Q. Please state your name.

A. My name is William R. Griffith.

Q. Are you the same William R. Griffith who has testified previously in this case?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to:

- Provide updated rate design exhibits showing the Company's proposed rate design proposals that reflect the rate spread and revenue requirement from the Stipulation Regarding Revenue Requirement and Rate Spread which was filed with the Commission on July 26, 2006 (Revenue Requirement Stipulation).
- Address the residential Customer Charge issues raised in the direct testimonies of Mr. Anthony Yankel for the Committee of Consumer Services (CCS), Dr. Abdinasir M. Abdulle for the Division of Public Utilities (DPU), Mr. Ronald J. Binz for AARP (AARP), and Ms. Elizabeth A. Wolf for Salt Lake Community Action Program and Crossroads Urban Center (SLCAP).
- Address the proposed residential energy charge structures also raised in the direct testimonies of CCS, DPU, AARP and SLCAP.

Updated Rate Design Exhibits

Q. Please explain Exhibit UP&L___(WRG-1R).

A. Exhibit UP&L___(WRG-1R) contains billing determinants and proposed rate designs for all rate schedules in this case. These reflect the proposed rate spread and revenue requirement from the Revenue Requirement Stipulation. For Schedules 6, 8, 9, and 31 the proposed rates in Exhibit UP&L___(WRG-1R) reflect the two Rate Design

Stipulations filed in this docket. Proposed Schedule 6 rates reflect the Schedule 6 Stipulation filed with the Commission on August 25, 2006. Proposed rates for Schedules 8, 9 and 31 reflect the rates agreed to in the Schedule 8/9/31 Stipulation filed with the Commission on September 15, 2006. All other proposed rates in Exhibit UP&L___(WRG-1R) have been updated to reflect the Revenue Requirement Stipulation and have been prepared consistent with the Company's proposed rate design methodologies described in my direct testimony in this docket.

Proposed Residential Rate Design Update

Q. Based on the Revenue Requirement Stipulation, please describe the Company's proposed updated Residential Rate Design.

A. As stated in my direct testimony, the Company has proposed to increase the current residential Customer Charge from $0.98 per month to $3.40 per month, an increase of $2.42 per month. In light of the proposed $3.40 per month Customer Charge, the Company has proposed to reduce the current Minimum Bill from $3.67 to $3.40 per month, and to thereby eliminate the Minimum Bill. At the same time the Company has proposed to apply uniform cents per kWh increases to both the winter residential one-block energy charge and the summer residential three-block inverted energy charge. Based on these principles and reflecting the Revenue Requirement Stipulation target, the Company proposes to increase all present summer and winter residential energy charges by 0.451 cents per kWh.

Residential Customer Charge

Q. Please address the residential Customer Charge proposals from the other parties in this docket. Please respond to the DPU's proposed Customer Charge.

A. Utilizing the Commission's proposed method for calculating the Customer Charge, the DPU's witness Dr. Abdulle proposes to increase the residential Customer Charge to $3.75 per month. This proposed amount exceeds the Company's proposal of $3.40 per month.

Q. What do you believe accounts for the difference in the two proposals?

A. I believe that it is primarily due to differences in the proposed return on rate base and the number of average customers used in calculating the charge. Exhibit UP&L___(WRG-2R) shows the Company's updated calculation of the residential Customer Charge using the Commission's methodology. My revised calculation applies a before-tax return on rate base rather than the after-tax return originally utilized in my direct testimony. The Company was informed of this oversight during the discovery phase of this case. As a result, the proposed customer charge would be $3.84 based on the Commission's methodology.

Q. Has the Company modified its proposed residential Customer Charge based on these results?

A. No. The Company continues to support a $3.40 monthly Customer Charge. Based on the findings that a higher customer charge is supportable, we believe that the proposed $3.40 Customer Charge is fair and fully supported.

Q. Does the Company continue to support its proposal to eliminate the Minimum Bill if its proposed Customer Charge is implemented?

A. Yes. If a Customer Charge of at least $3.40 per month is implemented, the Company believes that the Customer Charge would be cost-based and proposes that the Minimum Bill should be eliminated. However, if a Customer Charge less than $3.40

per month were implemented, the Company proposes that the present Minimum Bill of $3.67 per month be increased by the residential class increase of 10.31 percent. This would result in a proposed Minimum Bill equal to $4.05 per month. Company witness Lowell Alt discusses the Minimum Bill in more detail.

Q. Please comment on AARP's proposed Customer Charge.

A. For its base case, AARP proposes to increase the Customer Charge to $2.50 per month. AARP believes that rates should be set to recover costs, and it does not reject the Company's proposed Customer Charge or the methodology used in arriving at the proposed rate; however, it believes that "$3.40 is the *highest* price the Commission should approve for the customer charge." Binz, page 11.

Q. Please comment on CCS's proposed Customer Charge.

A. CCS proposes "that the Customer charge remain at $0.98 per month (or even be decreased)" while the Minimum Bill should be increased to $4.05 per month. (Yankel, page 32) In addition, based on its summary of the Company's analysis of other customer charges in Utah, CCS states that "The 'average' of what other utilities [in Utah] charge should not serve as a basis for increasing the Residential Customer charge in this case." While the Company has not proposed that the Customer Charge be set at the Utah state average of $5.39 per month discussed by Mr. Yankel, the Company does believe that the proposed $3.40 customer charge compares very favorably with the state average - averaging only about 2/3 of the state average Customer Charge reported by Mr. Yankel.

Q. Exhibit CCS 3.1 reviews the history of residential rates in Utah since 1945, please comment.

A. Exhibit CCS 3.1 provides some key findings concerning the Residential Customer Charge that strongly support the need to increase the Customer Charge in this docket:

- As shown by Mr. Yankel, the Utah residential charge is lower today than it was in 1985.
- Both the Customer Charge and the Minimum Bill have remained virtually unchanged for over 21 years. This was not the intent of the Commission as addressed by the testimony of Company witness Lowell Alt.
- The minimum bill in Utah was $0.75 per month in 1945. Adjusted for inflation, the minimum bill today would be $8.14 per month.

Q. Please summarize the Company's testimony concerning the Residential Customer Charge.

A. We believe the Company's proposed Residential Customer Charge of $3.40 per month, along with the elimination of the Minimum Bill once this cost-based customer charge is put in place, is long overdue. No party in this case has provided an analysis that has disputed the proposed $3.40 per month Customer Charge based on the Commission's methodology for computing a Customer Charge. The proposed increase of $2.42 per month is strongly supported by the evidence in this case. If this proposal is approved by the Commission, Rocky Mountain Power will continue to have one of the lowest residential customer charges in Utah.

Residential Energy Charge Proposals

Q. Please respond to the parties' proposals concerning the winter and the summer residential energy charge structures.

A. There are three base residential energy charge structures proposed by the parties in this case.

Option 1. Proposed by the Company, this option proposes to retain the existing summer and winter block structure and to increase all energy charge blocks by a uniform cents per kWh equal to 0.451 cents per kWh. (DPU also proposes to retain the existing summer and winter block structures, but it does not take a position on changes to the energy charge rates.)

Option 2. Proposed by AARP, this option also retains the existing summer and winter block structure. The written testimony indicates that the "rates in Block 2 and Block 3 are set equal to the rates originally filed by the Company in this case." The revenue requirement reduction from the Company's originally filed case reflected in the Revenue Requirement Stipulaton flows through to the 1st block and the winter energy charge as a residual. (While the language is clear, the illustrative table on page 12 of Mr. Binz' testimony does not appear to apply this principle.)

Option 3. Proposed by CCS, this option proposes to expand the 1st summer energy charge block from 400 kWh to 600 kWh per month. It asserts that "High use Residential customers (especially those using over 1,000 kWh per month during the summer) should realize a higher percentage increase in their bills than those using 600 kWh or less." (Yankel, page 31)

Option 1

Q. Please comment on Option 1.

A. The structure of Option 1 is identical to the residential price change approved by the Commission in 2005. It uniformly distributes the revenue requirement increase

across all usage levels on a uniform cents per kWh basis. The Company believes it properly reflects cost causation and takes into account historical changes in Utah residential energy charges.

Q. Please explain.

A. Exhibit UP&L___(WRG-3R) displays the historical change in Utah residential energy charges since 2001. Looking at residential rates in effect today, Exhibit UP&L___(WRG-3R) shows that the winter residential energy charge rate and the first block (0-400 kWh) of the summer residential energy charge rate have increased by only 13 percent since 2001. At the same time, the summer residential tailblock rate (> 1000 kWh) has increased by 51 percent since 2001—an increase equal to nearly 4 times the first block increase.

Based on the Company's proposed Option 1, Exhibit UP&L___(WRG-3R) shows that the residential tailblock rate will continue to see much larger increases than the other energy blocks. The tailblock rate will increase by 59 percent over the rate that was in effect in 2001, while the low usage first block will increase by only 20 percent under the Company's proposal. The proposed increase to the first block will result in a rate that has increased approximately one third of the percentage increase to the tailblock rate since 2001. This means that with the Company's proposal since 2001, large customers will continue to receive stronger price signals than smaller usage customers concerning the higher cost of electric energy, while, at the same time smaller customers will receive strong price signals concerning the increasing cost of energy.

Q. But aren't only the large kWh users responsible for increasing kWh growth in the summer?

A. No. All kWh usage groups are responsible for increasing summer kWh growth.

Q. Please explain.

A. Figure 1 below was prepared in 2004 and it shows the growth in summer residential usage across all usage levels.

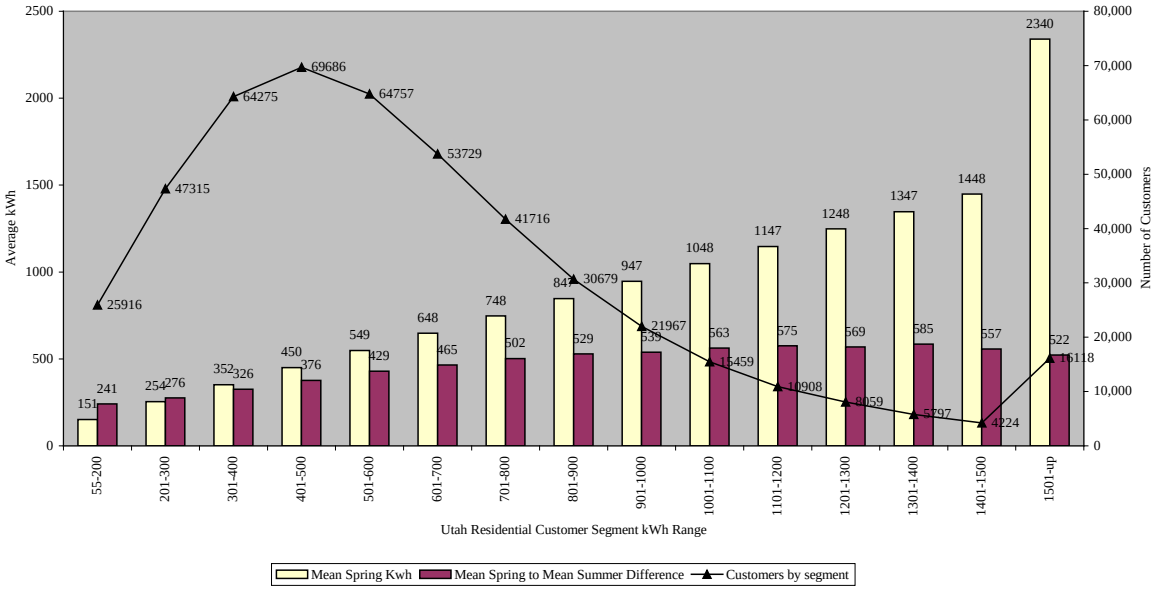

Figure 1.

Figure 1 shows that the increase in Utah residential summer usage occurs across all usage categories. The kWh segments shown across the x-axis classify customers based on their non-summer usage (non-summer usage is the average of April and May usage). The light bar for each category shows the non-summer monthly average usage. The dark bar for each category shows the corresponding average monthly additional usage occurring during summer (average of July and August). As the figure clearly shows, all usage categories experience increases in summer usage, and

for many of these categories, none of their additional usage falls in the residential tailblock (over 1000 kWh).

For example, a customer who averaged 450 kWh in the non-summer months (the 401-500 kWh segment), on average, increased usage by 376 kWh in the summer months. This customers' total summer usage averaged 826 kWh—well below the tailblock level of 1,000 kWh.

In addition, Figure 1 contains a solid line that shows customer counts for each kWh segment. Of the 480,000 customers in the study, 56.6 percent averaged no summer usage that occurred in the tailblock. Of the remaining customers, an additional 30.8 percent had average usage increases that occurred in the second (401-1000 kWh) block. Clearly, as these data indicate, residential usage increases are occurring throughout all usage levels, and a large portion of usage increases occur in usage blocks other than the tailblock.

Q. You indicate that Figure 1 was prepared in 2004, has the Company conducted any more recent studies of residential kWh growth in Utah?

A. Yes it has. Figure 1 was provided to CCS on September 11, 2006 in response to data request CCS 24.1 to provide "any studies prepared by the Company that analyze electricity usage changes by season for residential customers." In October 2006, the Company conducted an updated study using 2005 data. Figure 2 shows the results of that study.

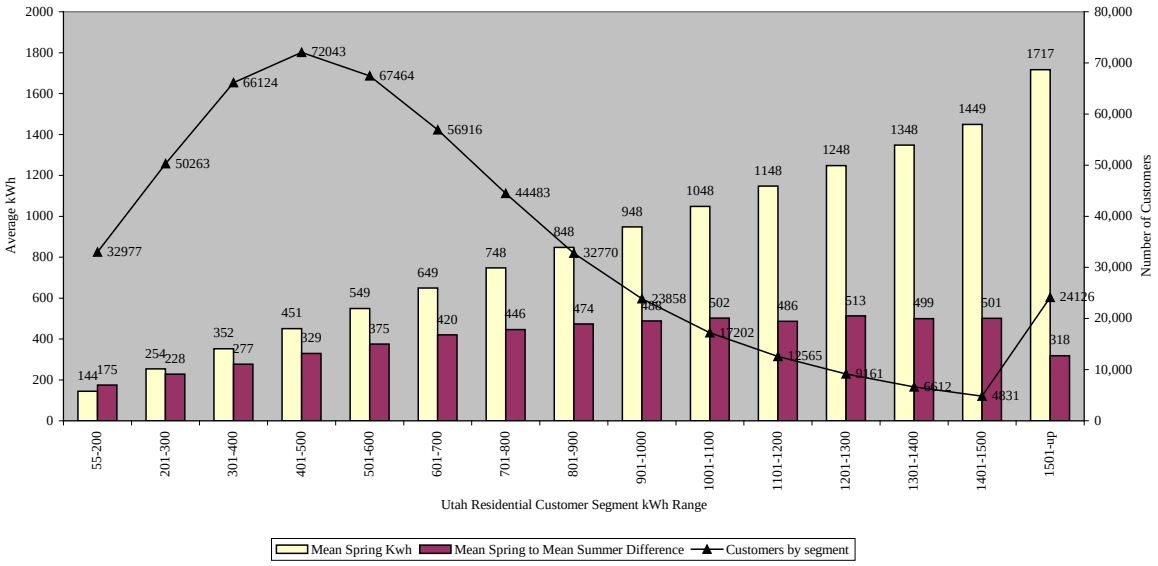

Figure 2.

Q. What does Figure 2 show?

A. The results shown in Figure 2 are consistent with the results shown earlier in Figure 1: residential usage increases are occurring throughout all usage levels, and a large portion of usage increases occur in usage blocks other than the tailblock. In addition, it shows that on a percentage basis, the largest spring-to-summer growth occurred for the smallest customers. The 55-200 kWh group more than doubled its baseline spring usage in the summer months. Given these findings it is clear that Option 1 properly reflects growth in kWh usage across all usage blocks while continuing to signal to large users the higher cost of electric energy.

Option 2

Q. Please comment on Option 2.

A. Option 2 proposed by AARP states that it retains the filed summer energy charge rates for the 2nd and 3rd blocks submitted by the Company in my direct testimony and

reflects the revenue requirement adjustment from the Revenue Requirement Stipulation in the 1st block and the winter energy charge (along with a lower Customer Charge). While it is true, as AARP states, that the Company originally proposed the 2nd and 3rd block charges that AARP adopted, it is also true that these rates assumed higher revenue requirement recovery than the Company achieved.

Q. Why is the level of the summer 3rd block (the tailblock) rate important to the Company?

A. Assuming that rates have been properly designed to recover the revenue requirement under normal weather conditions, the level of the tailblock rate remains important because it increases potential revenue volatility to the Company. The higher the tailblock rate, the higher the risk to the Company, as a larger share of its total revenues is subject to weather and economic variability. Given the lack of an appropriate customer charge in Utah, all of the residential kWh charges (i.e., volumetric charges) are heavily relied upon to recover both variable and fixed costs incurred to serve our customers.

Q. Throughout its testimony, AARP refers to residential energy charges as "commodity rates", do you agree with that characterization?

A. No. Residential energy charges in Utah recover much more than the commodity cost of electricity. These volumetric rates are necessary to recover distribution, transmission and generation costs incurred to serve our customers. Many of our distribution costs are fixed costs. These fixed costs are being recovered on a per kWh basis from residential customers; therefore, the higher the tailblock charge, the more of the Company's fixed cost revenue is placed into the tailblock rate, and, as usage

varies from year to year, the higher the probability that the Company will not be able to recover its costs incurred to serve customers. The end result of this can be that the Company will find it necessary to file a rate case when it could have avoided that outcome with a rate design that minimized revenue volatility and allowed the Company to properly recover both its fixed and variable costs.

Option 3

Q. Please comment on Option 3.

A. The most significant features of Option 3 proposed by CCS are the expansion of the 1st summer usage block from 0-400 kWh per month to 0-600 kWh per month along with a greater increase to the summer tailblock charge.

Q. Does the Company agree with CCS' proposal to increase the 1st summer usage block from 0-400 to 0-600 kWh per month?

A. No. This proposal will send the wrong price signals to residential customers and is poor ratemaking. In particular, CCS' proposal would set rates that are <u>less than they are today</u> for usage levels from 401-600 kWh per month in the summer. In a period of rising costs, this is exactly the wrong price signal to send to customers.

Q. Does CCS offer any support for its proposed expansion of the first kWh block and the corresponding proposed rate reduction for the 401-600 kWh usage block?

A. No. Mr. Yankel states that expanding the first block is aimed at ensuring that "Lower-use customers (that are not extensively using air-conditioning) should not be punished for the cost increases that are being imposed by these larger users." Yankel, page 31.

Q. Do you agree with this Mr. Yankel's assertion?

A. No. As I discussed above, increases in summer residential usage occur across all kWh usage blocks, and in many cases, none of this additional usage falls in the residential tailblock (over 1000 kWh). Moreover, as indicated in Figure 2, for 2005, the smallest users displayed the highest percentage increase in usage from spring to summer.

Q. Do you believe that customers who use over 1000 kWh per month use electric energy less efficiently than customers who use less than 400 kWh per month?

A. No. I do not believe that the size of a residential customer is necessarily related to how efficiently a customer uses electric energy.

Q. Please explain.

A. A residential electric customer is a single metering delivery point. In Utah, one residential customer can be a single person household while another residential customer can comprise a very large family. It is not uncommon that the larger customers will use energy more efficiently per household member than the smaller customers. Under Mr. Yankel's proposed rate design, these large families will continue to see disproportionately higher prices due to their family size, rather than due to their energy efficiency. I believe that the Company's proposal strikes a reasonable balance for all residential customers between cost, efficiency and fairness.

Q. Please summarize your testimony concerning the proposed residential energy charge structure.

A. The Company's proposal (Option 1) to increase all residential energy charge blocks uniformly by 0.451 cents per kWh acknowledges that all customer usage groups have

contributed to energy use growth in Utah. Moreover, it will provide a higher likelihood that the Company will be able to recover its fixed costs to serve our residential customers. This will reduce revenue volatility. It will also reduce the need for the Company to file for rate relief if forecasted loads do not materialize and the Company is not able to recover its prudently incurred fixed costs necessary to serve customers. This proposal will not further increase revenue volatility which will make it more difficult for the Company to recover its prudently incurred costs, but it will instead continue to send clear, fair price signals to all residential customers of the cost of electricity.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.