



1 **I. INTRODUCTION**

2 **Q. Please state your name and occupation.**

3 A. My name is Dr. Abdinasir Abdulle. I am employed by the Utah Division of Public  
4 Utilities (“Division”) as a Technical Consultant.

5 **Q. What is your business address?**

6 A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

7 **Q. On whose behalf are you testifying?**

8 A. The Division.

9 **Q. Did you file testimony in the Cost of Service and Rate Spread phase of this**  
10 **proceeding?**

11 A. Yes.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. In my rebuttal testimony I will address some aspects of the rate designs proposed by Mr.  
14 Gimble of the OCS, Dr. Collins on behalf of SWEEP, Mr. Curl for WRA, and Mr.  
15 Townsend for UAE.

16 **II. RESPONSE TO MR. GIMBLE’S DIRECT TESTIMONY**

17 **Q. Would you please summarize the residential rate design proposed by Mr. Gimble of**  
18 **the Office of Consumer Services?**

19 A. For the residential rate class, Mr. Gimble proposed to retain the current three-tier summer  
20 rate structure and the winter single energy rate. He also proposed to collect half of the

21 revenue increase through the customer charge by increasing it from its current level of \$3  
22 to \$3.75. The other half of the revenue increase would be collected evenly from the  
23 second and third summer energy blocks and the winter energy rate. Finally, he proposed  
24 no rate increase for the first summer block.

25 **Q. Do you have any comments on Mr. Gimble's residential rate design?**

26 A. Yes. In his rate design direct testimony, Mr. Gimble indicated that his proposal would  
27 send the proper price signals to the larger users and therefore will induce them to use  
28 energy more efficiently.

29 While the Office's recommendation of increasing the customer charge is consistent with  
30 the Commission's methodology, the Office's proposal would still collect a substantial  
31 portion of the total distribution fixed costs through volumetric rates. However, Mr.  
32 Gimble does not address the Company's risk of recovering its fixed costs through those  
33 volumetric rates. The Division's proposed decoupling mechanism is designed to mitigate  
34 the Company's risk of not being able to collect its fixed distribution costs while providing  
35 flexibility in designing rates that will send appropriate price signals encouraging energy  
36 conservation. With the decoupling mechanism, the Company will only collect its  
37 authorized or allowed revenue for the residential classes' fixed distribution costs and,  
38 hence the need to increase the customer charge is no longer as urgent. Without  
39 decoupling, or some similar mechanism, there will be an inherent conflict between the  
40 Company's need to collect its prudent costs and the need to induce energy conservation  
41 through rates.

42 If the Commission chooses not to adopt the Division's proposed decoupling mechanism,  
43 the Division advocates balancing increasing the customer charge with other rate  
44 objectives, specifically, promoting energy efficiency and gradualism. The level of  
45 customer charge proposed by OCS would not leave much money to increase the tail  
46 block significantly to encourage energy efficiency while making sure that customers in  
47 the other blocks also receive a price signal to conserve energy. This is evidenced by  
48 OCS's proposal to leave the first block rate at its current level. The Division believes  
49 that, although the customers in the tail block need to receive the strongest price signal, all  
50 customers should receive a price signal to induce them to use energy more efficiently.  
51 Thus, as explained in my direct testimony, the Division proposed an alternative  
52 residential rate design (in the event that decoupling is not adopted) that increases the  
53 customer charge to \$3.25 and increases each block rate with the largest increase going to  
54 the third block rate.

55 **Q. Do you have any comments regarding Mr. Gimble's proposal for Schedule 25?**

56 A. Yes. Mr. Gimble proposes eliminating Schedule 25 and moving these ratepayers to  
57 Schedule 23 or any other more appropriate schedule in the next rate case. According to  
58 the Division's understanding, certain new customers are placed on Schedule 23, although  
59 those new customers are similarly situated to those currently on Schedule 25. Therefore,  
60 the Office's proposal makes intuitive sense. However, the Office does not provide  
61 substantial evidence to support its proposal: at the very least, the Office should have  
62 provided the potential bill impact on those customers proposed being moved from  
63 Schedule 25 to Schedule 23. Furthermore, the Office is proposing adopting its

64 recommendation in this case to be binding on the Commission in the next rate case.  
65 Therefore, the Division recommends that the Commission not adopt this recommendation  
66 at this time and suggests that the parties bring this proposal forward in the next general  
67 rate case.

68 **Q. Mr. Gimble proposed that the Commission require RMP to file a Utah marginal**  
69 **cost study. Do you have any comment?**

70 A. Yes. The Division supports Mr. Gimble's proposal that the Commission require RMP to  
71 prepare and file a Utah marginal cost study. The Company should file this study either  
72 before or in conjunction with its next general rate case.

### 73 **III. RESPONSE TO DR. COLLINS' DIRECT TESTIMONY**

74 **Q. Do you have any concerns with Dr. Collin's proposed residential rate design in this**  
75 **case?**

76 A. Yes. Dr. Collins is proposing to create a fourth summer block rate and changing the  
77 winter single block to two blocks. The Division notes that the intent of Dr. Collins'  
78 proposed residential rate design is to send strong price signals to the high usage  
79 customers by greatly increasing the rates for the last two blocks of his proposed four.  
80 The Division, though it philosophically agrees with the general principle of such a rate  
81 design, has several concerns with the details of Dr. Collins' proposed rate design.  
82 Specifically, the Division is concerned that Dr. Collins' proposed four-tier summer rate  
83 structure is unnecessarily complicated, and that his overall design is not well balanced

84 between encouraging energy efficiency and mitigating RMP's risk of under-recovering  
85 its distribution fixed cost.

86 **Q. Would you elaborate on your concern regarding Dr. Collin's proposed four-tier**  
87 **summer rate?**

88 A. Yes. Dr. Collins proposes a four-tier summer rate structure. The first three tiers are the  
89 same as the current summer three blocks. The fourth tier is for usage levels in excess of  
90 2,000 kWh. Dr. Collins' proposal is to keep the rates for the first two blocks at current  
91 levels while the third block rate is set two thirds ( $2/3$ ) greater than the first block  
92 (\$0.124215) and the fourth block is set at twice the first block (\$0.149058). While the  
93 Division philosophically agrees with the intent of this rate design, which is to send strong  
94 price signals to those customers using more than 2,000 kWh to induce them to use the  
95 energy more efficiently, the four-tier rate design accomplishes nothing that cannot be  
96 done with the current three-tier rates and, thus, is unnecessarily complicated. Therefore,  
97 these last two blocks proposed by Dr. Collins should not be adopted, but instead signals  
98 should be sent to customers falling into the existing third block. This way more  
99 customers are targeted with uniformly strong price signal.

100 Furthermore, Dr. Collins' proposal does not address the Company's risk of  
101 recovering its prudently incurred fixed distribution costs. This rate design, if adopted,  
102 without decoupling, would increase the revenue volatility for RMP, making it  
103 increasingly unlikely that the Company would have a reasonable opportunity to earn its  
104 authorized rate of return. Dr. Collins' proposed rate design also does not recognize the  
105 need for all customers to use energy more efficiently and that all customers contribute to

106 the peak. Keeping the rates for the customers in the first and second block unchanged  
107 would not send any price signal to those customers to conserve energy. Therefore, the  
108 Division recommends that the Commission reject Dr. Collins proposed rate design in  
109 favor of the decoupling mechanism and the rate designed proposed by the Division,  
110 which takes into account the Company's risk of not being to collect its distribution fixed  
111 cost while at the same time promoting energy efficiency.

112 **Q. Please comment on Dr. Collin's proposed two-tier winter rate structure.**

113 A. Dr. Collins proposes a two-tier rate structure for winter with the cutoff point between the  
114 two tiers drawn at 700 kWh. Although the Division is not opposed to a two-tier rate  
115 design for the winter, the Division's proposal focuses on the summer rate design. The  
116 summer peak, in the Division's opinion, is more problematic for RMP at this time and,  
117 given the relatively small revenue requirement increase in this case, the summer peak is  
118 more deserving of the Commission's attention in order to help avoid purchases at higher  
119 market prices or building new power plants in the future.

#### 120 **IV. RESPONSE TO MR. CURL'S DIRECT TESTIMONY**

121 **Q. What issues do you have regarding Western Resource Advocates witness Mr. Curl's**  
122 **rate design direct testimony?**

123 A. The Division generally supports the basic objective of this design, which the Division  
124 understands intends to send strong price signals to high usage customers. Mr. Curl  
125 proposes achieving this objective by adopting an inverted surcharge for customers  
126 consuming more than 1,000 kWh in a single month. The idea of obtaining customers'

127 attention through a separate “high use” surcharge has intuitive appeal. It may indeed be  
128 likely that such a line item would be more easily noticed by the average ratepayer.  
129 Increasing levels of such a surcharge for very high use customers is also interesting  
130 concept. However, the Division is concerned that Mr. Curl's proposal may not actually  
131 achieve its intended objective.

132 **Q. Would you please elaborate?**

133 A. Yes. Mr. Curl proposed that the whole residential revenue increase be collected through  
134 a monthly high usage surcharge applicable in both the summer and winter. The  
135 surcharge starts at \$2.50 per month and increases by \$10 for every additional 1,000 kWh  
136 above 1,501 kWh up to 12,500 kWh. For usage levels from 12,501 to 22,500 kWh, the  
137 surcharge increase by \$25 for every additional 1,000 kWh. For usages above 22,500  
138 kWh, the surcharge is fixed at \$250. Customers using less than 1,000 kWh will not pay  
139 any surcharge. Because the surcharge is increasing as the usage level increases, it is  
140 expected to induce customers to use energy more efficiently.

141 The Division is concerned that the proposed surcharge will not provide as strong an  
142 incentive for customers to conserve energy as steeply tiered volumetric rates.  
143 Specifically, except for customers on the margin of each break point, the customers may  
144 not have as strong an incentive to avoid or reduce the surcharge or incur a larger  
145 surcharge if usage fluctuates within the 1,000 MW ranges proposed by Mr. Curl. For  
146 example, those customers consuming up to 1,000 kWh will not pay any surcharge and  
147 therefore may not have any additional incentive to conserve energy outside the  
148 volumetric rates. Similarly, since the surcharge will remain fixed over a range (or



149 increments) of 1,000 kWh, there will be no additional incentive for customers to conserve  
150 within that range. For a customer using 3,500 kWh in a month, the surcharge is \$20. If  
151 this customer reduces his energy usage by 800 kWh to 2,700 kWh, he will still pay \$20.  
152 For this customer and most other customers, the surcharge will work just like a fixed  
153 customer charge that provides no incentive to conserve. Similarly, a customer can  
154 increase usage within the MW band and incur no additional surcharge. Without higher  
155 volumetric rates for higher usage levels, Mr. Curl's proposed surcharge may provide less  
156 incentive for customers to conserve or use energy more efficiently.

157 Additionally, the Division doubts that the necessary information about the surcharge can  
158 be effectively communicated to the customer. Mr. Curl proposes that this surcharge will  
159 show on the customer's bill as a line item. However, in order to be effective, the  
160 customer needs to know how to avoid or reduce the surcharge or avoid incurring a higher  
161 charge. Furthermore, in keeping with economic theory, the customer will need to know  
162 each MW breakpoint and the associated surcharges. In other words, a complete table of  
163 breakpoints and surcharges would need to appear on the customer's bill. Putting such a  
164 table on the customer's bill seems impractical.

165 Furthermore, the Division notes that Mr. Curl's proposed rate design does not take into  
166 account the potential risk for RMP not to be able to collect its prudently incurred  
167 distribution fixed costs. Thus, if this rate design is adopted without a decoupling  
168 mechanism, it will increase RMP's risk of under-recovery of the distribution fixed cost  
169 and therefore provide RMP disincentives toward implementation of demand management  
170 programs.

171 For these reasons, the Division recommends that the Commission reject the proposed  
172 high usage surcharge for the residential customers.

173 **V. RESPONSE TO MR. TOWNSEND'S DIRECT TESTIMONY**

174 **Q. Would you comment on Mr. Townsend's proposed rate design for Schedules 6, 8, and**  
175 **9?**

176 A. Yes. Mr. Townsend proposes that time-of-use energy charge for each time period should be  
177 increased by an equal percentage for both Schedules 8 and 9 and that the demand and energy  
178 related charges be increased by equal percentage for Schedule 6. The Division notes that  
179 these proposals are similar to the Division's proposals contained in its direct testimony and  
180 therefore supports them.

181 **Q. Is there a difference between the customer charge for these classes proposed by the**  
182 **Division in your direct testimony and those proposed by Mr. Townsend?**

183 A. Yes. The Company proposed substantial monthly customer charge increases for Schedules 6,  
184 8, and 9. Mr. Townsend has accepted the Company's proposed Schedule 8, and 9 rate  
185 designs as "generally reasonable," with the exception of the demand, energy, and time of use  
186 percentage increases cited above. He does not address the customer charge increase for  
187 Schedule 6. Thus, Mr. Townsend did not dispute the Company's customer charge proposals  
188 in his direct testimony. In contrast, at the time that the Commission delivered its revenue  
189 requirement order in Phase I of this case, the Division prorated the Company-proposed  
190 customer charge increases for these classes by half, reflecting the approximate proportion of  
191 the Company-requested revenue increase that was actually awarded.

192 **Q. Is the Division now willing to accept the Company's proposed customer charges for**  
193 **these classes?**

194 A. Yes. It would appear that Mr. Townsend and his client group accept these charges as cost  
195 based and reasonable. As no other parties have commented on this issue, the Division sees  
196 no reason to contest these charges.

197 **Does this conclude your rate design rebuttal testimony?**

198 A. Yes, it does.