**Q. Please state your name.**

A. My name is William R. Griffith.

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

A. Yes I am.

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

A. The purpose of my rebuttal testimony in this proceeding is to address the direct testimony of the Division of Public Utilities' (DPU) witnesses Mr. William "Artie" Powell and Mr. Abdinasir Abdulle, the Office of Consumer Services' (OCA) witness Mr. Daniel E. Gimble, Southwest Energy Efficiency Project and Utah Clean Energy's (SWEEP) witness Mr. Richard Collins, Salt Lake Community Action Program's (SLCAP) witness Ms. Elizabeth Wolf, Western Resource Advocates' (WRA) witness Mr. John Curl, UAE Intervention Group's (UAE) witness Mr. Neal Townsend, Kroger's witness Mr. Stephen J. Baron, and Wal-Mart's witness Mr. Steve Chriss.

**DPU Decoupling Proposal**

**Q. In the direct testimony of Mr. Powell and Mr. Abdulle, the DPU proposes a decoupling tariff for the Company's residential customers. Please comment on the DPU's proposal.**

A. The current Utah residential rate design has an extremely low customer charge coupled with highly inverted blocks in the summer season. As a consequence, the Company does not recover its fixed costs of serving residential customers unless customers use sufficient energy in the highest or tail block. Thus, the current Utah residential rate design contains an incentive for the company to permit or even encourage customer energy consumption to enable the company to recover its fixed costs of service.

While the Company prefers a residential rate design with a customer charge that fully recovers all or at least 80 percent of its fixed costs, achieving this design appears unlikely in Utah, at least for many years. As an interim alternative, the Company supports a properly designed decoupling mechanism for the Company's residential customers in Utah.

The Company appreciates DPU's efforts to develop a proposal to help mitigate recovery risk of the fixed costs of serving residential customers. We believe that based upon certain clarifications and with some minor revisions, the DPU decoupling proposal can be an effective tool to mitigate the volatility and uncertainty of fixed cost recovery that exists under the current residential rate structure. As we understand the DPU's proposal it would:

- Allow recovery of distribution fixed costs based on an Allowed Monthly Distribution Fixed Costs (DFC) revenue per customer per month basis
- Implement decoupling balancing account true-ups and decoupling rate changes every six months
- Require the Company to file monthly reports indicating the month's accrual, account balance, and the cap limits both in total and as a percentage of the Company's distribution costs
- Limit the total accrual to no more than five percent of the Company's total distribution fixed costs in the twelve month period
- Limit the amortization to no more than plus or minus 2.5 percent in the twelve month period
- Propose a three year pilot program
- Require a comprehensive review at the end of the first year where the Company would be required to file an accrual and amortization history, a forecast for the second year of the pilot, and its recommendation for continuation of the pilot program.

I propose to address each of these elements of the DPU's proposal in order.

**Q. Please address DPU's proposal to allow recovery of distribution fixed costs based on an Allowed Monthly Distribution Fixed Costs (DFC) revenue per customer per month basis.**

A. We believe DPU's proposal to allow recovery of DFC on a revenue per customer basis is only reasonable if it allows for changes (growth or decline) in the number of customers over time. Specifically, the Company can agree to this element if the Company is not penalized for growth in the number of residential customers over time, but it is not clear whether DPU's proposal accommodates this. On the one hand, Mr. Abdulle responds "Yes" to the question concerning whether the allowed revenue will be allowed to change between rate cases with changes in the number of customers (DPU Exhibit 15.0 Phase II, page 5 lines 77-82). On the other hand, Mr. Abdulle states, "This (revenue difference) could be due to a change in the monthly customer counts or average usage per customer…. The essence of this approach is to recapture the revenues that would have been lost if either or both the average consumption per customer or the customer count differed from the levels that were used in establishing the residential rates." DPU Exhibit 15.0 Phase II, page 3 lines 77-82)

In addition, the draft tariff sponsored by the DPU contains **Allowed** Monthly DFC Revenue per customer rates which exclude the residential customer charge revenues, while the formula showing the **Actual** Monthly DFC Revenue in the DPU's draft tariff includes the present $3.00 per month residential customer charge. The proposed formula would reflect changes in customer count against the revenue amounts the Company is allowed; therefore, it would penalize the Company for increases in the number of customers served.

**Q. Does the Company have any proposals to address this apparent contradiction between statements in the testimony and in the DPU's filed exhibits?**

A. Yes. In an attempt to clarify this apparent contradiction, the Company has prepared a revised draft tariff (Exhibit RMP___(WRG-1R)) and exhibit (Exhibit RMP___(WRG-2R)) modeled after Mr. Abdulle's decoupling exhibits. These exhibits are intended to reflect the DPU's proposal while not denying recovery of fixed costs by virtue of changes in the number of customers. These exhibits also reflect a number of revisions to Mr. Abdulle's exhibits.

**Q. Please explain the Company's proposed changes to the DPU's draft tariff (RDT) contained in Exhibit RMP___(WRG-1R).**

A. Our modification to the DPU's proposed decoupling tariff (RDT) is intended to ensure that the Allowed and Actual revenue calculations contain the same structural components and that the Company is not penalized for increases in the number of customers served. In the revised Exhibit RMP___(WRG-1R), the Company removed the present $3.00 customer charge from the DPU's Actual Monthly DFC Revenue formula because the Allowed Monthly Revenue per Customer rates proposed by the DPU did not incorporate revenues from the customer charge. Alternatively, one could have increased the twelve Allowed Monthly DFC Revenue rates proposed by the DPU by $3.00 each to reflect the monthly customer charge, and one could have left the DPU's Actual Monthly DFC Revenue formula unchanged. In either way, the same purpose would be achieved--the components in the Allowed Revenue and Actual Revenue calculations would be matched.

**Q. If the Commission orders an increase to the present monthly residential customer charge in this docket will the rates in Exhibit RMP__(WRG-1R) require updating?**

A. Yes. If the Commission orders an increase in the residential customer charge then more fixed costs will be recovered by the monthly customer charge, and the Allowed Monthly Revenue per Customer per month rates in Exhibit RMP__(WRG-1R) will need to be revised.

**Q. Please describe your other revisions to Mr. Abdulle's exhibits.**

A. The Company's other proposed revisions to his exhibits are contained in Exhibit RMP___(WRG-2R), and a summary of the revisions are listed in the table below referencing Mr. Abdulle's exhibits:

| **Exhibit No.** | **Revisions** |
|---|---|
| 15.4 | Allowed revenues from cells I21 to I32 did not reflect the number of customers times the allowed revenue per customer. |
| 15.5 | The billing determinants were not appropriately combined for Schedules 1 and 3 which resulted misstated proposed rates. |
| 15.6 | The proposed 3rd block rate has been revised to reflect the billing determinants correction in 15.5. |
| 15.7 | As with 15.5, the billing determinants were not appropriately combined for Schedules 1 and 3 resulting in misstated proposed rates. Also, the proposed residential customer charge in described in the Direct Testimony is $3.40 while this Exhibit indicates it is $3.25. This revised exhibit adjusts it to $3.40. |
| 15.8 | The proposed 3rd block rate has been revised to reflect billing determinants correction in 15.7. |
| 15.9 | As indicated earlier in my testimony, the formula of the calculation of actual decoupling revenues should not include the monthly number of customers. |
| 15.13 | "Non-basic change" (sic) percentage calculation was incorrect, resulting incorrect proposed rates |
| 15.15 | Some rates don't match the proposed rates in Exhibit 15.10 |
| 15.16 | Some rates don't match the proposed rates in Exhibit 15.11 |
| 15.17 | Some rates don't match the proposed rates in Exhibit 15.12 |
| 15.18 | The rates were misstated due to the errors in Exhibit 15.13 |
| 15.19 | Some rates don't match the proposed rates in Exhibit 15.14 |

**Q. Do you have any additional comments concerning these corrected exhibits?**

A. Yes. The Company has prepared these in an effort to clarify the DPU's decoupling proposal. We do not necessarily endorse these exhibits in their totality once the corrections have been made. My testimony describes the specific elements of the proposal that we do support, and the elements that we do not support.

**Q. The DPU proposes to implement decoupling balancing account true-ups and decoupling rate changes every six months. Please respond.**

A. The Company does not believe that decoupling rate changes every six months is reasonable. We support annual true-ups. We believe that an annual adjustment is appropriate for three reasons.

First, because of seasonal residential rates, the Company currently has two rate changes per year—one on May 1 and a second on October 1. These seasonal rate changes implement rates that are in effect for five and seven months, respectively, and they are designed to reflect seasonal changes in costs in Utah. Layering on additional changes over these seasonal rates at six month periods (which could not synchronize with the seasonal rate changes) is overly complex and could lead to unnecessary rate changes. For example, under the DPU's proposed six month intervals, if usage were below the threshold for the first six months, the Company would have a decoupling rate increase. If it were above the threshold for the second six months, the Company would have a decoupling rate decrease. Two rate changes would be required. As an alternative, if the mechanism offered only annual decoupling rate changes, under this usage scenario, there might be no rate change over the twelve month period (if usage in the first six months offset usage in the second), or, at most, only one rate change. Mr. Abdulle's example of two rate changes in twelve months, once corrected in the Company's reply exhibits included with my testimony, shows an overall *de minimis* effect over the full twelve month period and suggests that an annual rate change would be reasonable.

Second, as acknowledged by Mr. Powell, annual rate decoupling changes are common in most states. The Company agrees. The Company's Oregon decoupling program in the 1990's utilized annual rate changes. We believe that six month rate changes are a regulatory burden on all parties and would produce unnecessary variations in customer rates as discussed above.

Third, Mr. Powell further indicates that six month changes would avoid "rate shock". We believe the DPU's proposed cap on amortizations at 2.5% of fixed distribution revenues (discussed below) already addresses this issue making six month decoupling rate changes unnecessary.

In summary, we believe that annual decoupling rate changes will limit rate changes, they are well accepted in other states, and any potential "rate shock" is minimized through other elements of the DPU's decoupling proposal. For these reasons, we urge the Commission to adopt annual decoupling rate changes, rather than semi-annual rate changes. In addition, in order to minimize residential rate changes, the Company proposes that the annual decoupling rate change occur on May 1, in line with the first day of summer residential rates.

**Q. The DPU proposes to require the Company to file monthly reports indicating the month's accrual, account balance, and the cap limits both in total and as a percentage of the Company's distribution costs. Please respond.**

A. The Company believes monthly reporting requirements are burdensome, and they limit the appeal of the proposal to the Company. Moreover, the DPU offers no specific reasons for these requirements, nor does it indicate who would review the information or how it might be utilized. Given the lack of any specificity concerning the purpose of these monthly filings and the burden of filing monthly reports, the Company believes this element in the proposal is unnecessary.

**Q. The DPU proposes to limit the total accrual to no more than five percent of Company's total distribution fixed costs in the twelve month period. Please respond.**

A. The Company believes this part of the DPU's proposal is reasonable.

**Q. The DPU proposes to limit the amortization to no more than plus or minus 2.5 percent in the twelve month period. Please respond.**

A. The Company believes this part of the DPU's proposal is reasonable.

**Q. The DPU proposes a three year pilot program. Please respond.**

A. The Company believes that a pilot program is appropriate for this mechanism.

**Q. The DPU proposes a comprehensive review at the end of the first year where the Company would be required to file an accrual and amortization history, a forecast for the second year of the pilot, and its recommendation for continuation of the pilot program. Please respond.**

A. The Company believes that the term "comprehensive review" at the end of the first year is perhaps overstated. The Company would submit a filing, most likely with a decoupling rate change, which could trigger review of the program at the end of the first year. If decoupling is ordered in this docket, the Company proposes that the first decoupling filing occur on March 1, 2011, in order to implement a decoupling rate change on May 1, 2011.

Also the DPU does not provide a clear reason for proposing a second year forecast; therefore, the Company proposes to make that requirement optional.

We support the DPU's proposed requirement for a Company recommendation at the end of the first year for continuation of the program.

**Q. Please summarize the Company's response to the DPU's decoupling proposal.**

A. As stated earlier, Rocky Mountain Power is supportive of recovering its fixed costs, and a reasonable decoupling mechanism can be an acceptable interim alternative to including the fixed costs in the customer charge component of rates. We appreciate the DPU's efforts to bring forward a complete and thoughtful decoupling proposal. The Company is encouraged by these efforts, and we are hopeful that, in the absence of a more fully-cost-based residential monthly customer charge, a decoupling mechanism that includes the Company's proposed revisions described above may be a good alternative.

**Q. Please explain the Exhibit RMP__(WRG-3R).**

A. Exhibit RMP__(WRG-3R) contains the Company's proposed Schedule 101 Residential Decoupling Adjustment (RDA). It includes all of the proposed changes to the DPU's proposed RDT along with the Company's proposed enhancements and clarifications discussed above. If the Commission orders an increase in the residential customer charge then the Allowed Monthly Revenue per Customer per month rates in this exhibit will need to be revised.

**Residential Rate Design**

**Q. Please describe the Company's residential rate design proposal in this case.**

A. The Company proposes to apply all of the 2.20 percent residential increase to the residential customer charge. As a result, in my update testimony filed in this docket, the Company proposed a residential customer charge of $4.45 per month—an increase of $1.45 per month for all residential customers. We believe that this increase in the customer charge is essential to recovering the fixed costs of service and to avoid providing the Company with a disincentive to encourage energy efficiency. Since the company's calculation of its residential distribution fixed costs exceeds $23 per month per account, this increase in the residential customer charge is needed even if the DPU's decoupling proposal is accepted. Even with this increase, the proposed residential customer charge will be the lowest monthly residential customer charge on the Company's system in states that have a fixed monthly customer charge.

**Q. Please respond to the residential rate design proposals submitted by the other parties in this case.**

A. The residential rate design proposals submitted by the other parties in this case range from gradual (OCS, SLCAP) to variable (DPU, WRA) to severe (SWEEP).

**Q. Please respond to the residential rate design proposals submitted by OCS and SLCAP.**

A. The proposals of Mr. Gimble for OCS and Ms. Wolf for SLCAP are very similar. Mr. Gimble recommends an increase to the customer charge of $0.75 per month (to $3.75 per month) along with gradual increases to the energy blocks ranging from 0.75 percent to the winter energy charge along with increases to the second (2.2 percent) and third (2.82 percent) summer energy blocks. Mr. Gimble does not specifically calculate rates or revenues for low income customers served on residential Schedule 3.

Ms. Wolf's proposal is almost identical, resulting in a monthly customer charge of approximately $3.73 per month with the balance being applied to the second and third summer rate blocks only. She proposes to increase the monthly minimum bill to $6.00 per month with no change to the winter energy blocks.

While we are disappointed that a larger increase to the customer charge was not proposed, we find OCS's proposal to be the preferred alternative if the Commission does not accept the Company's proposal.

**Q. The OCS indicates that the Company has not provided any evidence demonstrating revenue volatility in this case. Please comment.**

A. In the normalized results of operations that the Company provides to the Commission, data are temperature normalized and revenue fluctuations due to temperature are removed. It is not true that the Company does not see revenue volatility. In 2009, the Company underrecovered its residential revenues by over $9 million in the summer period. In prior years for which data are available, the Company has underrecovered residential revenues in the summer period by as much as $23 million and overrecovered by nearly $28 million.

**Q. Please respond to the residential rate design proposals submitted by DPU.**

A. DPU has submitted two proposals. If its decoupling proposal is adopted, DPU recommends the residential customer charge be unchanged and remain at $3.00 per month while the first and second summer energy blocks along with the winter energy block should be increased by one percent. The summer tailblock (third block) would be increased by 11 percent.

If the DPU's decoupling proposal is not adopted, DPU proposes to increase the residential customer charge by $0.40 per month (although its rate design exhibit shows only a $0.25 per month increase) while the first and second summer energy blocks along with the winter energy block should be increased by one percent, and the summer tailblock should be increased by eight percent.

**Q. Are either of the DPU's residential rate design proposals reasonable?**

A. No. While the Company appreciates the DPU's efforts in developing a residential distribution decoupling proposal, in neither of its rate design proposals has the DPU made reasonable progress toward a cost-based customer charge. In the 2007 general rate case, the DPU proposed a $4.00 monthly customer charge. The DPU's reversal in this case is disappointing. Moreover, its proposed eight percent increase in the summer tailblock, in the absence of decoupling would increase revenue volatility and further erode the Company's ability to recover its fixed costs.

**Q. Please respond to the residential rate design proposal submitted by SWEEP.**

A. Mr. Richard Collins for SWEEP proposes increasing the number of residential energy blocks in the summer from three to four, with rates approaching 15 cents per kWh in the fourth block, while increasing the residential monthly customer charge only to $3.25. SWEEP also proposes a two block inverted rate in the winter season with a new tier at 700 kWh.

Clearly, SWEEP is proposing substantial changes that are difficult to structure given that the residential price increase is only 2.20 percent. While the Company cannot support any of SWEEP's proposals, SWEEP's proposed increase of the summer tailblock price by 34 percent is particularly disturbing. That proposal would significantly increase revenue volatility and erode the Company's ability to recover its fixed costs.

**Q. Did SWEEP provide any workpapers in its direct testimony showing the development of its proposed rates?**

A. No. SWEEP did not provide any supporting materials (i.e., billing determinants and rate calculations) for its proposed rates in either its direct testimony or exhibits.

**Q. Did the Company submit data requests to SWEEP requesting supporting materials (i.e., billing determinants and rate calculations)?**

A. Yes, the Company in its data request RMP 2.1 requested SWEEP to provide billing determinants and related workpapers that show the development of its proposed rates, and SWEEP responded with the requested supporting materials.

**Q. After reviewing SWEEP's data responses, what does the Company conclude?**

A. The Company found that there were errors in the development of the proposed four block rate structure. The rate blocks contained incorrect billing determinants and incorrect proposed rates. For example, the total bills and total kWhs in the tab "Usage Breakdown by Tier" did not match the data the Company provided in tabs

"RMP Consumption Data" and "RMP Bills Data". As a result of these differences, if SWEEP's proposal were approved by the Commission as adopted, the proposed rates would generate about $2.6 million more than the ordered revenue requirement for the residential class.

**Q. What is the Company's recommendation to the Commission concerning SWEEP's rate design proposal?**

A. The Company recommends that SWEEP's proposal be rejected. As indicated above, SWEEP's proposal would further increase revenue volatility and erode the Company's ability to recover its fixed costs. Moreover, given the lack of accuracy of the workpapers and calculations, SWEEP's proposal should be dismissed.

**Q. Please respond to the residential rate design proposal submitted by WRA.**

A. Mr. John Curl for WRA proposes a High Usage Surcharge that would commence with all usage over 1,000 kWh at $10 per month and would top out at $250 per month. This surcharge would have significant bill impacts on larger customers. However, it was not clear from his direct testimony whether this charge would be implemented only for the month during which the customer's usage met the threshold requirement, or if instead it would be a ratchet, where the highest usage surcharge would be charged for up to a full twelve months, or until an even higher usage amount occurred. The Company submitted a data request to WRA requesting further information.

**Q. What did the Company conclude after reviewing WRA's data response?**

A. After reviewing WRA's exhibits and data response, it appears that the proposed surcharge would be a ratchet where the highest usage would be charged for up to a full twelve months. If this charge were proposed only for a single month, our review of the calculations in WRA's exhibits indicates that the proposed rates do not recover the revenue requirement; therefore the Company has concluded that it is a twelve month ratchet.

**Q. Is WRA's rate design proposal reasonable?**

A. While it appears that WRA's proposal is somewhat similar in structure to the Company's Customer Load Charge proposed in Docket Nos. 07-035-93 and 08-035-38, the Company believes that the proposal as structured would have limited appeal while having significant bill impacts on many customers. We are unable to support it at this time. We believe that a decoupling proposal would be more appropriate than this approach.

**Q. Why is the size of the residential customer charge still important if a decoupling mechanism is adopted in Utah?**

A. First, an appropriate customer charge is necessary to provide intra-class cost responsibility equity among customers within the residential class. While decoupling aligns the fixed cost recovery with the fixed costs incurred for the residential class in total, it does not address equitable cost responsibility between individual customers within the class. With a customer charge at less than full cost, smaller customers will continue to pay less than their share of customer- related costs and larger residential customers will continue to pay more than their share.

Second, a customer charge that is more closely aligned with the fixed costs will minimize the size of the decoupling rate adjustments and keep rates more stable.

## Nonresidential Rate Design and Other Issues

**Q. Please comment on other parties' nonresidential rate design proposals filed in their direct testimonies.**

A. For the DPU, Mr. Abdulle indicated that the Division was in general agreement with the Company's rate design proposals for these classes and did not propose any structural changes.

WalMart and Kroger both recommended the Commission approve the proposed rate design for Schedule 6, and they did not address other classes.

UAE generally supported the Company's rate design proposals, but it recommends that the on-peak and off-peak energy charges for Schedules 8 and 9 be increased by an equal percentage. It does not support the Company's proposal to retain the existing cents per kWh on- and off-peak energy charge differentials. UAE's proposal to widen the on- and off-peak differentials will result in a lower increase to the year round off-peak energy charge than does the Company's case. We continue to believe that the Company's proposal is appropriate. We do not believe that UAE's proposal for lower off-peak energy prices is appropriate in the current environment that is increasingly focusing on energy efficiency and emissions issues. While the differences between the Company's proposed off-peak energy charge for Schedule 9 equal to 2.2609 cents per kWh, and UAE's proposed off-peak energy charge equal to 2.2520 may be small, we believe that UAE's proposed off-peak energy price would not give customers the proper price signals about energy efficiency in the current environment.

**Q. Mr. Gimble proposes that the Company prepare and file a Utah marginal cost study no later than November 1, 2010. Do you agree with Mr. Gimble's proposal?**

A. We agree that it would be appropriate to submit a marginal cost study in Utah, and we agree with Mr. Gimble that a marginal cost study could be used "to inform rate design proposals" (OCS-5D RD, line 252). We do not agree that it would be useful to file one outside of a general rate case. It is more appropriate to file a marginal cost of service study in the Company's next general rate case where it could be used to inform the rate design proposals in that case.

**Q. Has the Company previously filed a marginal cost study in Utah?**

A. Yes, the Company filed a marginal cost of service study in Utah in general rate case Docket 90-035-06. Ms. Carole Rockney was the Company witness. Ms. Rockney also presented the results of this study to interested parties in a technical conference held during the summer of 1991.

**Q. Does this conclude your rebuttal testimony?**

A. Yes, it does.