A. Yes. This proposal does not recognize the need for customers to use energy efficiently. Utah has a high summer peak that is growing and is expensive to serve. The rate design must reflect this simple fact. A rate design that increases the tail block considerably would induce customers to use energy more efficiently.

Q. Would you like to propose a rate design for the residential customers?

A. Yes. The Division proposes a rate design that decouples the revenues associated with the distribution fixed cost from the energy sales. The Division also proposes that the customer charge be kept unchanged from its current level of $3, the minimum charge be eliminated, the summer first and second block rates and the winter block rate be increase by 1% from their respective current levels, and the tail block be increased from its current level of 11.1216 cents to 12.3908 cents (an 11.4% increase) to a more appropriate price signal to the customers with usage levels higher than 1,000 kWh. DPU Exhibit 15.5 Phase II summarizes the Division's proposed residential rate design.

Q. What is the bill impact of your proposed residential rate design?

A. The bill impact of the Division's proposed rate design is reported in DPU Exhibit 15.6 Phase II. This exhibit shows that the bill impact for the Division's proposed summer rates sends the appropriate price signals to the high usage customers while having a minimal impact on low usage customers. Customers with a usage level of up to 1,000 kWh will see an increase of less than a dollar in their summer monthly bills. Customers with usage levels between 1,000 kWh to 2,000 kWh will see a substantial increase in their summer monthly bills ranging from $2.20 per month for those with a usage level of 1,100 kWh to $34.12 per month for those using 2,000 kWh.