Q. Please state your name.

A. My name is William R. Griffith.

Q. Are you the same William R. Griffith who has previously filed direct testimony in this proceeding?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony will address the following areas:

1. The Company's proposed rate spread and rate design changes in light of the Stipulation on Certain Revenue Requirement Issues ("Stipulation") approved by the Commission on July 26, 2001
2. The residential inverted rate block proposals of the Division of Public Utilities (DPU) and the Salt Lake Community Action Program/Crossroads Urban Center/Utah Legislative Watch (SLCAP/Crossroads/ULW)
3. The Time-of-Day customer charges and associated changes proposed by the DPU and SLCAP/Crossroads/ULW
4. The proposed rate design changes for Small Commercial Rate Schedule 23 by the DPU
5. The Company's proposal for customers over 50 MW, the new schedule for customers taking service at 138 kV proposed by the DPU, and the comments of Mr. Alan Chalfant of the Utah Industrial Energy Consumers (UIEC) and Mr. Kevin Higgins testifying on behalf of the Utah Association of Energy Users (UAE)
6. Proposed changes to Rate Schedules 19 and 21 by the DPU

7. The proposals of Dr. Bruce Godfrey for the Utah Farm Bureau Federation concerning irrigation issues

~~7.~~8. The changes to the HELP program proposed by the SLCAP/Crossroads/ULW

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~~8.~~9. The proposed life-support rate of the SLCAP/Crossroads/ULW.

Rate Spread and Rate Design Revisions

Q. Pursuant to the Stipulation, the Company's proposed price increase is $118.3 million. How does the Company propose to allocate the revised price increase across customer classes?

A. The Company proposes to allocate the revised price increase consistent with the rate spread and pricing principles filed in this case in my direct testimony. These principles include a proposal to allocate the price increase to most customers on an equal percentage basis and to increase prices by approximately 125 percent of the overall average increase for irrigation customers, and by approximately 75 percent of the overall average for most lighting customers. A detailed presentation of the Company's proposed rate spread is displayed in Exhibit UP&L__.1R (WRG-1R).

Q. Does the Company propose any rate design changes based on the revised rate spread?

A. Yes. The Company proposes some changes to the rate design proposals filed in my direct testimony. These are discussed later in my rebuttal testimony. Exhibit UP&L__.2R (WRG-2R) contains the revised proposed prices. In addition to changes to some customer charges discussed later, the proposed demand and energy charges filed in my direct testimony have been adjusted to reflect the revised price increase, where applicable.

The Residential Inverted Rate

Q. DPU witness Compton recommends adopting a summer only inverted rate block structure for Residential Schedule 1 during the months June through September. Do you agree with his proposal?

A. We do not. We do appreciate the Division's support of an inverted rate and its support of our recommendation for the size of the initial kWh block for the rate; however, we do not agree with the proposal to initiate a partial year inverted block rate. Because the Company observes system peaks in the summer as well as other times of year, a year-round inverted rate more accurately reflects the cost of serving customers.

While Dr. Compton stated in his testimony that it was "inappropriate to send a message to consumers that the cost of electricity had gone down in the winter or any other season of the year" (Compton direct testimony, Page 5, lines 3-5), we believe that his proposal does exactly that. Under the proposal, each year, customers would see price decreases as they move into the winter months. Although Dr. Compton specifically references the case of avoiding a winter kWh charge that is lower than today's base rates during a period of rising costs, the message to customers is the same—rates would decline the end of the summer each year.

We also believe that a year-round rate better accomplishes the goal described by DPU witness Wilson of making rates that are "as simple and understandable as possible so that it is acceptable to the public." (Wilson direct testimony, Page 4, lines 10-11). Providing a four-month, summer-only inverted block will result in two rate changes per year and add complexity. Complexity will increase due to the short length of time the rate would be in effect. Because rates must be based on dates of service rather than billing periods, two of the bills with summer inverted rates on them would be prorated for nearly all customers, creating further complexity. We believe that a rate that lasts for just four months, where two of the bills are prorated for most customers, does not send clear and easily understood price signals. A year-round inverted rate would send customers appropriate price signals and avoid unneeded complexity.

Q. SLCAP witness Johnson proposes implementing a third kWh block for residential customers at 1,500 kWh. Do you agree with this proposal?

A. We do not. We believe this also adds more complexity, and is too large of a departure from today's rates which include a simple, year-round, flat energy charge. We believe the more gradual approach we have proposed is preferable.

Time-of-Day Rates

Q. DPU witness Wilson recommends reducing monthly customer charges for time-of-day rates to match the customer charges for the respective non-time-of-day general service schedules. Do you agree with her recommendation?

A. In many cases, we agree with her recommendation. We agree in instances where the customer's current meter on the non-time-of-day tariff is time-of-day compatible so that any additional metering costs to move the customer to the time-of-day tariff would be minimal. This is true for customers currently on Schedules 6A, 6B, 9A, and 9B. We agree that Schedules 6, 6A, and 6B should have identical customer charges. We agree that Schedules 9, 9A, and 9B should have identical customer charges.

Q. Do you agree with Ms. Wilson's revisions to customer charges for residential time-of-day Schedule 2 and small General Service time-of-day Schedule 23B?

A. We agree in part with this proposal. We agree with Ms. Wilson's proposal to reduce the customer charges for these customers; we do not agree that they should be equal to the customer charges for non-time-of-day customers. We propose that the present Schedule 2 and Schedule 23B customer charges reflect the monthly incremental cost of a time-of-day meter installed at an existing customer's location. This results in an incremental monthly charge of $2.76 per month added to the present non-time-of-day customer charges for Schedule 1 and Schedule 23. We propose, therefore, that the Schedule 2 customer charge be reduced from $14.33 per month to $3.74 per month. We propose to reduce the present Schedule 23B customer charge from $44.76 per month to $6.69 per month. Exhibit UP&L__.3R (WRG-3R) contains a workpaper showing the incremental cost of a time-of-day meter for customers whose existing meters are not time-of-day compatible.

Q. How do you propose to recover the revenue shortfall from these changes?

A. In order to recover the proposed revenue requirement, we propose to recover the revenue shortfall from reductions to the customer charge for Schedule 2 through revisions to the energy charge. These revisions are contained in Exhibit UP&L__.2R (WRG-2R). Because there are no customers currently on Schedule 23B, this change presently has no revenue impact, and we have proposed no other revision to Schedule 23B.

Q. SLCAP witness Johnson recommends redesigning time-of-day rates to contain shorter peak periods and to require customers with appropriate metering to participate. Do you agree with his recommendation?

A. We do not. We believe other approaches are preferable. Currently, PacifiCorp offers programs to manage customer usage during times of high market rates. The Energy Exchange program, in particular, is designed to give customers appropriate price signals regarding the use of energy. Tariffed time-of-day rates do not provide the flexibility to respond to quickly changing market conditions that programs such as the Energy Exchange can offer. We believe this program provides greater flexibility and is the appropriate way to address shorter period peak costs.

Small General Service Schedule 23

Q. DPU witness Wilson proposes reducing the charge for the first 1,500 kWh per month and raising the charge for all additional kWh for Small General Service Rate 23. Do you agree with this recommendation?

A. We do not. The Company does not believe that it is appropriate to reduce energy charges and bills to a class of customers during this time of a general increase in prices. We believe this may also exacerbate an intraclass subsidy within Schedule 23 and that it should not be adopted.

Service for Customers over 50 MW

Q. In response to the Company's proposal to limit eligibility for General Service – High Voltage Schedule 9 to customers taking service at 50 MW or less, DPU witness Wilson proposes a new schedule for large customers. Does the Company have any comments regarding this proposal?

A. Yes we do. First, we appreciate Ms. Wilson's efforts to structure a rate for large customers. We will comment on it in conjunction with our comments below on the testimony of other intervenors on this issue.

Q. Both Mr. Chalfant of UIEC and Mr. Higgins testifying on behalf of UAE take issue with the Company's proposal to cap service under Schedule 9 at 50 MW. Mr. Higgins indicates that he does not believe "such a situation is just or reasonable." Do you agree with this characterization?

A. I do not. The Company's proposal is directly aimed at assuring that rates are just and reasonable for all our customers.

Q. Mr. Chalfant in his discussion of allowing customers over 50 MW on Schedule 9 suggests "Customers presently on Schedule 9 would see no impact whatsoever of additional customers *until the next rate case* (Chalfant direct testimony, page 4, lines 7-9, emphasis added)." Please comment on his suggestion.

A. His comment strikes to the heart of the difference between the Company and UIEC. The Company proposes that there be no impact on Schedule 9 customers or on other customers as a result of these large customers moving to standard tariff service—neither now nor later.

Q. Mr. Higgins agreed with the Company's view of serving customers on individual rates that recognize the customer's characteristics, but suggests "sequencing" the proposal—that is, a contract should be established only after an "existing tariff fallback option" is available to the customer. Do you agree with his sequencing proposal?

A. No, we do not. Once a tariff is available to customers, a special contract is only appropriate for customers with viable competitive alternatives. A "sequence" where standard tariff is first available and then contracts that recognize individual customer characteristics are also available without regard to the standards for special contracts would create subsidies and cost under recovery as a result of the sequenced contract discussions. The customer whose costs are greater than tariff would want tariff; a customer whose costs are less than tariff would want a contract. In this example, the customer on tariff would not be paying full cost of service and a subsidy would be created that would need to be collected from the other customer classes.

Q. Mr. Chalfant also suggests that the Company would require the customer to "sign a new contract with PacifiCorp on whatever terms it dictates to the customer. (Page 5, lines 4-5)" Please comment.

A. As indicated in the Company's proposal and as a matter of long-standing regulatory practice, all contracts are subject to review and approval by the Commission. The Company has no ability to "dictate" terms of the agreement.

Q. In light of these comments, does the Company wish to revise its proposal concerning service to customers over 50 MW?

A. Yes. In light of the comments and the suggestions discussed above, and because the Company continues to believe that large customers could affect other customer classes, the Company proposes that all customers over 50 MW receive service under a separate rate schedule. We propose to reference this schedule as Schedule 50. Establishment of Schedule 50 will minimize the effects of large customers on Schedule 9 customers, and on other customers in general.

Q. What rate design do you propose for Schedule 50?

A. In light of the lack of information on the characteristics of this customer class, we propose for now that each of the rate elements for Schedule 50 be identical to the rate elements determined for Schedule 9 in this case. Once the characteristics of this customer class are more clearly established, we propose that Schedule 50 be revisited, as are all rates, in the Company's next general rate case. We believe this proposal will minimize impacts on other customers while making standard tariff service available to the large customers.

Schedules 19 and 21

Q. The Company has proposed eliminating frozen rate Schedules 19 and 21 and moving customers already taking service on those rate schedules to the applicable general service rates. DPU witness Wilson has instead proposed changes to these rates and suggests moving these customers to general service schedules when such a move becomes beneficial to the customer or the resulting increase is in line with general inflation. Does the Company support these proposals?

A. We do not. The Company continues to believe that Schedules 19 and 21 should be eliminated and all customers moved to the appropriate general service rates. This will assure that all customers receiving like and contemporaneous service pay the same rates. At the time the Company first proposed to eliminate Schedules 19 and 21 in Docket 97-035-01, 764 customers were on Schedule 19, and six customers were on Schedule 21. Ms. Wilson's proposal regarding Schedule 19, in effect, results in a redesign of frozen Schedule 19 moving <u>all customers but one</u> of the original 764 onto the applicable general service schedules. It creates a special rate for a single customer. We do not believe that redesigning a frozen tariff and holding it open for a single customer when 763 of the other Schedule 19 customers were moved to the appropriate general service rate schedules makes sense, nor is it fair to all other similarly situated customers receiving service under the applicable General Service schedules.

For Schedule 21, we believe that it is more appropriate to move these customers to the appropriate general service rates than to continue to perpetuate an unnecessary subsidy for these customers.

Q. Can the impact of the elimination of Schedules 19 and 21 be mitigated?

A. Yes. The impacts are mitigated in two ways. First, by changing its service configuration, each customer could consolidate its load served on Schedule 19 or 21 with the other load at the customer's premises served under General Service rates, and the customer would take the whole load at the General Service rate. The customer's load diversity could minimize the dollar impact of the change.

Second, in many instances, the percentage impact would be minimized because the customer's combined total electric bill would increase less than the percentage impacts suggested when just looking at the impact of Schedule 19 or 21 alone.

Q. Did the design of these frozen rates assume other General Service load exists at these customer's locations.

A. Yes. Schedule 19 provides a special end use price for space heating. Schedule 21 provides a special end use price for electric furnaces. In each instance, the tariffs indicate that all other service requirements will be supplied under the company's General Service schedules. Given that these customers receive service to other end uses under General Service schedules at the same locations, changing the service configuration to these customers to minimize the impacts should be straightforward.

Moreover, customers' total electric costs at those locations include more than just Schedule 19 or 21 service; therefore, the overall electric cost percentage impacts will be dampened.

Irrigation Issues

Q. Dr. Bruce Godfrey suggests that the Commission consider reestablishing interruptible rates "like those offered in the old Class B and C option that were eliminated in the 1997 rate case." (Godfrey direct testimony, page 9) Do you agree with his proposal?

A. No, we do not. We do not see any need to revisit this issue, nor does Dr. Godfrey provide any specific information on his proposal. As indicated earlier, we believe that greater responsiveness to quickly changing market conditions can be achieved through programs such as the Energy Exchange rather than through these types of pricing options.

Q. Dr. Godfrey suggests the Commission consider the possibility of adjusting the service territory of PacifiCorp to shift some irrigation loads in rural areas to rural cooperatives. Do you agree with his proposal?

A. No. Neither PacifiCorp nor any electrical cooperative has proposed that the Commission decertify PacifiCorp in any area, and this is not an appropriate proceeding for even considering such an issue. The Commission should give no consideration to Dr. Godfrey's suggestion.

SLCAP/Crossroads/ULW Life Support Rate

Q. What are the Company's comments on the request by Dr. Charles Johnson (SLCAP/Crossroads/ULW) to clarify the cap on HELP monies spent and collected?

A. While the Company believes this is an issue of Commission policy, we do believe that any changes to the low income surcharge should be made on a billing month basis and not in the middle of a billing month. This will assure that all customers are treated equally under the tariff.

Moreover, we believe that Dr. Johnson's proposal that the Commission direct that surcharges be designed to collect $1.85 million on test year basis and that the Company not spend more than has been collected is consistent with the joint stipulation submitted on the lifeline rate in Docket 99-035-10. This approach does not penalize the program for load growth, it minimizes program disruption, and it continues to signal that a cap exists on program levels.

Q. What are the Company's comments on the Life Support Rate proposed by Mr. Jeffrey V. Fox (SLCAP/Crossroads/ULW)?

A. The Company supports SLCAP/Crossroads/ULW's proposal to extend the low income program by using some of the lifeline rate funding to provide an additional discount for "life support" individuals. We believe this could be implemented within the context of the existing program.

Q. Does this conclude your testimony?

A. Yes it does.