

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE)
APPLICATION OF ROCKY)Docket No. 08-035-38
MOUNTAIN POWER FOR AUTHORITY)
TO INCREASE ITS RETAIL)H E A R I N G
ELECTRIC UTILITY SERVICE)
RATES IN UTAH AND FOR)
APPROVAL OF ITS PROPOSED)
ELECTRIC SERVICE SCHEDULES)
AND ELECTRIC SERVICE)
REGULATIONS)
)

June 15, 2009
2:09 p.m.

LOCATION:
PUBLIC SERVICE COMMISSION
160 East 300 South, Room 451
Salt Lake City, Utah 84111

* * *

Karen Christensen
- Registered Professional Reporter -
- Certified Shorthand Reporter -

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A P P E A R A N C E S

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Ron Allen
Ric Campbell

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FOR UAE: Neal Townsend

FOR SWEEP: Richard Collins

FOR UTAH CLEAN ENERGY: Kevin Emerson

FOR WAL-MART STORES: Holly Rachel Smith
(Via telephone)

FOR SALT LAKE CAP: Betsy Wolf
(Via telephone)

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P R O C E E D I N G S

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CHAIRMAN BOYER: Good afternoon. Let's go on

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the record, then.

5

This is the time and place duly noticed for

6

the hearing on the Motion for Approval of Stipulation and

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Cost of Service Rate Spread and Rate Design, Phase II in

8

Docket No. 08-035-38.

9

And we'll take appearances and then we'll

10

proceed to hear from the proponents of the stipulation

11

and then any opposed, if there are any. So with that,

12

let's begin by taking appearances. We'll begin with the

13

company, since you are the moving party. Ms. Hogle?

14

MS. HOGLE: Yvonne Hogle and Dave Taylor with

15

Rocky Mountain Power.

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CHAIRMAN BOYER: Thank you. Ms. Schmid?

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MS. SCHMID: Patricia E. Schmid with the

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Attorney General's Office for the Division of Public

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Utilities.

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CHAIRMAN BOYER: Mr. Proctor?

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MR. PROCTOR: Paul Proctor on behalf of the

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Office of Consumer Services, and Ms. Beck will be the

23

witness this afternoon. Thank you.

24

CHAIRMAN BOYER: Thank you.

25

DR. COLLINS: Rich Collins representing

1 Southwest Energy Efficiency Project, SWEEP.

2 CHAIRMAN BOYER: Welcome, Dr. Collins.

3 MR. TOWNSEND: Neal Townsend, a consultant
4 for the UAE Intervention Group. Mr. Dodge planned on
5 being here today but his mother passed away last week, so
6 he's at her funeral today. So he asked me to come and
7 represent UAE's support for the stipulation.

8 CHAIRMAN BOYER: Thank you. And please
9 express our condolences to him.

10 Yes, sir.

11 MR. EMERSON: My name is Kevin Emerson and
12 I'm here representing Utah Clean Energy.

13 CHAIRMAN BOYER: Mr. Reeder?

14 MR. REEDER: Good afternoon. My name is Bob
15 Reeder, representing Utah Industrial Energy Consumers,
16 whose names appear on this record and are known as UIEC.

17 CHAIRMAN BOYER: Great. Thank you,
18 Mr. Reeder. Welcome, as well.

19 Well, let's proceed, then, with the parties
20 who are speaking in favor. Are all parties going to
21 testify or are some of you here to observe? We'll go
22 around the room and see how things shake out. We'll
23 begin with Ms. Hogle and your witness, Mr. Taylor.

24 MS. HOGLE: Thank you.

25

1 DAVID TAYLOR,
2 having been previously duly sworn, was
3 examined and testified as follows:

4 EXAMINATION

5 BY MS. HOGLE:

6 Q. Can you please state your name and business
7 address?

8 A. My name is David L. Taylor. My business
9 address is 201 South Main Street, Salt Lake City, Utah
10 84111.

11 Q. What is your position and can you describe
12 your employment with the Company?

13 A. I'm employed by Rocky Mountain Power as the
14 manager of regulatory affairs for the State of Utah.

15 Q. What is the purpose of your testimony here
16 today?

17 A. I'll briefly review the history of events
18 that led to the stipulation that's presented before the
19 Commission today, as well as cover some of the key
20 elements of that stipulation.

21 The stipulation has been entered into by a
22 number of parties, including Rocky Mountain Power, Utah
23 Division of Public Utilities, Utah Office of Consumer
24 Services, UAE Intervention Group, Utah Industrial Energy
25 Consumers, the Kroger Company, Wal-Mart Stores, Western

1 Resource Advocates, Salt Lake Community Action Program,
2 Southwest Energy Efficiency Project and Utah Clean
3 Energy.

4 I'll also reconfirm Rocky Mountain Power's
5 support of the stipulation and the Company's belief that
6 this stipulation is in the public interest.

7 Q. Can you describe the key events that led to
8 the agreement before us?

9 A. I can do that. I'll spare the Commission and
10 the parties here and not recount all of the history that
11 led up to this stipulation, as we've recounted that two
12 or three times in this case. So I'll just discuss the
13 elements, the history that led up to this particular
14 stipulation.

15 Following the Commission's approval of the
16 cost of service and rate spread stipulation that was
17 approved on May 7th, 2009, some parties whose interest
18 included Schedules 6, 8 and 9 developed a proposed rate
19 design settlement for those schedules and presented it to
20 the Company on May 12th, 2009.

21 Other parties, whose interests included
22 residential rate design, developed a proposed rate design
23 settlement and presented it to the Company on May 21st,
24 2009.

25 On May 26th a notice of a settlement

1 conference was provided to the parties in the case and
2 settlement conferences on all rate design issues were
3 held on May 27th, 2009. And on May 28th of 2009, a copy
4 of the draft stipulation was circulated to the
5 intervenors in this case.

6 As a result of the settlement negotiations,
7 the parties to this stipulation have agreed to rate
8 design and other matters that are specified in the
9 stipulation in cost of service, rate spread and rate
10 design Phase II that was filed with the Utah Public
11 Service Commission on June 3rd of 2009.

12 Not all the parties who have intervened in
13 this case are -- not all intervenors who have intervened
14 in this case are parties of this stipulation. However,
15 we are not aware of any party that opposes the
16 stipulation that's presented here today.

17 In addition, some of the parties of this
18 stipulation only represent specific customers or specific
19 groups of customers or other entities and they may not
20 represent the interest of all the parties that are
21 represented in the stipulation.

22 So the representations of those parties only
23 relate to those entities which they represent and they
24 don't make any representations as to the public interest
25 as it relates to rate schedules or other entities that

1 they don't represent. However, the Company believes it
2 is in the public interest for all of our customers.

3 Q. Can you please describe the terms of the
4 stipulation now?

5 A. Certainly. I'll start with paragraph 16 that
6 contains the main elements of the stipulation. The
7 parties have agreed that the rate designs reflected would
8 be applied to the rate spread that was agreed to by the
9 parties in the cost of service and rate spread
10 stipulation that's been previously approved by this
11 Commission on May 7th of this year. A copy of the rate
12 spread is included as Exhibit A to this stipulation. And
13 then all of elements of the proposed stipulated rate
14 design elements are included in Exhibit B that's attached
15 to this stipulation.

16 But let me talk about some of the key
17 elements, key rate schedules that are affected. Let's
18 first talk about residential rate schedules. The parties
19 agreed in this case to increase the current customer
20 charge for all residential customers from the current \$2
21 a month to \$3 a month. The parties also agreed to retain
22 the three-block structure for the summertime rates, the
23 five months of the summer, and the flat energy structure
24 for the wintertime rates for those seven months.

25 The agreement was that in the wintertime the

1 kilowatt charge would increase by one-half of 1 percent.
2 During the summer for those three blocks, the kilowatt
3 charge for the first 400 kilowatt hours, or first block,
4 would decrease by 3 percent and that's to counterbalance
5 the increase in the customer charge.

6 The price for the second block, or the price
7 for the 600 -- next 600 kilowatt hours, would increase by
8 1.5 percent and then the remaining amount of the rate
9 increase to the residential class would be applied to the
10 summertime tail block. That's for usage over a thousand
11 kilowatt hours a month. That would result in a tail
12 block price of 11.12 cents per kilowatt hour, or a 7.2
13 percent increase in that summertime tail block.

14 For rate Schedules 6, 8 and 9, our general
15 service rate schedules, the parties have agreed that the
16 rate spread that previously had been agreed to would be
17 applied to each of those schedules on an equal percentage
18 basis to the rate elements within those schedules. That
19 is essentially the same as the current surcharge that's
20 being applied to those schedules. So it just, in
21 essence, takes that surcharge and builds it into the
22 tariff itself.

23 For the remaining schedules, the parties
24 agreed that the rate design proposals that were presented
25 by Company witness William Griffiths in his third

1 supplemental testimony, Exhibit WRG-4TS in this case,
2 should be approved by the Commission as filed and
3 presented in that exhibit. And again, all of the rate
4 design elements are contained in Exhibit B to this
5 stipulation.

6 The current tariff rider rate, Schedule 98,
7 will then be eliminated because all of the rate increase
8 will now have been incorporated into the tariff schedule
9 in each of these rate schedules.

10 Going on to paragraph 17, there was an
11 agreement that the Company would agree to hold
12 discussions with interested parties concerning a proposal
13 to increase the low-income lifeline rate that's included
14 in rate Schedule No. 3. And we've agreed that we would
15 work on a proposal that would increase that credit by at
16 least the amount of the increase in the customer charge,
17 or by at least \$1.

18 The Company further agreed that we would
19 provide -- we would file an application with this
20 commission within 60 days of the date of the approval of
21 this rate spread stipulation we're discussing today.

22 Moving on to paragraph 18, the parties agreed
23 to a language change in rate Schedule No. 8 in the
24 application paragraph of that schedule. What this
25 language change would do is it would allow customers who

1 have been moved onto rate Schedule 8 from other
2 schedules, because their peak demand had risen over a
3 thousand kilowatts twice during the previous 18 months --
4 if those customers would drop below a thousand kW for a
5 continuous period of 18 months, they would be moved back
6 to rate Schedule 6 or another applicable schedule after
7 that 18-month period. That is applicable to those who
8 have been moved onto rate Schedule 8 for the first time
9 only.

10 Generally, customers would remain on rate
11 Schedule 8 for at least 36 months. But this allows for a
12 customer who has moved there for the first time, and they
13 drop their load back underneath the Schedule 8 threshold,
14 that after 18 months they would move back to the rate
15 Schedule 6 or another applicable schedule.

16 Further, the parties propose that the
17 remaining schedule of Phase II of this rate -- of this
18 proceeding would be suspended and that all aspects of
19 this case would be concluded upon the approval of this
20 stipulation.

21 The remaining paragraphs of the stipulation
22 contain just the general terms and conditions which are
23 associated with most stipulations that are presented
24 before this Commission. They represent the obligations
25 of the parties both to the stipulation and to each other.

1 Q. Mr. Taylor, do you have any final comments?

2 A. Yes. The Company would like to thank all the
3 parties for their efforts in preparing this case and in
4 negotiating this stipulation. I restate the Company's
5 support for the stipulation that was negotiated in good
6 faith by the parties. I believe the stipulation is in
7 the public interest and that all of its term and
8 conditions considered together as a whole will produce
9 fair, just and reasonable Utah retail electric utility
10 rates. I recommend the Commission approve this
11 stipulation as it's filed.

12 Further, I would note that Rocky Mountain
13 Power's prepared to implement these new rates upon
14 approval of this stipulation with one day's notice. In
15 fact, should the Commission choose to issue a bench order
16 and approve the stipulation today, which we would
17 encourage you to do, we're prepared to implement those
18 rates with an effective date for usage on and after
19 tomorrow. Thank you. That concludes my comments.

20 CHAIRMAN BOYER: Thank you, Mr. Taylor. The
21 Commissioners are going to reserve their questions until
22 we've heard from other witnesses. But is there any
23 cross-examination of Mr. Taylor, friendly or otherwise?
24 Let's proceed to the Division of Public Utilities.

25 MS. SMITH: Excuse me, one minute. I don't

1 believe those of us on the phone entered our appearances
2 officially.

3 CHAIRMAN BOYER: I'm sorry. Let's do that at
4 this moment.

5 MS. SMITH: My name is Holly Rachel Smith.
6 I'm participating via telephone on behalf of Wal-Mart
7 Stores, Inc.

8 CHAIRMAN BOYER: Thank you, Ms. Smith.

9 MS. WOLF: And I'm Betsy Wolf, and I'm
10 representing Salt Lake Community Action Program.

11 CHAIRMAN BOYER: Ms. Wolf, also welcome.

12 MS. WOLF: Thank you.

13 CHAIRMAN BOYER: I apologize for overlooking
14 you. I didn't know anyone was on the phone.

15 And, Mr. Taylor, you were sworn in this case
16 previously; right?

17 MR. TAYLOR: I have been, yes.

18 CHAIRMAN BOYER: All right. Ms. Schmid?

19 MS. SCHMID: Yes. The Division's witness is
20 Dr. Abdinasir Abdulle, and he has previously been sworn
21 in this case.

22 ABDINASIR ABDULLE,
23 having been previously duly sworn, was
24 examined and testified as follows:

25

1 EXAMINATION

2 BY MS. SCHMID:

3 Q. Dr. Abdulle, could you please tell us your
4 name and by whom you are employed?

5 A. My name is Abdinasir Adbulle and I'm employed
6 by the Division of Public Utilities.

7 Q. Could you please provide your work address
8 for the record?

9 A. 160 East 300 South, Salt Lake City.

10 Q. On behalf of the Division of Public
11 Utilities, have you reviewed materials in this docket?

12 A. Yes, I did.

13 Q. Have you reviewed the stipulation?

14 A. Yes, I did.

15 Q. Do you have any comments that you would like
16 to make concerning the stipulation?

17 A. Yes. I have a small summary of comments
18 here.

19 The Division of Public Utilities supports the
20 stipulation before the Commission today. The Division
21 believes that the stipulation under these terms are just
22 and reasonable and in the public interest and therefore
23 recommends the Commission to approve it.

24 The stipulation on Rate Design now before you
25 is in accordance with the previously approved stipulation

1 on cost of service and rate spread. The terms of the
2 cost of service and rate spread stipulation called for
3 jurisdictional average increase for Schedules 8, 10 and
4 23 of approximately 1 percent, less than the
5 jurisdictional average for Schedule 1. And approximately
6 1 percent more than jurisdictional average for Schedules
7 6 and 9.

8 The terms of this stipulation currently
9 before you calls for the following: Rate design for
10 Schedule 1. The parties agreed to increase the customer
11 charge from \$2 to \$3 per month. Though this increase
12 does not take the customer charge up to the cost-based
13 level, the Division believes that this increase
14 represents a move in the right direction, leading to the
15 desired level gradually over time.

16 The parties also agreed to keep the current
17 three-block structure for the energy charge, with most of
18 the charge in the energy charge collected from the third
19 block. That is a thousand kilowatts per month. This is
20 expected to encourage energy efficiency and the Division
21 supports that.

22 For Schedule 3, in light of the economic
23 situation and the rate increase resulting for this rate
24 case, the parties thought that it's time to revisit the
25 low-income lifeline credit and agreed to discuss a

1 proposal to increase it by at least an amount equal to
2 the increase in residential customer charge stipulated
3 herein.

4 If the stipulation is approved, such an
5 increase will relieve the low-income customers of some of
6 their energy burden and will potentially reduce the cost
7 associated with our arrears, shutoffs and write-offs,
8 hence benefiting all customers.

9 For Schedules 6, 8 and 9, the parties agreed
10 that the rate increase to these schedules be applied on
11 an equal percentage basis to all of their respective rate
12 elements. The Division does not have any cost basis to
13 suggest otherwise.

14 Language change for Schedule 8. The parties
15 agreed that the language in Schedule 8 tariff be changed
16 as is described in paragraph 18 of this stipulation. The
17 Division does not have any problems with this change
18 given that the requirement -- the requirements to either
19 move off or onto Schedule 8 will be symmetric with the
20 stipulation proposed language; that is, the number of
21 months considered in deciding whether to transfer a
22 customer onto or off of Schedule 8 will be the same, that
23 is, 18 months.

24 However, the language and stipulation before
25 you on that -- on paragraph 18 has a problem that the

1 Division would propose a correction for. Paragraph 18 of
2 the stipulation, Schedule 8 tariff language change, the
3 parties agree that the section entitled Application in
4 Electric Service, Schedule No. 8, shall be amended to
5 include the following provision after the end of the
6 second sentence. The Division proposes a change to
7 replace that word "second" to "third." So it will be
8 after the end of the third sentence of this section.

9 And having said that, the Division approves
10 that the Division -- the Division believes that the
11 stipulation under these terms are just, reasonable and in
12 the public interest and therefore recommend that the
13 Commission approve it. And that concludes my brief
14 statement.

15 Q. Doctor Abdulle, one question to clarify, if I
16 might.

17 CHAIRMAN BOYER: Go ahead, Ms. Schmid.

18 Q. (BY MS. SCHMID) Is the reason the Division
19 supports the language in paragraph 18 be put after the
20 third sentence, rather than the second sentence, to avoid
21 any confusion?

22 A. Yes. The Division thinks that the proposed
23 language -- the additional language proposed in the
24 stipulation applies only to the first comments in
25 Schedule 8, and the language in the third sentence of the

1 tariff applies to all other customers. If we keep it the
2 second, there will be confusion that it would seem that
3 the proposed language should replace the third schedule,
4 and that's not the intention of this stipulation. The
5 intention of the stipulation is that the additional
6 language cover only new customers to this schedule, and
7 the third sentence in these -- in the tariff applies to
8 all other customers. And to avoid that confusion, that's
9 why the Division is proposing that language.

10 MS. SCHMID: Thank you.

11 CHAIRMAN BOYER: Thank you, Dr. Abdulle.
12 You've heard -- all of you have heard Dr. Abdulle's
13 suggested change to paragraph 18 of the stipulation by
14 changing the word "second" to "third." Are there any
15 comments or objections to that suggested change?

16 MR. TAYLOR: Rocky Mountain Power has no
17 objection to that change.

18 MR. REEDER: We are indifferent to the
19 change.

20 MR. TOWNSEND: We're indifferent.

21 CHAIRMAN BOYER: So we have one "don't care"
22 and four "indifferent." Very well.

23 MR. PROCTOR: I'm concerned, Mr. Chairman,
24 not "don't care."

25 CHAIRMAN BOYER: Very well. Are there

1 questions of Dr. Abdulle?

2 Seeing none, let's turn now to the Office of
3 Consumer Services, Mr. Proctor.

4 MR. PROCTOR: Thank you, Mr. Chairman.

5 Ms. Beck has been sworn in this matter and has a prepared
6 statement.

7 MS. BECK: Good afternoon. My name is
8 Michele Beck. I'm the director of the Office of Consumer
9 Services.

10 We have the statutory duty to assess the
11 impact of utility rate changes on residential consumers
12 and small commercial consumers and the advocated
13 provision most advantageous to the consumers. In this
14 case we are representing the residential, small
15 commercial and irrigation classes. My testimony today in
16 support of this stipulation relates to these customer
17 classes.

18 The Office carefully analyzed the rate design
19 proposals presented by the Company in this case. Since
20 many of the provisions were similar or identical to those
21 presented in the last case, we have had time to
22 thoroughly evaluate the proposal. The Office supports
23 the terms of the stipulation that keep the rate design
24 unchanged for the small commercial and irrigation
25 classes. We had not intended to raise any rate design

1 issues regarding these classes.

2 The Office also supports the settlement terms
3 for the rate design for the residential classes. These
4 terms are consistent with the policies that we had
5 anticipated advocating in our own testimony. The Office
6 supports moving the customer charge to \$3 within this
7 case.

8 However, we maintain our position from the
9 last case, that before the customer charge is raised
10 higher than \$3, the Company should provide a shared
11 services study to ensure that the customer charge does
12 not exceed cost of service for multifamily dwellings.

13 The Office also supports the proposed changes
14 to the winter and three-tiered summer energy rates. We
15 believe that breaking the link between the winter energy
16 rate and the first-tier summer rate allows the rate
17 design to better achieve desired policy objectives.
18 Lowering the first-tier summer rate prevents low-use
19 customers from bearing a disproportionate percentage of
20 the rate increase due to the increase in the customer
21 charge.

22 Finally, giving the third-tier summer rate a
23 higher-than-average percentage increase helps to promote
24 conservation. Taken together, the Office believes this
25 residential rate design appropriately balances our

1 priority policy objectives and is in the public interest.

2 The Office notes that one of the primary
3 benefits of this settlement is that it allows
4 implementation of rate design changes before the peak
5 summer months. We have previously expressed our concerns
6 that the bifurcated schedule of this case was contrary to
7 the public interest, so far as the delayed summer rate
8 implementation until 2010. It is only through this
9 settlement that implementation of these changes can occur
10 in a timely manner.

11 In summary, the Office believes that the
12 terms of this settlement will result in just and
13 reasonable rates with the consumers that we represent.
14 And in order to preserve the major benefits associated
15 with quick implementation, we respectfully request
16 Commission approval in a quick time frame. Thank you.

17 CHAIRMAN BOYER: Thank you, Ms. Beck. Is
18 there anything further?

19 MR. PROCTOR: No, thank you. I'm sorry, I
20 just...

21 CHAIRMAN BOYER: Thank you, Ms. Beck. Are
22 there questions for Ms. Beck?

23 Okay. Turning now to Dr. Collins, do you
24 wish to speak for the stipulation?

25 DR. COLLINS: Yes, I do.

1 CHAIRMAN BOYER: Have you been sworn in this
2 docket? I don't think you have.

3 DR. COLLINS: I don't think I have.

4 CHAIRMAN BOYER: Please stand and raise your
5 right hand.

6 (Witness was sworn.)

7 RICHARD COLLINS,
8 having been first duly sworn, was
9 examined and testified as follows:

10 CHAIRMAN BOYER: Thank you. Please be seated
11 and please proceed.

12 DR. COLLINS: My name is Richard Collins and
13 I'm representing the Southwest Energy Efficiency Project,
14 known as SWEEP. SWEEP is a public interest organization
15 which promotes greater energy efficiency in the southwest
16 and mountain states.

17 SWEEP supports the current stipulation on
18 residential rate design because, in our estimation, it
19 represents a fair compromise amongst the parties and
20 because it approximates our estimate of the likely
21 outcome of a full-blown hearing and subsequent Commission
22 decision. Although the stipulation does not capture all
23 of SWEEP's policy goals on rate design, it does provide
24 significant movement towards our goals and, therefore, it
25 garners our support.

1 SWEEP is not a big proponent of customer
2 charge, but we support the increase of the charge by \$1
3 because it moves that charge towards the Commission's
4 accepted cost estimate. SWEEP is pleased with the
5 changes in the summertime three-tiered inverted block
6 rates. The large bulk of the increase is appropriately
7 placed on the last, or third, block for use that's
8 greater than 1,000 kilowatt hours.

9 As described in the May 8th, 2009 report
10 submitted to the Commission entitled Rate Designs that
11 Promote Energy Efficiency and Conservation, SWEEP
12 presented evidence that the large percentage of
13 summertime residential growth in usage is coming from the
14 largest customers.

15 2007/2008 frequency data indicates that the
16 top 31 percent of residential customers use approximately
17 60 percent of the total summertime usage. Even more
18 telling is the fact that these large users, greater than
19 a thousand kilowatts, account for over 80 percent of
20 residential usage growth. And the top -- the users using
21 greater than 2,000 kilowatt hours are responsible for
22 45 percent of the summertime growth.

23 SWEEP supports the stipulation because it
24 provides a path towards appropriate price signals.
25 Customers who place large demands on the system and, in

1 turn, are increasing the necessity for higher rates
2 should bear the cost of their usage. SWEEP believes that
3 future rate cases will provide the opportunity for the
4 Commission to design rates to reflect these added costs
5 and send appropriate price signals to customers that
6 reflect the costs that these customers place on the
7 system.

8 We also support the lowering of the rates for
9 the first block, which range from zero to 400 kilowatt
10 hours. And this will ameliorate the rate impact of the
11 large increase in the customer charge. In addition, we
12 support the minor increase in summertime rates, as again
13 this sends an appropriate price signal to customers to
14 utilize their usage of electricity efficiently. In
15 future rate cases we hope that the parties will
16 investigate the possibility of further delineation of
17 customer usage and the appropriateness of a potential
18 fourth block.

19 In conclusion, SWEEP strongly supports the
20 residential rate design incorporated into the stipulation
21 because it puts the company on a path to an efficient and
22 equitable rate design for residential rate customers.

23 We also encourage the Commission to rule
24 quickly on this matter because we want these rates in
25 effect for summertime.

1 CHAIRMAN BOYER: Thank you, Dr. Collins. Are
2 there any questions of Dr. Collins?

3 (No audible response.)

4 CHAIRMAN BOYER: Okay. Mr. Townsend, do you
5 wish to speak to the stipulation?

6 MR. TOWNSEND: I have no statement today. I
7 am here to express UAE's support for the stipulation.

8 CHAIRMAN BOYER: Thank you for being here.

9 Mr. Emerson?

10 MR. EMERSON: Yes, I have a brief comment.

11 CHAIRMAN BOYER: You have not been sworn in
12 this proceeding. Would you please stand and raise your
13 right hand?

14 (Kevin Emerson was sworn.)

15 KEVIN EMERSON,
16 having been first duly sworn, was
17 examined and testified as follows:

18 CHAIRMAN BOYER: Please be seated and
19 proceed.

20 MR. EMERSON: Thanks. My name is Kevin
21 Emerson and I'm here on behalf of Utah Clean Energy where
22 I work as the energy efficiency program associate. And
23 again, I've prepared brief remarks to read.

24 Utah Clean Energy is a state-based nonprofit
25 organization that works in the public interest to advance

1 energy efficiency and renewable energy and economic and
2 environmental benefits that those resources provide in
3 the public policy and utility regulatory arenas.

4 Utah Clean Energy supports the rate design
5 portion of the stipulation in Docket 08-035-38. And
6 while we do not oppose other parts of the stipulation, we
7 didn't participate in these discussions so we can't speak
8 to them.

9 Our primary interest in the stipulation is
10 modifying residential rate design -- excuse me. Our
11 interest is sending stronger price signals to promote
12 energy conservation and energy efficiency through the
13 appropriate number of tiers, through the appropriate
14 steepness in price breaks between tiers and so forth.

15 It is the position of Utah Clean Energy that
16 the residential rate design be -- the residential rate
17 design modifications that's included in this stipulation
18 is reasonable and in the public interest and represents a
19 very positive step towards sending price signals to
20 promote more efficient use of our energy resources.

21 However, we also believe that this is only a
22 first step towards sending clearer and more effective
23 price signals to electricity consumers to promote greater
24 conservation and energy efficiency. We trust that this
25 issue will continue to be addressed in future rate cases,

1 where appropriate, in order to continue moderating the
2 need for new, more costly infrastructure while also
3 reducing carbon dioxide emissions associated with
4 volatile fuel and carbon costs.

5 Again, we reiterate our support for this
6 stipulation and we respectfully urge the Commission to
7 approve this stipulation as quickly as is reasonably
8 possible, as other parties have stated. And this
9 concludes my comments.

10 CHAIRMAN BOYER: Thank you, Mr. Emerson. Are
11 there questions of Mr. Emerson?

12 (No audible response.)

13 CHAIRMAN BOYER: Mr. Reeder?

14 MR. REEDER: We've signed the stipulation and
15 continue to support it.

16 CHAIRMAN BOYER: Thank you, Mr. Reeder.

17 Ms. Smith on the telephone, do you have any
18 comments to make?

19 MS. SMITH: My name is Holly Smith for
20 Wal-Mart. I have no comments, just that Wal-Mart is a
21 signatory to the settlement and would ask that you
22 approve it.

23 CHAIRMAN BOYER: Thank you, Ms. Smith.

24 And Ms. Wolf?

25 MS. WOLF: I do have a brief statement and I

1 have not been sworn.

2 CHAIRMAN BOYER: We're going to put you on
3 your honor now to stand and raise your right hand.

4 MS. WOLF: I am doing so.

5 CHAIRMAN BOYER: And I know you're a
6 trustworthy person so...

7 BETSY WOLF,
8 having been first duly sworn, was
9 examined and testified as follows:

10 CHAIRMAN BOYER: Thank you. Please proceed.

11 MS. WOLF: Okay. Thank you. Good afternoon.
12 My name is Betsy Wolf. I'm speaking on behalf of Salt
13 Lake Community Action Program. Salt Lake Community
14 Action Program, or Salt Lake CAP, was involved in
15 discussions regarding the residential portion of the
16 stipulation. We regard the resulting provision as being
17 just, reasonable and in the public interest and
18 consequently support the stipulation on rate design in
19 Docket No. 08-035-38.

20 Salt Lake CAP believes that the stipulation
21 represents a reasonable balance between the use of fixed
22 charges and volumetric charges, that the spread of
23 charges between the different residential summer blocks
24 is equitable and is consistent with the goals of the
25 State of Utah in promoting energy conservation and

1 efficiency.

2 While Salt Lake CAP has not supported
3 significant increases in the residential customers'
4 service charge in the past, we are able to do so here for
5 a few reasons. The increased customer charge represents
6 a fair compromise relative to the original proposal.
7 Salt Lake CAP was further concerned that the increase in
8 residential revenues previously authorized by the
9 Commission not be applied solely to the fixed charges,
10 which would have had the effect of increasing rates
11 disproportionately to the lowest user.

12 Low-income customers on average use less
13 kilowatt hours per month than the average residential
14 customers, and the differential is greater in the summer
15 months, as low-income customers infrequently live in
16 dwellings that have central air conditioning.

17 The provisions of this stipulation further
18 mitigate this impact by allowing for an increase to the
19 tail block with a slight decrease to the other two
20 blocks, with a slight decrease in the first block of
21 usage, keeping an affordable initial block.

22 Parties also have an understanding, as
23 described in paragraph 17 of the stipulation, that there
24 will be discussions to increase the home electric
25 lifeline discounts to Schedule 3 customers to offset the

1 increase in the customer charge. This should also help
2 the disproportionate effect on low use, low-income
3 customers.

4 The stipulation overall is consistent with
5 the need to balance the interests of low-income and other
6 residential customers, along with the ability of the
7 Company to recover its authorized rate of return to
8 provide reliable, safe electric service to all its Utah
9 customers. Salt Lake CAP believes that the stipulation
10 is in the public interest and recommends that the Public
11 Service Commission approve it in a timely manner. Thank
12 you.

13 CHAIRMAN BOYER: Thank you, Ms. Wolf. Are
14 there any questions of Ms. Wolf?

15 (No audible response.)

16 CHAIRMAN BOYER: Okay. Are there persons
17 present or on the telephone who wish to speak against the
18 stipulation?

19 MR. PROCTOR: Mr. Chairman, I apologize for
20 the interruption. Ms. Murray pointed out that maybe
21 Ms. Beck had not been sworn in this proceeding.

22 CHAIRMAN BOYER: Let's do it retroactively,
23 then.

24 MR. PROCTOR: Hopefully, there will be no
25 objections.

1 CHAIRMAN BOYER: Do you mind standing?

2 MS. BECK: I testified in the test year for
3 the 2009 case recently, but we don't think I have in this
4 case.

5 CHAIRMAN BOYER: If you don't mind, raise
6 your right hand.

7 Do you swear the testimony you've given in
8 this proceedings was true?

9 MS. BECK: Yes.

10 CHAIRMAN BOYER: I think we covered the main
11 bases on that. Let's turn now to the Commissioners.
12 Commissioner Allen.

13 COMMISSIONER ALLEN: Thank you, Mr. Chairman.
14 I have a couple of questions here that relate to outdoor
15 lighting and mobile homes, two of my favorite topics from
16 my previous life in the legislature.

17 Perhaps I'll start with the Company, because
18 you may have some background on this. I see in the
19 lighting Schedules 7, 11, 12 and 15 that there's a
20 difference in the increases and percentage-wise it seems
21 significant. You've got middle halogen light lamps at a
22 .6 percent increase and mercury vapor lamps at 3.71. And
23 I'm just wondering what the thought process was that went
24 into outdoor lighting.

25 What kind of goals are we trying to

1 accomplish here? It's not quite clear. And if anyone
2 else wants to shed some light on this subject, you can
3 chime in.

4 MR. TAYLOR: Unfortunately, I don't know the
5 answer to that question. I would be happy to research it
6 and respond to you, but I don't know why the differential
7 in those different individual lighting categories.

8 COMMISSIONER ALLEN: Is anyone familiar with
9 the discussion or the goals or agenda to it? We'll have
10 to let it stand.

11 The other question I had is mobile home
12 customer charges. Now if I understand it, we're talking
13 in the stipulation an increase from \$10 to \$20 per month,
14 but that applies to the owners of mobile home parks,
15 right, not the --

16 MR. TAYLOR: Right, that's not individual
17 mobile homeowners.

18 COMMISSIONER ALLEN: There's less than a
19 dozen of those. Do mobile home parks create their own
20 set of circumstances with a fixed charge that's justified
21 being increased this much in one jump?

22 MR. TAYLOR: Yeah, mobile home parks are a
23 unique set of circumstances where Rocky Mountain Power
24 sells electricity to the mobile home park and the mobile
25 home park then, in turn, delivers that electricity and

1 bills their customers.

2 And so our relationship is with the mobile
3 home park; in relation to them and between the customer
4 is that relationship. Now, there are rules that guide
5 those, but this has to do strictly with the cost
6 associated with service to those mobile home parks.

7 COMMISSIONER ALLEN: Do they generate more
8 phone calls or service visits?

9 MR. TAYLOR: I think because it's a larger --
10 they would be more aligned with a general service type of
11 customer than with a residential customer.

12 COMMISSIONER ALLEN: Okay.

13 MR. TAYLOR: That would primarily have to do
14 with the fixed facilities associated with serving them.

15 COMMISSIONER ALLEN: Anyone else have any
16 observations on that? All right. Thank you very much.

17 CHAIRMAN BOYER: Commissioner Campbell?

18 COMMISSIONER CAMPBELL: I guess my first
19 question is also for the Company and has to do with
20 paragraph 17 and the lifeline credit. I guess, as I read
21 this, does it indicate that there will be an increase,
22 you just haven't decided how much?

23 MR. TAYLOR: What we've agreed to do is to
24 work with the parties to, hopefully, get a joint proposal
25 to bring to the Commission. And that joint proposal will

1 propose an increase of the credit by at least the amount
2 of the increase in the customer charge. Maybe a larger
3 increase in the credit in that amount, but that would be
4 the minimum change. And we've agreed that we would file
5 that within 60 days of your approval of this stipulation.

6 COMMISSIONER CAMPBELL: Has the Company
7 already calculated how much room is available under the
8 recently passed legislation?

9 MR. TAYLOR: Just off the top of my head, the
10 reason we passed legislation would allow us to at least
11 double the current level of credit within those
12 parameters and perhaps more.

13 COMMISSIONER CAMPBELL: Okay. And,
14 Dr. Abdulle, would you just remind me: What is the
15 Division's calculation of the cost that goes into
16 determining a customer charge? You said this moves in
17 the direction. I just would like to be reminded of what
18 the final cost is that you're moving this towards.

19 DR. ABDULLE: I don't remember the exact
20 number, but the Division calculations were in line with
21 the customer charge proposed by the Company. So the
22 number that was in the filing was the number we came to.

23 CHAIRMAN BOYER: Mr. Taylor, do you recall
24 what that number is?

25 MR. TAYLOR: Yes. If you look at the exhibit

1 that went with Mr. Griffith's testimony in his third
2 supplemental, that would be the cost of service update
3 that incorporated the rate spread and revenue requirement
4 stipulation.

5 We proposed a customer charge of \$3.85 a
6 month, and that would be in line with the formula that
7 the Commission has used for a number of years in Utah.

8 COMMISSIONER CAMPBELL: Thank you.

9 CHAIRMAN BOYER: Just a couple questions, one
10 for Mr. Emerson. You spoke favorably of the price
11 signals delivered by the inverted block rates. Do those
12 price signals work for the average customer?

13 MR. EMERSON: You know, I think we have seen
14 that in some cases, yeah, they have been shown to work.
15 I don't have, you know, a report to point to you.
16 Perhaps Dr. Collins can shed more light on this, but I
17 think we're relying on, you know, economic theory to
18 demonstrate that, you know, as we saw a couple -- a
19 number of months ago when the price of gasoline went up,
20 we saw quite a shift in behavior of driving. So we hope
21 to see the same with this.

22 CHAIRMAN BOYER: So in that case you can see
23 the hump and so on and so forth.

24 Dr. Collins, it looks like you'd like to
25 speak on that.

1 DR. COLLINS: Sure, I do. I think your
2 question is will customers respond to increases in prices
3 and, as Kevin said, economic theory tells us that they do
4 respond. It's a question of how responsive they are.
5 The higher those price increases, the greater the
6 response that you're going to get.

7 There is a certain level in which customers
8 are going to shrug this stuff off and just not pay
9 attention to it. And that's why we're trying to
10 emphasize larger detriments -- or increases between the
11 blocks. And these blocks should reflect, you know, the
12 cost of providing electricity. And so it should be based
13 on the marginal cost of providing electricity. But if
14 you get them high enough, you will see a response.

15 And there's different estimates about exactly
16 what the elasticity coefficient, which is a measure of
17 that response, is. But generally electricity is what is
18 called inelastic. So the percentage change in quantity
19 is less than the percentage change in price, but you will
20 see a response.

21 CHAIRMAN BOYER: Thank you, Dr. Collins. In
22 the Company's direct testimony you've suggested
23 eliminating Schedule 23B. That isn't addressed
24 specifically in the stipulation, other than it is omitted
25 from the attachment A -- or Exhibit A. Is it the

1 intention of the parties that Schedule 23B go away
2 because there are no customers?

3 MR. TAYLOR: I think that's the intent, yes.

4 CHAIRMAN BOYER: Anybody else care to comment
5 on that?

6 Okay. On the residential time of day rates
7 there were no changes to the on and off peak, and so that
8 results in a relatively modest increase of 2.32 percent.

9 MR. TAYLOR: That's correct. The time of day
10 rate is a credit and surcharge to on and off peak usage
11 that's laid over the standard structure. And so those
12 surcharges and credits would not change. So they would
13 basically see essentially the same increase as a typical
14 residential customer would see.

15 CHAIRMAN BOYER: Thank you. And, lastly,
16 some of the customers -- well, your company is permitted
17 to collect a power factor charge for certain commercial
18 and industrial customers. Do you monitor that and
19 collect that information? And the language is kind of
20 interesting in that it says you can collect a power
21 factor charge adjustment as determined by measurement.
22 I'm just wondering how that would be measured and
23 monitored.

24 MR. TAYLOR: There is metering that measures
25 power factor. And I would stress my technical

1 understanding to get into it as a difference between VARS
2 and kWs. And there are provisions in the large and --
3 industrial large general service schedules for how that
4 is measured. And once the customer's power factor falls
5 outside a normal parameter, there is an additional charge
6 and adjustment made to the rate. I believe that
7 adjustment is made to the peak demand measurement from
8 that customer. So the demand charges are adjusted to
9 reflect that power factor correction.

10 CHAIRMAN BOYER: It is obviously beyond my
11 competence, as well. Are there any other -- Ms. Hogle,
12 do you wish to do any redirect or add anything further at
13 this time?

14 MS. HOGLE: I do not. Thank you.

15 CHAIRMAN BOYER: I guess, then, we will be in
16 recess until 4:30, at which time we scheduled the public
17 witness portion of this hearing. So thank you all for
18 participating. We'll see you back here at 4:30.

19 (A recess was taken from 2:55 until 4:34 p.m.)

20 CHAIRMAN BOYER: Let's go back on the record
21 in Docket 08-035-38.

22 This is the time and place duly noticed for
23 the hearing of public witness testimony, and we're all
24 here and no members of the public have shown. So we'll
25 commence by hearing from Mr. Taylor, who has pursued,

1 during the recess, the answer to the question raised
2 earlier.

3 Mr. Taylor, you're still under oath. Would
4 you like to enlighten us, please?

5 MR. TAYLOR: Certainly. Thank you. Earlier
6 in this proceeding Commissioner Allen asked why the
7 percent change from various street and area lights was
8 somewhat different from the standard equal percent change
9 that we had said they were going to get.

10 As with all rate schedules, prices are
11 rounded to certain decimal places. Street lighting is
12 rounded to even cents, or two decimal places, to the
13 dollar. So to apply the same percentage, you'll get a
14 number somewhat different than equal cents. So each of
15 these is rounded to equal cents, you're getting a little
16 different percentage when you make that actual
17 calculation.

18 Also, you would find a similar thing if you
19 looked back at rate Schedules 6, 8 and 9 of the customer
20 charges which are rounded to even dollars. They would
21 have somewhat different percentage changes than the
22 average change with the class because of just the
23 rounding issue there.

24 Now, one additional issue generally in every
25 rate schedule again, because different pricing elements

1 are rounded differently, they take one element and try to
2 reconcile as close as they can to the target revenues to
3 collect for that schedule. So that may make one element
4 with somewhat of a different price change, as well.

5 There are a couple of street and area lights
6 that have a different percentage because they were kind
7 of in the plug factor to get the whole schedule of this
8 target determined. But it's primarily the function of
9 rounding to the level of granularly (phonetic) that we
10 have in the prices.

11 CHAIRMAN BOYER: Thanks for looking that up,
12 Mr. Taylor. Does that answer your question,
13 Commission Allen?

14 COMMISSIONER ALLEN: Yes.

15 CHAIRMAN BOYER: We noticed the hearing to
16 commence at 4:30. We didn't specify an end time, so I
17 think we're going to --

18 MS. HOGLE: Actually, I believe it indicated
19 4:30 to 5:30, unfortunately, on the notice.

20 CHAIRMAN BOYER: Did it? That would be
21 unfortunate, to look at the notice. Okay. In that
22 event, we will recess until the earlier of 5:30 or when
23 some member of the public comes and wishes to be heard.
24 So we'll be standing by. Thank you for your patience.

25 (A recess was taken from 4:38 p.m. to 5:30 p.m.)

1 CHAIRMAN BOYER: Let's go back on the record
2 in Docket No. 08-035-38. And may the record reflect
3 though we noticed an hour period of time to hear
4 testimony from members of the public, no one showed up
5 today?

6 So that brings us to a decision point on the
7 motion for approval of the stipulation and cost of
8 service rate spread and rate design Phase II. And we
9 have deliberated, pending comments from the public.
10 Having seen none, we're ready to rule.

11 We've determined to approve the stipulation
12 as filed. The effective date will be -- with the
13 edition -- modification changing "second" to "third."
14 Since no one objected to that, the effective date will be
15 tomorrow. We'll get an order out post haste. And we
16 assume the Company will be filing schedules and the
17 Division will review them as per usual.

18 There's one other sort of outstanding issue.
19 Rocky Mountain filed a petition for clarification or, in
20 the alternative, to reconsideration of our April 21, 2009
21 order, which really was reconsideration of our
22 October 30, 2008 order on test period. That order was
23 issued prior to the passage of said Bill 75 back in
24 October, and we determined that we would not enter an
25 order on the reconsideration so that sort of the motion

1 died of its own term.

2 But our position is that the 75 will control
3 and the issues relating to the test period will be
4 resolved through the rule-making docket that we have
5 ongoing. And unless there are any other questions, we
6 will be adjourned. Thank you all for your participation.

7 MS. SCHMID: Thank you.

8 (The hearing was concluded at 5:31 p.m.)

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C E R T I F I C A T E

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

This is to certify that the foregoing proceedings were taken before me, KAREN CHRISTENSEN, a Registered Professional Reporter and Notary Public in and for the State of Utah.

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting.

That a full, true and correct transcription of said proceedings so taken and transcribed to the best of my ability is set forth in the foregoing pages, numbered 4 through 43, inclusive.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

Witness my hand and official seal at West Jordan, Utah, this 24th day of June 2009.

Karen Christensen, CSR, RPR
My Commission Expires:
December 30, 2011