

1 **Q. Please state your name, business address and present position with Rocky**  
2 **Mountain Power (the Company), a division of PacifiCorp.**

3 A. My name is William R. Griffith. My business address is 825 NE Multnomah Street,  
4 Suite 2000, Portland, Oregon 97232. My present position is Director, Pricing, Cost of  
5 Service, and Regulatory Operations in the Regulation Department.

6 **Qualifications**

7 **Q. Briefly describe your educational and professional background.**

8 A. I have a B.A. degree with High Honors and distinction in Political Science and  
9 Economics from San Diego State University and an M.A. in Political Science from  
10 that same institution; I was subsequently employed on the faculty. I attended the  
11 University of Oregon and completed all course work towards a Ph.D. in Political  
12 Science. I joined the Company in the Rates & Regulation Department in December  
13 1983. In June 1989, I became Manager, Pricing in the Regulation Department. In  
14 February 2001, I assumed my present responsibilities.

15 **Q. What are your responsibilities?**

16 A. I am responsible for regulated retail rates, cost of service analysis, and regulatory  
17 filings and documentation in the Company's six state service territory.

18 **Q. Have you appeared as a witness in previous regulatory proceedings?**

19 A. Yes. I have testified for the Company in regulatory proceedings in Utah, Wyoming,  
20 Idaho, Oregon, Washington, and California.

21 **Purpose of Testimony**

22 **Q. What is the purpose of your testimony?**

23 A. The purpose of my testimony is to address the Company's proposed rate spread in

24 this case and to propose rate changes for the affected rate schedules.

25 **Q. Please describe Rocky Mountain Power's pricing objectives in this case.**

26 A. The Company's pricing objectives in this case are to implement the proposed rate  
27 increase while reflecting cost of service, giving customers clear price signals, and  
28 minimizing customer impacts.

29 **Q. How does the Company propose to allocate the increase across customer classes?**

30 A. The Company proposes to rely on the results of Mr. C. Craig Paice's cost of service  
31 study to guide the allocation of the rate increase to tariff customers.

32 **Q. Please describe Exhibit RMP\_\_\_(WRG-1).**

33 A. Exhibit RMP\_\_\_(WRG-1) details the Company's proposed changes to class revenues  
34 to be implemented in this case. On an overall basis, based on the forecast 12 month  
35 test period ending June 2009, and assuming no other changes from rates currently in  
36 effect, this proposal would result in an 11.9 percent increase to tariff customers in  
37 Utah. However, assuming a commission order allowing the Company's proposed  
38 price increase of \$74.5 million or 5.6 percent from tariff customers in Docket 07-035-  
39 93, the proposals presented in my testimony would result in an overall 6.0 percent net  
40 increase to tariff customers.

41 **Q. Please describe Exhibit RMP\_\_\_(WRG-2)**

42 A. Exhibit RMP\_\_\_(WRG-2) contains the Company's proposed revised tariffs in this  
43 case.

44 **Q. Please describe the Company's proposal for the allocation of the revenue  
45 requirement.**

46 A. Excluding special contracts, the overall average percentage change is 11.9 percent.

47 The Company proposes the following allocation of the rate increase for the major  
48 customer classes.

49	<u>Customer Class</u>	<u>Proposed Rate Change</u>
50	Residential	11.47%
51	General Service	
52	Schedule 23	11.47%
53	Schedule 6	11.47%
54	Schedule 8	11.47%
55	Schedule 9	15.00%
56	Irrigation	23.86%

57 Assuming Commission approval of the Company's proposed price increase of \$74.5  
58 million in Docket 07-035-93, along with the implementation of an equal percentage  
59 rate spread requested by the Company in the Phase I hearings of that docket, the  
60 following net price increases would occur as result of the proposals in this case.

61	<u>Customer Class</u>	<u>Proposed Net Rate Change</u>
62	Residential	5.56%
63	General Service	
64	Schedule 23	5.56%
65	Schedule 6	5.56%
66	Schedule 8	5.56%
67	Schedule 9	8.90%
68	Irrigation	17.29%

69 **Q. Please explain the proposed rate spread.**

70 A. The proposed rate spread is designed to reflect cost of service results while balancing  
71 the impact of the rate change across customer classes. Based on the cost of service  
72 results for the target return on rate base Exhibit RMP\_\_\_(CCP-1), for the major  
73 customer classes which fall within four percentage points of the overall proposed rate  
74 change (Column M), the Company proposes a uniform percentage increase equal to  
75 11.47 percent. This approach is consistent with the Company's proposals in the last  
76 two general rate cases, Docket 06-035-21 and Docket 07-035-93.

77                   Because the results of Docket 07-035-93 are currently pending, the Company  
78 proposes that the lighting class see no net rate decrease from the final ordered rates in  
79 Docket 07-035-93. While the cost of service study results suggest that a small rate  
80 decrease is appropriate for Schedules 7, 11, 12, and 13, we believe that during a  
81 period of rising costs it is not reasonable to reduce prices for lighting customers. The  
82 Company proposes, therefore, that these rate schedules do not see a net rate decrease  
83 from final rates ordered in Docket 07-035-93.

84 **Q. Please explain the proposed rate increase for Schedule 9.**

85 A. For Schedule 9, the cost of service results support an increase equal to 21.2 percent or  
86 10 percentage points above the overall proposed rate change shown in Column M of  
87 Mr. Paice's exhibit. This equals an increase of six percentage points above the  
88 proposed four percentage point band around cost of service utilized in setting the rate  
89 spread. Accordingly, in order to mitigate the increase to Schedule 9 customers--while  
90 moving them closer to cost of service--the Company recommends a rate increase  
91 approximately three percentage points more than the jurisdictional increase, equal to  
92 15 percent.

93 **Q. In Docket 07-035-93, the cost of service results for Schedule 9 fell within the four**  
94 **percentage point band discussed above and resulted in a recommended uniform**  
95 **percentage increase for Schedule 9 similar to most of the other major rate**  
96 **schedules. What is the reason for the higher than average recommended**  
97 **increase for Schedule 9 in this case?**

98 A. The rise in generation costs is the main reason. According to Mr. Paice's cost of  
99 service study, generation costs make up over 90 percent of Schedule 9's total cost of

100 service. By comparison, generation costs make up only 57 percent of residential  
101 customers' total cost of service, and 74 percent of Schedule 6's total costs. In the  
102 supplemental functionalized cost of service study filed previously in Docket 07-035-  
103 93, generation costs comprised 65 percent of the total cost of serving Utah customers.  
104 In this case, generation costs have increased substantially and now comprise 70  
105 percent of the total cost of serving Utah customers. This increase in generation costs,  
106 combined with the high proportion of generation costs in Schedule 9's total cost of  
107 service, result in a higher-than-average recommended increase for Schedule 9.

108 **Q. Please explain the proposed rate increase for irrigation Schedule 10.**

109 A. For irrigation customers, the Company proposes an increase equal to two times the  
110 overall jurisdictional average or 23.86 percent. The Company has proposed a cap on  
111 the increase in order to mitigate the increase to these customers.

112 As discussed in my testimony in Docket 07-035-93, as a result of the  
113 agreement of the parties in the Load Research Working Group Report to the  
114 Commission dated July 1, 2002, irrigation customers have received increases in  
115 recent general rate cases equal to the overall jurisdictional average. In that report, the  
116 parties agreed that without new load research data, Schedule 10 customers should  
117 receive the overall jurisdictional average. Following the report, the Company fielded  
118 a new irrigation load research study. In our proposal for Schedule 10 in this case and  
119 in Docket 07-035-93, the Company has utilized the results of the new irrigation load  
120 research study in the cost of service study. The cost of service study indicates that  
121 irrigation rates should be increased by approximately 34 percent, but we are  
122 recommending only slightly over two thirds of that.

123                   This recommendation, based on the results of the new load research data is  
124                   directionally consistent with past studies where older data was utilized. In Docket 06-  
125                   035-21, for example, cost of service results indicated that a rate change in excess of  
126                   25 percent would be warranted for irrigation, but due to the Load Research Working  
127                   Group agreement only the jurisdictional average increase was requested. In the  
128                   currently open Docket 07-035-93, the cost of service results recommended an initial  
129                   increase of 35 percent, while the Company recommended a cap at 24 percent. As  
130                   discussed in my testimony in Docket 07-035-93, as a result of the earlier limits on  
131                   irrigation rate increases, irrigation rate increases have not kept pace with rate changes  
132                   for other customer groups. The Company believes that an increase capped at two  
133                   times the overall average increase, or approximately two thirds of the amount  
134                   recommended in the cost of service study for irrigation, is fair and makes good  
135                   progress toward cost of service while mitigating rate impacts on irrigation customers.

136                   **Special Contract Customers**

137                   **Q.     How has the Company treated special contract customer price changes in this**  
138                   **case?**

139                   A.     For present revenues in this case, the Company has assumed that the rate changes  
140                   expected to become effective in 2008 will occur in line with each special contract's  
141                   terms. For the proposed revenues in this case, the Company has made a conservative  
142                   assumption that the 2008 special contract rates are unchanged. Because special  
143                   contract rates are in some instances linked to tariff changes, some special contract  
144                   rates will change depending on the outcomes of Docket 07-035-93 and this case. At  
145                   the conclusions of Docket 07-035-93 and this case, the Company proposes to reflect

146 the final ordered tariff changes in special contract rates as appropriate. Including  
147 these changes will affect the final rate spread which may reduce the impacts on tariff  
148 customers when the final revenue requirement is implemented.

149 **Rate Design**

150 **Q. Please describe the Company's proposed rate design changes.**

151 A. Rocky Mountain Power continues to support and advocate for all of the rate design  
152 structure changes first presented by the Company in my Direct and Supplemental  
153 Direct Testimony filed in Docket 07-035-93. Hearings and a final order in Phase II of  
154 Docket 07-035-93 are still pending.

155 **Q. How does your rate design testimony in this case differ from your rate design  
156 testimony in Docket 07-035-93?**

157 A. My direct testimony presented herein contains the same rate design proposals that the  
158 Company offered in Docket 07-035-93. In this current case, however, the rates have  
159 been appropriately updated to reflect the test period and the proposed revenue  
160 requirement, while the specific rate design proposals remain the same.

161 **Residential Rate Design**

162 **Q. Please describe the Company's proposed change to the residential Customer  
163 Charge.**

164 A. Consistent with the proposal in my testimony in Docket 07-035-93, the Company  
165 proposes to increase the current Customer Charge from \$2.00 per month to \$4.00 per  
166 month. The Company also proposes to eliminate the minimum bill for single phase  
167 residential customers.

168 The current Customer Charge fails to recover the related costs of service,

169 including the cost of meters, service drops, meter reading, and billing for residential  
170 customers. Following the Utah Public Service Commission's preferred methodology  
171 for determining a customer charge, the Company's analysis indicates that a Customer  
172 Charge of \$4.03 is the appropriate amount. Accordingly, an increase to the Customer  
173 Charge of \$2.00 per month is reasonable and appropriate. Exhibit RMP\_\_\_(WRG-3)  
174 contains the calculation of the Customer Charge using the Commission's preferred  
175 methodology.

176 As proposed in my testimony in Docket 07-035-93, the Company believes that  
177 the implementation of a Customer Charge under the Commission's methodology no  
178 longer necessitates the need for a minimum bill for single phase service, and the  
179 Company proposes to eliminate the minimum bill for single phase service in this case.

180 **Q. How does the Company's proposed Customer Charge compare to customer**  
181 **charges of other utilities serving in Utah?**

182 A. With this proposed change, Rocky Mountain Power will continue to have one of the  
183 lowest residential customer charges in Utah. Based on a survey conducted by the  
184 Company in December 2007 of fourteen electric utilities in Utah with monthly  
185 customer charges, the average customer charge was \$6.87. Including the Company's  
186 proposed change, Rocky Mountain Power's proposed Customer Charge will be  
187 ranked lower than nine of fourteen surveyed utilities in Utah. The proposed  
188 Customer Charge will equal only about 58 percent of the overall average customer  
189 charge surveyed in Utah.

190

191 **Residential Rate Design Background**

192 **Q. Please discuss the background of the other residential rate design changes**  
193 **proposed by the Company.**

194 A. As discussed in my testimony in Docket 07-035-93, the present residential summer  
195 rate design structure does not provide effective price signals to our customers. Since  
196 2004, when the summer inverted rate was first implemented, through 2007, we have  
197 seen a 29 percent increase in overall summer residential usage. Over this same time  
198 period, higher priced residential tailblock usage has grown by almost three times as  
199 much, 79 percent. Clearly, residential customers are not reducing usage in response  
200 to the current summer residential tailblock rate structure.

201 **Q. Has the Company performed any studies of the present residential rate**  
202 **structure?**

203 A. Yes. In order to understand this issue more fully, the Company conducted telephone  
204 interview surveys of 405 randomly selected Utah residential customers in September  
205 2007 to assess their understanding of Rocky Mountain Power's Utah residential rates.

206 **Q. What are the major findings of the study?**

207 A. The major findings of the study are that most residential customers are unaware of  
208 their electric rates and usage. As reported by the survey respondents, 67 percent do  
209 not know how much energy they use each month, 67 percent do not know when their  
210 billing cycle begins and ends, and 86 percent do not know on average how many kWh  
211 they use in a typical month. All of this information, plus knowledge of the rate  
212 blocks and the amount of energy consumed during the billing cycle at any given point  
213 in time, is required to effectively receive a price signal under the current rate design.

214 When asked their preference, only 30 percent indicated that they preferred a tiered  
215 rate in the summer and a flat rate in the winter. The majority of customers, 54  
216 percent, preferred a flat rate year round, and 16 percent did not know.

217 **Q. What are the Company's conclusions from these findings?**

218 A. Rocky Mountain Power concludes that the present three-block summer residential  
219 inverted rate structure is not understood by customers and as a result it is not  
220 significantly impacting consumption decisions.

221 **Q. What were the results of this study?**

222 A. A summary of the results was contained in my testimony in Docket 07-035-93 in  
223 Exhibit RMP\_\_\_(WRG-4).

224 **Q. What alternative does the Company propose?**

225 A. As proposed in my testimony in Docket 07-035-93, Rocky Mountain Power proposes  
226 increasing the summer/winter differential, enhancing our ability to explain the rate to  
227 customers by simplifying it to eliminate one of the three summer rate blocks, setting  
228 the trigger for the new second rate block at a point above the average summer usage  
229 to focus on the largest users, and increasing that new second rate block to send better  
230 price signals more in line with cost.

231 Essential to the proposed residential rate design is the proposed increase in the  
232 customer charge for all residential customers. The increase to \$4.00 for all residential  
233 customers avoids increasing the amount of fixed costs that are at risk for recovery  
234 through the energy charge. In today's environment where we encourage reductions in  
235 usage where possible and attempt to achieve efficient usage in all circumstances, it is  
236 no longer appropriate to achieve the recovery of fixed costs through the variable

237 energy components of rates.

238 Also appropriate to this rate design is the CLC for our largest residential users.  
239 This effectively creates a fixed monthly charge of \$10 that would apply throughout  
240 the year. This means that large summer users will see the effect of their high summer  
241 usage throughout the year through their higher fixed monthly charge. We believe  
242 these changes will result in more effective and long-lasting price signals to residential  
243 customers that can help to control kWh growth.

244 **Q. Please explain the Company's proposed residential rate design in this case.**

245 A. As discussed in my testimony in Docket 07-035-93, the Company proposes a two-  
246 block energy charge in the five "summer" months. In this docket we propose a rate  
247 of 8.5550 cents per kWh for the first 1000 kWh and 11.5493 cents per kWh for all  
248 additional kWh. We believe that this simplifies the present rate structure and makes  
249 progress toward providing clearer price signals to customers.

250 In addition, in Docket 07-035-93, we proposed no change to the flat "winter"  
251 residential energy charge (i.e., the residential energy charge applicable from October  
252 to April). We continue to support that proposal in this case.

253 As proposed in my testimony in Docket 07-035-93, the Company proposes a  
254 to implement a usage-based residential Customer Load Charge (CLC) that will be  
255 triggered when a residential customer's monthly usage in the May through September  
256 billing months exceeds 1000 kWh per month more than once in that period. The CLC  
257 will be zero for customers that keep their usage at or slightly above average summer  
258 usage but will be \$6.00 per month for customers whose usage exceeds 1000 kWh  
259 more than once in the summer billing period from May through September. As stated

260 in my testimony in Docket 07-035-93 the purpose of this charge is to provide a  
261 readily understandable and persistent price signal to customers with higher than  
262 average summer usage levels. This will result in a fixed monthly charge that will  
263 remain low for small users, while large users will pay higher summer rates along with  
264 higher fixed charges year round.

265 **Q. How frequently will the CLC be calculated?**

266 A. It will be calculated based on usage for the billing months May through September of  
267 each year and will become effective beginning on customers' October bills.

268 **Q. Rates proposed in this case are expected to become effective in March 2009.  
269 How does the Company propose to implement the CLC in 2009?**

270 A. The Company proposes that customer usage from May through September 2008 be  
271 reviewed when the CLC is first implemented on March 2009 bills. The proposed  
272 revenue requirement and residential rate design have assumed that the CLC would  
273 apply in 2009 based on a review of May through September 2008 usage. If this does  
274 not occur, rates will need to be adjusted to achieve the Commission-ordered revenue  
275 requirement.

276 **Q. How will the proposed residential rate design impact customers?**

277 A. Exhibit RMP\_\_\_(WRG-4) contains monthly billing comparisons for the Company's  
278 proposed tariff revisions. For Residential Schedule 1, large users see bill impacts of  
279 approximately 15 percent in the summer—six percentage points above the increase  
280 for the average Utahan using 857 kWh in the summer. In the winter, smaller users  
281 will see an increase of \$2.00 per month during the seven winter months. Large users  
282 (those who used over 1000 kWh more than once from May through September) will

283 see an increase of over \$8.00 per month due to the larger monthly charge.

284 **Q. How does the Company propose to implement the rate change for residential**  
285 **customers on Schedule 25, Mobile Home and House Trailer Park Service?**

286 A. As proposed in my testimony in Docket 07-035-93, the Company proposes to  
287 increase demand and energy charges roughly equally in order to recover the overall  
288 rate change. In addition, the Company continues to propose a Customer Charge of  
289 \$20.00 per month.

#### 290 **Residential Time of Use Experiment**

291 **Q. Does the Company propose any changes to the current optional, experimental**  
292 **residential time of day tariff rider (Schedule 2)?**

293 A. No. The Company proposes that the optional, experimental time of day tariff rider  
294 for residential customers continue without change.

#### 295 **General Service & Irrigation Rates**

296 **Q. Please describe the Company's proposed rate design changes for commercial,**  
297 **industrial and irrigation customers.**

298 A. Consistent with the Company's proposal in the last three general rate cases, the  
299 Company does not propose any structural changes to its general service rates. As  
300 stated in my testimony in Docket 07-035-93, the Company proposed a number of rate  
301 design changes that were in line with the recommendations presented in the  
302 Company's Rate Design Taskforce (Taskforce) report filed with the Commission in  
303 July 2004. Those changes included time of day pricing for Schedule 9 and a new  
304 tariff Schedule, Schedule 8 that implemented time of day pricing for all customers  
305 over 1 MW. As proposed in my testimony in Docket 07-035-93, the Company

306 proposes to continue these pricing structures.

307 **Schedule 8 and Schedule 9**

308 **Q. What does the Company propose for Schedule 8 and Schedule 9?**

309 A. As proposed in my testimony in Docket 07-035-93, the Company proposes to  
310 maintain the existing 1.2 cents/kWh summer on-peak/off-peak differential and the 0.4  
311 cents/kWh winter on-peak/off-peak differential ordered in the last general rate case  
312 for Schedule 8 and 9 energy charges while uniformly increasing demand and energy  
313 charges to reflect the proposed revenue requirement change. We also propose to  
314 increase the monthly Customer Service Charge from \$25 to \$65 for Schedule 8 and  
315 from \$170 to \$235 for Schedule 9.

316 **Q. What does the Company propose for the optional time of use Schedule 9A**  
317 **currently in effect?**

318 A. Schedule 9A is closed to new service. These customers have the ability to shift to  
319 Schedule 9 if they desire. As proposed in my testimony in Docket 07-035-93, the  
320 Company proposes to increase Schedule 9A charges consistent with the proposed  
321 changes to Schedule 9.

322 **Schedule 6**

323 **Q. What changes does the Company propose for customers below 1 MW on**  
324 **Schedule 6?**

325 A. As proposed in my testimony in Docket 07-035-93, the Company proposes to apply  
326 the proposed revenue requirement change by applying a uniform percentage to  
327 demand charges and energy charges. We also propose no change to the Customer  
328 Service Charge.

329 **General Service Schedule 23**

330 **Q. How does the Company propose to implement the rate change for Schedule 23?**

331 A. As proposed in my testimony in Docket 07-035-93, the Company proposes to  
332 implement the rate change for Schedule 23 uniformly to demand and energy charges,  
333 and to increase the Customer Charge from \$6.00 to \$6.30 per month. Also, given that  
334 Schedule 23B currently has no customers, the Company continues to propose to  
335 eliminate Schedule 23B.

336 **Irrigation Schedule 10**

337 **Q. How does the Company propose to implement the rate change for Schedule 10?**

338 A. As proposed in my testimony in Docket 07-035-93, the Company proposes to  
339 implement the rate change for Schedule 10 uniformly to demand and energy charges  
340 and to increase the Annual Customer Service Charge by approximately 24 percent in  
341 line with the overall proposed rate increase. We also propose no change to the  
342 Monthly Customer Service Charge.

343 **Lighting**

344 **Q. How does the Company propose to implement the rate change for lighting**  
345 **customers?**

346 A. The Company designed the rate change for lighting customers by applying a  
347 percentage increase to the current rate to achieve the proposed overall revenue  
348 change.

349

350 **Filing Requirements**

351 **Q. As part of the general rate case filing requirements, the Company is required to**  
352 **provide the 12-month period ending June 2009 rate design data on a Utah**  
353 **allocated basis under both Rolled-In and MSP allocation methods. Has the**  
354 **Company provided this information?**

355 A. Yes. Under both Rolled-In and MSP allocation methods the rate design proposals are  
356 the same.

357 **Monthly Billing Comparisons**

358 **Q. Please explain Exhibit RMP\_\_\_(WRG-4).**

359 A. As referenced earlier, Exhibit RMP\_\_\_(WRG-4) details the customer impacts of the  
360 Company's proposed pricing changes. For each rate schedule, it shows the dollar and  
361 percentage change in monthly bills for various load and usage levels.

362 **Billing Determinants**

363 **Q. Please explain Exhibit RMP\_\_\_(WRG-5).**

364 A. Exhibit RMP\_\_\_(WRG-5) details the billing determinants used in preparing the  
365 pricing proposals in this case. It shows billing quantities and prices at present rates  
366 and proposed rates.

367 **Q. Please explain Exhibit RMP\_\_\_(WRG-6).**

368 A. Exhibit RMP\_\_\_(WRG-6) contains the billing determinants used in preparing the  
369 proposed street lighting pricing proposals in this case. The Company's proposed  
370 changes to street lighting rate structures were presented in the testimony of Company  
371 witness Mr. Daren H. Dixon in Docket 07-035-93. Hearings and a final order in  
372 Phase II of Docket 07-035-93 are still pending. Depending on the outcome of that

373 case, the Company may modify the street lighting pricing proposals in this case.

374 **Q. Does this conclude your direct testimony?**

375 **A.** Yes, it does.