. I am currently helping Oregon counties evaluate the costs and benefits
27 of the state of Oregon's efforts to enter into a habitat conservation plan with the federal
28 government. I have helped Oregon State University project the benefits and costs of acquiring an
29 80,000 acre parcel for research and teaching purposes.
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31 Q. PLEASE PROVIDE AN OVERVIEW OF SUBMISSIONS OR TESTIMONY YOU
32 HAVE GIVEN.
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34 A. I have testified before Congress on several occasions regarding national forest policy,
35 including the economic impacts of listing the spotted owl as an endangered species, and testified
36 as an expert witness in a variety of federal court venues and administrative agencies, including
37 federal tax court, federal district court, U.S. Court of Claims, and the USDI Board of Contract
38 Appeals. I have testified in state courts in Oregon and Montana. I testified before the Minnesota
39 Public Utilities Commission in 2017.
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41 Q. HAVE YOU REVIEWED OTTER TAIL POWER'S PETITION FILED ON FEBRUARY
42 1, 2021 IN THIS DOCKET, ENTITLED "PETITION FOR APPROVAL OF THE CUSTOMER
43 ELIGIBILITY, UPDATED BASELINE AND ANNUAL UPDATE TO ITS ENERGY-
44 INTENSIVE, TRADE-EXPOSED RIDER SURCHARGE RATE"?

45
46 A. Yes.

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2 Q. ARE YOU QUALIFIED TO OFFER EXPERT TESTIMONY ON THE
3 MICROECONOMIC EFFECTS OF OTTER TAIL POWER'S PETITION, SPECIFICALLY
4 THE QUESTION RAISED IN THE PETITION AS TO WHETHER THE PROPOSED EITE
5 RATE, IF APPROVED BY THE COMMISSION, WOULD RESULT IN A NET BENEFIT TO
6 OTTER TAIL POWER OR THE STATE?
7

8 A. Yes.
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10 Q. WHAT IS THE PURPOSE OF YOUR STUDY?
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12 A. The purpose of my study (attached), entitled "Net Impact of the Proposed EITE Rate for
13 Minnesota Wood Products Manufacturers," is to provide a cost-benefit assessment for the
14 Minnesota state economy of Otter Tail Power's continuation of the current EITE rate.
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16 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?
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18 A. I am testifying on behalf of the forest products companies Cass Forest Products; Norbord
19 Minnesota, LLC; and PotlatchDeltic Land & Lumber, LLC (collectively, "OTP-EITE").
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22 Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.
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24 A. My study provides an overview of the myriad benefits to the state provided by the
25 PotlatchDeltic, Norbord, and Cass Forest Products facilities, and compares these benefits to the
26 costs that will result from the EITE rate. I used data from the OTP-EITE companies to determine
27 the direct impact of these businesses on the regional and state economy, employed the
28 methodology from the similar 2017 OTP-EITE petition, with updated IMPLAN multipliers from
29 the AgriGrowth/Decision Innovation Solutions study entitled "2020 Economic Contribution Study
30 of Minnesota Agriculture and Forestry" (hereafter, the DIS Study) to calculate the indirect and
31 induced impacts of these businesses. The direct, indirect, and induced economic activity in the
32 state of Minnesota that can be attributed to the OTP-EITE companies totals \$463,120,408.
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34 I considered cost of the EITE rate to be the power costs transferred from the OTP-EITE
35 companies to the ratepayers. This is \$1,015,245 annually, or an average of \$3.53 annually for
36 residential customers. We used the conservative 1.87 multiplier to estimate the indirect and
37 induced effects, yielding a total cost of \$1,898,508.
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39 To assess whether the benefits of the EITE rate outweigh the costs, we calculated the
40 threshold probability that the EITE rate keeps these facilities viable to determine the required
41 likelihood of success for the benefits to outweigh the costs. In this case, the ratio of cost to benefit
42 (or \$1,898,508:\$463,120,408) is 0.0041 or 0.41%. In other words, the benefits of keeping the mills
43 open will exceed the cost if there is at least a 0.41% chance that the rate reduction will keep the
44 OTP-EITE facilities in business. My opinion is that the benefits to the region and the state of Otter
45 Tail Power's proposed EITE rate are reasonably likely to outweigh the costs to ratepayers,
46 resulting in a net benefit to the State.

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Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.