BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations	)))))))	Docket No. 10-035-124

DIRECT TESTIMONY ON RATE DESIGN

OF

DR. CHARLES E. JOHNSON

ON BEHALF OF

AARP AND SALT LAKE COMMUNITY ACTION PROGRAM

JUNE 2, 2011

TABLE OF CONTENTS

INTRODUCTION

Q. Please state your name and business address.

A. My name is Charles E. Johnson. My business address is 1086 - 7B Pleasant Blvd, Toronto, Ontario M4T 1K2.

Q. By whom are you employed?

A. I am an independent consultant.

Q. For whom are you submitting testimony?

A. I am testifying on behalf of AARP and Salt Lake Community Action Program (SLCAP).

Q. What are your qualifications for testifying in this proceeding?

A. I have received extensive training in various aspects of utility accounting, utility planning and utility practices over the years and have a Master's Degree and Ph.D. in Mathematics. I have met the requirements to be a Certified Depreciation Professional by the Society of Depreciation Professionals. I have taught short courses on utility matters to the Staff of several State Utility Commissions and National Commissions of Caribbean Island Nations and to staff of various U.S. Department of Energy facilities and National Laboratories. I have been involved in utility proceedings as a consultant for more than 30 years and have testified as an expert in proceedings before utility commissions and courts throughout the country. I have testified in several cases before the Utah Public Service Commission, including cases involving Rocky Mountain Power Company (as Utah Power and Light Company and Pacificorp), Questar and Qwest.

Q. What is the purpose of your testimony?

A. I have been asked to review the Rocky Mountain Power Company (RMP or the Company) filing and provide recommendations to the Utah Public Service Commission (PSC or the Commission) about the rate design proposed by the Company, with particular attention to the proposed residential rates, including the proposed customer charge.

Q. What issues will you address?

A. I will discuss the billing impact of the RMP proposal to increase the residential customer charge from $3.75 to $10.00, the RMP proposal to eliminate the residential minimum bill charge, and the RMP proposed "housekeeping" language change to Rate Schedules 1 and 3. In addition, I will develop a proposed residential rate that I recommend be adopted if the PSC accepts the RMP-proposed revenue request and revenue spread. If the revenue target for the residential class is set at a level different from requested by RMP, I recommend that my proposed methodology be used to set the residential rate charges.

RESIDENTIAL BILLING IMPACTS OF RMP'S PROPOSAL

Q. What is RMP's proposal for increasing residential charges?

A. RMP's proposal is to increase the residential customer charge from $3.75 to $10.00 (167%) and to increase energy charges by approximately 10.4% over current base rates and about 6.0% above rates including the current adjustments referenced in Mr. Griffith's testimony.

Q. What is the impact of the RMP proposal on residential customers?

A. RMP Witness Griffith states that his Exhibit RMP__(WRG-6) "shows the change in monthly bills for various load and usage levels" up to customers using 5,000 kWh per

month, but it does not show the changes in the total bills for residential customers at various usage levels. It simply shows the proposed change in the customer charge from $3.75 to $10.00 and the 6.0% change in only the energy charges for various usage levels. The exhibit does not calculate the change in the total bill nor does it calculate the percentage change in the bill.

One gets a better picture of the billing impact of RMP's proposal on different levels of consumption if the change in total bill is calculated. I have added the customer charges to the energy charges from Exhibit RMP___(WRG-6) to demonstrate the percentage increases for residential customers at different load levels. Calculations showing the change in total bills for customers of various usage levels appear in Exhibit AARP/SLCAP___(CEJ-1). This exhibit shows that an average residential customer will see an increase of 15.0% in their winter bill and 13.6% in their summer bill. The percentage increases for average customers are twice the 7.5% increase in winter and nearly twice the 7.1% increase in summer for the larger 5000 kWh per month customer.

The extreme nature of the RMP proposal is not just its effect on average customers. Any customer using less than 1300 kWh per month will pay more than 50% higher increases than the largest RMP customers. Based on the bill frequency data from 2009-2010, only about 10% of the winter customer bills and 15% of the summer customer bills are for more than 1300 kWh per month. This means that 85-90% of the customers are getting increases greater than 50% higher than the largest customers who consume more than 5,000 kWh per month.

Q. Does the RMP-proposed residential rate have a worse impact on low-income customers than on other residential customers?

A. Yes. The overall increase in revenue for Schedule 1 customers is 14.5%, while the overall increase for Schedule 3 customers is 17.1%.

Q. Why is the percentage increase for Schedule 3 customers so much larger than the increase for Schedule 1 customers?

A. The average use for low-income customers on Schedule 3 is smaller than the average use for Schedule 1 customers. Mr. Griffith reports in his bill comparisons in Exhibit___(WRG-5) that the average residential customer consumes 841 kWh in summer and 757 kWh in winter. I calculate somewhat higher numbers for Schedule 1 customers (897 kWh and 800 kWh) from the billing units in Exhibit___(WRG-4). Energy is shown by season in that exhibit. To obtain the seasonal bills, I split the total customer bills into seasonal bills in the same percentages as in the bill frequency data provided by RMP in response to AARP Data Request 1.4. The same calculation was performed for Schedule 3, resulting in an average summer monthly consumption of 732 kWh and winter monthly consumption of 730 kWh.

Calculating the percentage increases under the RMP proposal for these average Schedule 1 and 3 usage levels produces the results in the following table.

	Schedule 1	Schedule 3
Summer	13.3 %	15.1%
Winter	14.9%	15.6%

Table 1. Percentage Increase for Average Residential Customer

This is because the customer charge is a larger portion of the Schedule 3 customer's bill than it is for the Schedule 1 customer. Consequently, a large percentage increase in the customer charge results in a larger percentage increase in a typical Schedule 3 customer's total bill.

It should be noted from these average usage levels that the Schedule 3 customers do not use more energy in the summer than they do in the winter. Thus, they do not contribute more to the summer peak demand than they do to the winter peak demand and do not contribute to the need for additional generating capacity to meet the growing summer peak demand. For this reason, their costs of service are lower than those of Schedule 1. Based on their relatively smaller summer demand, not only should Schedule 3 customers not have their rates increased by a larger percentage than Schedule 1, but their rates should be lower than Schedule 1.

Schedule 1 includes many low-income customers who could qualify for Schedule 3, but have not done so, and also includes many customers who have income levels just above the cut-off point for qualifying. Many fixed-income senior Utahns, whose incomes may be just above the limit, don't qualify for Schedule 3 service and are among the Schedule

1 customers. These Schedule 1 customers likely have usage similar to the customers on Schedule 3 and also face larger percentage increases in their bills than average.

CUSTOMER CHARGE

Q. What justification is given for increasing the customer charge in Utah?

A. Mr. Griffith claims "The current Customer Charge fails to recover the related fixed costs of serving residential customers …" [Direct Testimony of William R. Griffith line 85].

Q. Why does Mr. Griffith say that is a problem?

A. Mr. Griffith says that it is not appropriate to recover fixed costs through the variable energy components of rates because it "gives the utility the incentive to sell more kWh in order to recover its fixed costs." [Direct Testimony line 108]. It is not entirely clear what RMP might do to sell more residential kWh. One of the largest factors influencing the level of sales is the weather. It is doubtful that RMP could take any action that would have a greater effect on sales than the variability in the weather.

Q. Would increasing the customer charge create other problems?

A. It should be observed that increasing the customer charge as proposed by RMP does create another problem. That problem is that the current customer charge recovers about $30 million from Schedule 1 customers and the proposed customer charge would recover about $82 million. This additional $52 million is nearly 60% of the increase requested for the residential customers. For Schedule 3 customers, it is an even greater percentage. The revenue increase from the customer charge is nearly two-thirds of the increase for the Schedule 3 customers. Were the Commission to award the Company less revenue than

requested, but still increase the customer charge to $10.00, the percentage of the increase recovered through the customer charge would be even higher. The reason this is a problem is that the energy charges will be lower if the revenue is recovered through the customer charge. If the award were to be only 60% of the requested amount for the residential class, that would require reducing the energy charges from the current levels. Faced with higher costs from major plant additions, this is not a rational pricing approach.

Q. Should the fixed cost associated with serving a customer be the sole criterion for determining the customer charge?

A. No. There are many other criteria that should be taken into account when setting a customer charge. In general, setting the customer charge should be done in considering the total environment surrounding the customer's usage of electricity. Considerations of customer impacts are important, as are the pricing objectives, revenue requirement, marginal costs, and such factors as whether encouraging conservation is a goal. In particular, just separating costs into fixed and variable costs and assigning the customer component of fixed costs to the customer charge is not a rational basis for pricing decisions. Much of a modern utility's costs are fixed in the short run.

Q. What do you mean that much of a modern utility's costs are fixed?

A. Many utilities have structured their costs to reduce uncertainty and volatility in all of their costs. Even utility fuel and purchased power costs are increasingly fixed costs or have volatility tempered by long-term contracts, hedging, or other financial or contractual

methods. Any attempt to specifically isolate fixed costs or truly variable costs will run up against the difficulty in determining which costs are which. In RMP's testimony on net power costs for example, a number of long-term contracts for power are ending or being initiated and references are made to long-term contracts for fuel. These contracts reduce the amount of variability in the so-called "variable costs." If the Commission were to base the customer charge on all "fixed" costs, the residential energy charge would be near zero. While this is extreme and not what RMP is proposing, the definition of fixed cost has great flexibility and is not a rational theoretical basis on which to set energy prices.

Q. Is Rocky Mountain Power's proposed customer charge based on cost?

A. The problem with answering that question is that, in spite of what might seem to be something specific, cost is not a well-defined concept and the cost of something differs, depending on who is calculating, or more properly said, who is estimating the cost.

Consider something as simple as a toothbrush. If its price differs from one store to the next, what is its cost? If its cost of manufacture is meant, do we mean the cost of manufacturing that one toothbrush that was purchased (i.e., its marginal cost), or do we mean the average cost of manufacturing all toothbrushes the company has manufactured during the past year, or the past month, or since it first started manufacturing toothbrushes?

Determining any of these costs requires estimates and allocation of certain kinds of costs and these estimates and allocations are open to different interpretations and allocations, as the Commission is well aware. In its filing in this case as Exhibit___(WRG-2), Rocky

Mountain Power has filed two different estimates of the fixed customer costs – one claiming the customer cost is $10.90 and another claiming the customer cost is $23.56.

Q. Does Mr. Griffith assert that one of these is the customer cost?

A. No. Mr. Griffith does not claim that either of these estimates is the correct estimate of customer costs. He refers to them as "customer charge analyses." [Direct Testimony line 88.] Moreover, he adds two items [Direct Testimony line 92] to "the Commission's methodology of determining a customer charge" that have the effect of raising the amount substantially. Absent these two added items, the analysis would produce a customer charge amount of $3.32. If this analysis indeed is the Commission's methodology with two added items, the Commission's methodology produces a lower amount than the current residential customer charge.

Q. If the Utah Commission were to determine a specific fixed cost in this case, is that the only factor that should be used in determining the residential customer charge?

A. No, as I explained earlier, there are a great many factors that should go into determining the proper level for a residential customer charge. In particular, keeping an affordable first block of energy for essential usage of residential customers is one such factor.

Q. Does Mr. Griffith give other reasons he believes fixed costs should not be collected in the energy charges and that the fixed costs should be recovered through a customer charge?

A. Mr. Griffith also says that "…it does not give customers clear price signals about the cost of serving them and it creates subsidies within the customer class." [Direct Testimony line 106-107.] He does not elaborate on these assertions.

Q. Do you agree that his assertions justify not collecting fixed costs in the energy charges?

A. No. These assertions of Mr. Griffith do not justify collecting only variable costs in the energy charge.

Let me first address the issue of price signals. The point of a price signal conceptually is to provide the customer with information on which she or he can act, otherwise it is noise, not a signal. For example, the signal provided by the price of a luxury car versus the price of an economy car gives the potential customer information as to whether the luxury car or the economy car should be bought by that person. It also offers the potential customer information about buying the lower-priced car or no car at all.

Viewed in this light, the customer charge "price signal" described by Mr. Griffith is irrelevant. The only action an existing or a potential customer could take with respect to the higher customer charge is to discontinue service or to decline to take service. Moreover, as I said earlier, increasing the customer charge as RMP has proposed also means increasing energy prices by less and this reduced price signal does have consequences. Lower energy prices could induce customers to consume more energy than otherwise, adversely effecting conservation efforts.

Addressing the second issue, that of intra-class subsidies, requires that a cost basis be agreed upon to determine which customers are paying above "cost" (and providing subsidies) and which are paying below "cost" (and receiving subsidies). The only basis Mr. Griffiths has referenced is his claim that fixed costs should not be recovered in the energy charge. I have disputed this claim and while I believe extremely low-use customers should pay higher charges than currently, I propose to accomplish this through an increase in the minimum bill charge. It does not mean I accept his claim of intra-class subsidies being "created" if any of his "fixed costs" are collected in the energy charge.

MINIMUM BILL

Q. Has Rocky Mountain Power proposed to eliminate the minimum bill in its residential Schedules 1 and 3?

A. Yes, once again RMP has proposed elimination of the residential minimum bill. The current residential minimum bill is $3.78 for single-phase customers and $11.34 for three-phase customers.

Q. What justification is given for elimination of the minimum bill?

A. Mr. Griffith testifies that the only reasons for eliminating the minimum bill for single-phase residential customers are because the minimum bill is only slightly higher than the customer charge and that a minimum bill adds complexity to the rate structure. [Direct Testimony lines 122-124.] The current minimum bill is only three cents higher than the customer charge, which means a customer using even one kWh would be charged more than the minimum bill.

Mr. Griffith testifies that the reason for elimination of the minimum bill for 3-phase customers is the same. [Direct Testimony lines 130-131.] However, the difference between the customer charge and minimum bill for three-phase customers is currently $7.58. That $7.58 difference buys more than 100 kWh in the summer and 97 kWh in the winter at current rates.

Q. Do you find Mr. Griffith's justification reasonable?

A. No. The fact that the difference between the current customer charge and the minimum bill is small justifies change, but that change does not necessitate the elimination of the minimum bill. Another possibility for change is an increase in the minimum bill. Mr. Griffith's justification for elimination of the 3-phase minimum bill is invalid – the difference between the customer charge and the minimum bill is not small – it is $7.58, enough to cover nearly 100 kWh.

Q. Did Rocky Mountain Power propose eliminating the residential minimum bill previously?

A. Yes. In Utah PSC Docket No. 09-035-23, RMP proposed eliminating the residential minimum bill provision. SLCAP proposed an increase in the minimum bill for residential customers to $6.00. The Commission found that "Insufficient evidence is provided to support changing minimum bills, so we decline to do so." [Report and Order on Rate Design in Docket No. 09-035-23, June 2, 2010, page 32.] The Order continued:

> The record is deficient with respect to parties' positions for altering or eliminating the minimum bills. In order to address this issue in the next

general rate case, we direct the Company and Division to provide an examination of changes to the minimum bill including: the costs used to calculate the minimum bill for single-phase service; the basis for, and revenue impacts of, increasing the minimum bill; use of the minimum bill instead of a customer charge to recover customer and/or distribution fixed costs; the relationship of the three-phase and seasonal service to single-phase service; and whether elimination of the minimum bill for single-phase service also requires the elimination of the minimum bill for three-phase and seasonal service.

Q. What has the Division of Public Utilities found in its examination?

A. The Division of Public Utilities (Division or DPU) has not completed its examination. In response to data request AARP 1.2, the Division stated that it has no information to share at this time. The DPU response to AARP 1.2 is provided as Page 1 of AARP/SLCAP Exhibit___(CEJ-2).

Q. What has Rocky Mountain Power found in its examination?

A. So far as I can tell, RMP has made no specific examination of the issues identified in the Commission Order. In response to a question (AARP Data Request No. 1.2) specifically directed to what had been done by RMP in response to the Order in Utah PSC Docket No. 09-035-23, RMP referred to Mr. Griffith's testimony and RMP's response to AARP Data Request No. 1.1. Pages 2 and 3 of AARP/SLCAP Exhibit___(CEJ-2) presents the Company's response to these two data requests. As is evident in RMP's response to

AARP Data Request No. 1.1, RMP has made no thorough study of any of the issues surrounding the use of a minimum bill for residential customers.

I have already described Mr. Griffith's invalid justification for elimination of the minimum bill. The inescapable conclusion one must draw, is that no consideration has been given by RMP to any action other than eliminating the minimum bill and simply raising the customer charge.

Q. Are many minimum bills rendered for residential customers?

A. There are a surprising number of single-phase customers who receive a minimum bill, given that the current $0.03 difference between the customer charge and the minimum bill is less than the cost of a single kWh. Exhibit___(WRG-5) shows nearly 78,000 single-phase minimum bills under current rates at forecasted usage levels. There are also slightly more than 13,000 3-phase residential customer bills, of which nearly 400 were minimum bills.

Q. Do you support elimination of the residential minimum bill?

A. No, I do not support elimination of the minimum bill. In fact, I propose an increase in the level of the minimum bill. A minimum bill provision adds only a slight amount of complexity to the residential rate schedule and there is reason to include a residential minimum bill provision in the Rocky Mountain Power residential rate.

Q. What are the reasons for maintaining a minimum bill for residential customers?

A. The answer to this question is a complex one and is related to the entire residential rate structure, including the customer charge and the energy charges; to the cost structure of

the utility; and to other aspects of customer usage. For example, I have already mentioned that a large number of residential bills are for zero usage. Consequently, I will discuss the reasons at length in describing the interplay of the components of the residential rates.

Because collecting data and billing for complex rate structures involves expense and residential bills are for smaller amounts than bills for large industrial customers, residential rate structures tend to be less complex than rates for large industrial customers. Residential rate schedules commonly comprise only a customer charge and energy charges, as has been proposed by Rocky Mountain Power. However, residential rates that include a minimum bill are hardly unknown, and RMP has had minimum bill provisions in other jurisdictions.

The main reason for instituting a minimum bill is for recovery of costs if the usage level of the customer is uncertain and may be sporadic. For example, the residential rate schedule has a provision for Seasonal Service with a minimum seasonal charge of $47.36, slightly more than the current monthly minimum bill would produce during the year. Also, Rate Schedule 23 for General Service – Distribution Voltage Small Customer has a Seasonal Service provision with a minimum bill of $96.00 plus monthly power and energy charges. The minimum bill for seasonal service is 12 times the $8.00 monthly customer charge for annual customers.

Q. Are there other provisions in RMP's tariffs that include minimum bills?

A. Yes. There are several other tariff provisions that include minimum bills for customers.

Electric Service Regulation No. 12 is RMP's line extension provision. Section 2(c) requires a written contract for providing line extension for Remote, Seasonal and Recreational Residential Service. For providing the line extension, RMP requires the customer to pay the Contract Minimum Billing amount.

Section 3(b) of the line extension regulation grants non-residential customers an extension allowance of 16 times the estimated monthly revenue and may require the customer to pay a contract minimum billing amount. This extension allowance and presumably the minimum billing amount are a function of the likely monthly revenue produced by the customer. If the revenue isn't sufficiently large to warrant the cost of the line extension, the minimum bill amount is imposed.

Consider a customer who wants to be connected to the electric system, but only for emergency or back-up use. This customer plans to rely on the electric utility infrequently and will use little electricity. The Company has to have the facilities in place to serve these customers whenever they demand electricity. Even if they never require any electricity, these facilities must be available and their costs recovered. One would expect the utility to charge for this service in some way.

In fact, RMP has a rate schedule for such customers who have their own generation, Schedule No. 31. This schedule requires customers to contract for an amount of demand for which they pay a monthly facilities charge ($3.81 per kW for secondary customers) whether or not any electricity is used. When the customer does use electricity, the customer pays the energy charge for the electricity actually used. If the customer uses

more capacity than the contract demand in any month, excess demand is billed at $49.40 per kW for secondary customers.

A secondary system customer who contracted for 500 kW of demand would pay a minimum of $2009.00 ($104.00 customer charge and 500 kW times $3.81/kW) each month plus the cost of each kWh of energy and each kW of excess demand used. The minimum bill I propose functions in a similar way. The residential customer would not contract for demand, but would pay an amount equal to the minimum bill plus the charge for each kWh of energy in excess of those in the minimum bill.

The situation is similar for residential customers who use electricity only in the summer. They are imposing their use on Rocky Mountain Power when the costs are highest and the Company must have enough capacity to meet their demand, but RMP collects little revenue from them during the remainder of the year. A similar circumstance applies to those customers who use little electricity some months. The rate structure needs to accommodate these kinds of customers without unduly affecting other customers. Rocky Mountain Power has proposed a higher customer charge that will recover revenue from these customers and that has severe consequences for low-income and other customers who use lower than average amounts of energy.

Q. Doesn't increasing the customer charge solve the problem of recovering revenue from the customers you describe?

A. In some sense, it may, but as I pointed out earlier, the Company's proposed rate results in customers with average usage or smaller getting larger-than-average increases and the largest users getting the smallest increases.

Q. What are the differences between a rate with a higher minimum charge and a higher customer charge?

A. The difference between a rate schedule with a large customer charge and one with a large minimum bill are in the different way that the charge recovers revenue and in the different response from the customers. These two are interrelated and I will discuss them in that fashion.

In the distant past, cost allocations to rate classes were commonly based on the identification of fixed costs with demand charges and variable costs with energy charges and rates were set following these patterns. For rate schedules with energy-only rates, the fixed costs were recovered through customer charges, minimum bills and energy charges. This procedure was also the basis for declining block rates, used to encourage customers to increase their consumption of electricity. Such rates were common 40 or 50 years ago when electricity was thought to be a declining cost industry and increased consumption would reduce the average cost of electricity to customers.

In the current environment, rates need to serve purposes other than to guarantee that the utility has a stable revenue flow. Conserving scarce resources has taken on a prominent role and declining block rates are no longer appropriate. This Commission has even deemed residential flat rates to be improper for summer usage and has instituted inverted

rates for the residential class during the summer. The higher tail-block kWh charge is an incentive for large-usage customers to consume less electricity than they otherwise would.

Raising the customer charge has the opposite effect on the energy charge and on usage. Because the total revenue to be recovered is set by the Commission, a higher customer charge forces the kWh charge to be lower than it would otherwise be. This reduced energy charge is an incentive for customers to consume more electricity than they otherwise would.

An increase in the minimum charge has a different effect partly because it doesn't affect all customers. It only affects those customers whose usage is extremely low in some months. These customers are the ones all of the minimum bill provisions in other RMP rate schedules are designed to affect.

PROPOSED RESIDENTIAL RATE "HOUSEKEEPING" CHANGE

Q. Have you reviewed Exhibit RMP___(WRG-4)?

A. Yes. I have reviewed Exhibit RMP___(WRG-4), titled "Schedule 1 and Schedule 3 Housekeeping Billing Change."

Q. What is the purpose of Exhibit RMP___(WRG-4)?

A. Mr. Griffith says that the purpose of Exhibit RMP___(WRG-4) is to clarify the billing language. The provision described in this exhibit addresses billing for multiple dwellings that are served through a single meter.

In Exhibit RMP___(WRG-4), Mr. Griffith refers to the tariff implemented January 1, 1945 at the time that multiple blocks and a minimum bill were implemented in the residential rate and states that the proposed language is similar to the language introduced then.

The proposed language has two additions to the 1945 language, one inconsequential and one that has an adverse impact on multiple-dwelling customers. The first is just the insertion of the words "applicable usage" in the phrase "each block" to read "each applicable usage block." I don't oppose this change.

The second proposed change inserts the words "the Customer Charge" into the charges that are multiplied by the number of dwellings served, so that the proposed language reads "the charge for such service will be computed by multiplying the number of kWh in each applicable usage block, *the Customer Charge* and the minimum charges by the maximum number of dwelling or apartment units that may be served." [Emphasis added.] The change to include a multiple of the customer charge has a significant impact on dwellings that are served through a single meter, especially so with RMP's proposed $10.00 monthly customer charge.

Mr. Griffith asserts that it was "clearly" the intent to bill such dwellings as though each was metered separately. I disagree. There was no customer charge in 1945 when the language was first implemented and when a customer charge was adopted in 1985, the language was not changed to include a multiple of the customer charge in the bill. In fact, a single meter and service are used to provide electricity to such residences and all

of the meter reading and billing activities are for one meter. Many of the costs of serving these multiple dwellings are just the cost of serving a single customer. For these reasons, it would be inappropriate to include a multiple of the customer charge in bills for multiple dwellings served through a single meter. I recommend that the Commission reject the inclusion of "the Customer Charge" in the proposed language.

For the same reasons that it is inappropriate to include a multiple of the customer charge in the bill for such customers, it is also inappropriate to include a multiple of the minimum bill. I recommend that the Commission delete the words "and the minimum charges" from the language. I have provided AARP/SLCAP Exhibit___(CEJ-3) that contains the language I recommend be used in the Schedule 1 and Schedule 3 tariff pages.

PROPOSED RESIDENTIAL RATE

Q. Have you prepared a residential rate that you propose be adopted?

A. Yes.

Q. Please describe the residential rate you have developed.

A. I have proposed a residential rate that has a $3.75 customer charge, a $13.00 minimum bill and energy charges that recover the balance of the residential class revenue. For 3-phase customers, I followed the Company's approach and propose a customer charge equal to twice the single-phase customer charge. I also propose to set the 3-phase minimum bill equal to twice the single-phase minimum bill. The proposed AARP Residential Schedule 1 rate charges appear in Exhibit___(CEJ-4).

Q. Are other changes to the Schedule 1 and Schedule 3 tariff pages necessary?

A. Yes. The Seasonal Service provision of these two schedules is currently a $47.36 charge. This is a little more than 12 times the current minimum bill. Mr. Griffith has not discussed this in his testimony, but shows the increase to $120.00 in his Exhibit___(WRG-5) His proposed charge for seasonal services is 12 times the proposed monthly customer charge. If these customers did not take seasonal service, the minimum bill for 12 months' service under my proposal would be $156.00. This is a larger increase than seems appropriate as is Mr. Griffith's proposed increase, so in the interests of gradualism in changing rates, I propose increasing the seasonal charge by 50% to $72.00. I also recommend that consideration be given in future rate cases to revisiting this seasonal charge.

Q. Please describe the process used to develop these rate charges.

A. Bill frequency data were provided by Rocky Mountain Power for the period July 2009 through June 2010 in response to AARP Data Request 1.4. These data appear consistent with the bill distributions provided previously for the period July 2006 through June 2007. Therefore, I conclude that the distribution of energy usage and billing is reasonably consistent over time.

For reasons that will be clear when the calculations are shown, I determined that a reasonable amount of energy to be included in a minimum bill at this time was 100 kWh. During the period for which data were provided, bills with fewer than 100 kWh accounted for less than 4% of both summer and winter bills. I used the recent bill

frequency data to determine the percentages of residential customer bills and the total amount of kWh that would be included in minimum bills in the billing units from Exhibit___(WRG-4).

At the proposed rate level, 100 kWh would cost a little more than $9.00. With the current customer charge at $3.75, I decided to retain the customer charge at $3.75 and to set the minimum bill at $13.00. I calculated the revenue this minimum bill would produce and adjusted the billing units in Exhibit___(WRG-4) so as to not double count these bills or kWh. After setting the customer charge and the minimum bill charges, I then calculated the increase in energy charges that would be necessary to produce the revenue target requested by Rocky Mountain power. All energy charges were increased by the same percentage.

The result of these calculations produces kWh prices so that 95 kWh is included in the minimum bill in winter and 99 kWh is included in summer. This means that the winter calculations have removed slightly more kWh from billing than are in minimum bills. The difference in kWh is included in the unbilled kWh so that the revenue calculated in determining the proposed rates is slightly less than it should be. For summer usage, there may be some small number of customers in the data who have usage exactly equal to 100 kWh. These customers would receive bills of $13.07 during the period these rates are in effect, but their revenue in these calculations was based on the proposed minimum bill of $13.00. In other words, the revenue in the rate calculations would have been slightly

greater had the revenue for these customers not been billed at the minimum charge. This difference is immaterial in the determination of rates.

Q. How did you develop the 3-phase billing determinants?

A. I used the same split between single-phase and 3-phase customers and the seasonal split between kWh as in Exhibit___(WRG-4). For determining the seasonal split for bills of 3-phase customers, I used the same bill frequency data as for single-phase customers.

Q. The Commission rejected SLCAP's proposal in Docket 09-035-23 partly because the billing units used in the calculation were found to be the same for the proposed minimum charge as they were for the then-current minimum charge. The Order states "This is unlikely to be the case and therefore we do not have the necessary information to fully evaluate this proposal." Is that the case for your calculations in this docket?

A. No. As I just showed, the billing determinants provided in RMP Exhibit___(WRG-4) have appropriately been adjusted for the $13.00 minimum bill.

Q. How do your proposed rates affect customers at various usage levels in the residential class?

A. I have prepared billing comparisons between these rates and the current and proposed RMP rates, which are shown in Exhibit___(CEJ-5). As you can see in this exhibit, the percentage increase for customers increases slightly with increased usage under my proposed rates, except for the customers with less usage than the amount covered by the minimum bill. Customers using less than 100 kWh per month would have higher

percentage increases than average; the extreme being those customers with zero usage that currently pay the minimum bill of $3.78 who would pay $13.00 under the rate I have proposed. Customers with zero usage would pay $10.00 under the rate RMP has proposed. Customers with usage between zero and 100 kWh would also pay the minimum bill of $13.00 under my proposed rate, which would be a larger percentage increase than average. Less than 4% of the residential customers would pay the minimum bill under my proposed minimum bill provision. In comparison, under the proposed RMP rate, customers using more than about 35 kWh (about half of the 4%) would pay more than the $13.00 minimum bill in my proposed rate.

Under the RMP-proposed rate, the increases for customers using less than average energy would be higher and customers using far more energy than average would have less-than-average increases. For average residential customers, a comparison of the increases under the two proposals is shown in the following table. Note that Summer bills for the average residential customer would be nearly 50% higher under the RMP proposal.

	AARP-Proposed Rate	RMP-Proposed Rate
Winter	14.5%	15.3%
Summer	13.3%	20.9%

Table 2 Percentage Increase for Average Residential Customer

Q. If the Commission were to award Rocky Mountain Power less than the requested amount, how would you adjust your proposed calculations?

A. I would perform the exact same calculations. The only difference would be in the percentage that energy charges would be increased. If RMP were to provide finer levels of bill frequency data, the calculations could be refined to better estimate the amount of unbilled kWh and more accurately calculate the rates. However, as was the case with the 4 kWh difference in summer minimum bills that would be implemented from the minimum bill calculations, this would not change rates.

Q. If the Commission rejects your proposal to increase the minimum bill, should the RMP proposal to increase the customer charge to $10.00 be accepted?

A. No. For all the reasons I have described, the RMP proposal to increase the customer charge to $10.00 should be rejected. If the Commission does not accept my proposed increase in the minimum bill charge, a modest increase in the customer charge may be acceptable. I propose the Commission raise the residential customer charge to $4.00 if my proposal for the minimum bill is not accepted.

Q. Does this conclude your prepared direct testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of June, 2011, copies of the foregoing **DIRECT TESTIMONY ON RATE DESIGN OF DR. CHARLES E. JOHNSON ON BEHALF OF AARP AND SALT LAKE COMMUNITY ACTION PROGRAM, AND EXHIBITS**, were sent by email to each of the following:

Janee Briesemeister
AARP
98 San Jacinto Blvd. Ste. 750
Austin TX 78701
jbriesemeister@aarp.org

Capt. Shayla McNeill
Karen S. White
AFLOA/JACL-ULFSC
139 Barnes Ave, Suite 1
Tyndall AFB FL 32403
Shayla.mcneill@tyndall.af.mil
Karen.white@tyndall.af.mil

Sharon Bertelsen
Ballard Spahr LLP
201 S. Main Street, Ste 800
Salt Lake City UT 84111
bertelsens@ballardspahr.com

Kurt Boehm
Boehm, Kurtz & Lowry
36 E. 7th St., Suite 1510
Cincinnati OH 45202
kboehm@BKLlawfirm.com

Peter J. Mattheis
Eric J. Lacey
Brickfield, Burchette, Ritts & Stone
1025 Thomas Jefferson St. NW
800 West Tower
Washington DC 20007
pjm@bbrslaw.com
elacey@bbrslaw.com

Kevin Higgins
Neal Townsend
Energy Strategies
215 S. State St, Suite 210
Salt Lake City UT 84111
khiggins@energystrat.com
ntownsend@energystrat.com

Stephen F. Mecham
Callister Nebeker & McCullough
10 East South Temple Suite 900
Salt Lake City UT 84133
sfmecham@cnmlaw.com

Gary A. Dodge
Hatch James & Dodge
10 W. Broadway, Suite 400
Salt Lake City UT 84101
gdodge@hjdlaw.com

Holly Rachel Smith
Hitt Business Center
3803 Rectortown Road
Marshall VA 20115
holly@raysmithlaw.com

Arthur F. Sandack, Esq.
IBEW Local 57
8 East Broadway, Ste 411
Salt Lake City UT 84111
asandack@msn.com

Stephen J. Baron
J. Kennedy & Associates
570 Colonial Park Drive, Suite 305
Roswell GA 30075
sbaron@jkenn.com

Ryan L. Kelly
Kelly & Bramwell, PC
11576 South State Street Bldg. 203
Draper UT 84020
ryan@kellybramwell.com

Yvonne Hogle
Mark Moench
David Taylor
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City UT 84111
yvonne.hogle@pacificorp.com
mark.moench@pacificorp.com
dave.taylor@PacifiCorp.com

F. Robert Reeder
William J. Evans
Vicki M. Baldwin
Parsons Behle & Latimer
201 S. Main St. Suite 1800
Salt Lake City UT 84111
bobreeder@parsonsbehle.com
bevans@parsonsbehle.com
vbaldwin@parsonsbehle.com

Nancy Kelly
Western Resource Advocates
9463 N. Swallow Rd.
Pocatello ID 83201
nkelly@westernresources.org

Alex Duarte
Qwest Law Department
310 SW Park Avenue, 11th Floor
Portland OR 97205
Alex.Duarte@qwest.com

Gerald H. Kinghorn
Jeremy R. Cook
Parsons Kinghorn Harris, P.C.
111 East Broadway, 11th Floor
Salt Lake City UT 84111
Ghk@pkhlawyers.com
jrc@pkhlawyers.com

Sonya L. Martinez
Betsy Wolf
Salt Lake Community Action Program
764 South 200 West
Salt Lake City UT 84101
smartinez@slcap.org
bwolf@slcap.org

Gloria Smith
Sierra Club
85 Second Street, Second floor
San Francisco CA 94105
gloria.smith@sierraclub.org

Mike Legge
Roger Swenson
US Magnesium LLC
238 North 2200 West
Salt Lake City UT 84106
mlegge@usmagnesium.com
roger.swenson@prodigy.net

Sarah Wright
Sophie Hayes
Utah Clean Energy
917 2nd Ave
Salt Lake City UT 84103
sarah@utahcleanenergy.org
sophie@utahcleanenergy.org

Cheryl Murray
Dan Gimble
Michele Beck
Utah Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City UT 84111
cmurray@utah.gov
dgimble@utah.gov
mbeck@utah.gov

Chris Parker
William Powell
Dennis Miller
Utah Division of Public Utilities
Heber M. Wells Bldg, 4th Floor
160 East 300 South
Salt Lake City UT 84111
ChrisParker@utah.gov
wpowell@utah.gov
DennisMiller@utah.gov

Patricia Schmid
Felise Thorpe Moll
Asst Attorneys General
Utah Division of Public Utilities
Heber M. Wells Bldg, 5th Floor
160 East 300 South
Salt Lake City UT 84111
pschmid@utah.gov
fthorpemoll@utah.gov

Paul Proctor
Asst Attorney General
Utah Office of Consumer Services
Heber M. Wells Bldg, 5th Floor
160 East 300 South
Salt Lake City UT 84111
pproctor@utah.gov

Randy N. Parker
Leland Hogan
Utah Farm Bureau Federation
9865 South State St.
Sandy UT 84070
rparker@fbfs.com
leland.hogan@fbfs.com

Steve W. Chriss
Wal-Mart Stores, Inc.
2001 SE 10th Street
Bentonville AR 72716-0550
stephen.chriss@wal-mart.com

Steve Michel
Western Resource Advocates
409 E. Palace Avenue, Unit 2
Santa Fe NM 87501
smichel@westernresources.org

Charles R. Dubuc, Jr.
Western Resource Advocates
150 South 600 East, Suite 2A
Salt Lake City UT 84102
rdubuc@westernresources.org

Bruce Plenk
Law Office of Bruce Plenk
2958 N St Augustine Pl
Tucson AZ 85712
bplenk@igc.org

Charles Johnson
cjohnson@ieee.org

psc@utah.gov

/s/
Bruce Plenk
Attorney for AARP

Comparison of Revenue at Current and Proposed RMP Rates

	Summer				Winter					
kWh	Revenue at Present Rates	Revenue at Proposed Rates	% Δ		Revenue at Present Rates	Revenue at Proposed Rates	% Δ			
100	$12.06	$18.80	55.9%		$12.35	$19.11	54.7%			
200	$20.14	$27.37	35.9%		$20.72	$27.99	35.1%			
300	$28.22	$35.94	27.4%		$29.09	$36.86	26.7%			
400	$36.30	$44.50	22.6%		$37.46	$45.74	22.1%			
500	$46.25	$55.06	19.0%		$45.83	$54.62	19.2%			
600	$56.20	$65.61	16.7%		$54.21	$63.50	17.1%			
700	$66.16	$76.17	15.1%		$62.58	$72.37	15.6%			
757					$67.35	$77.44	15.0%	Winter Average Customer Usage		
792	$75.32	$85.89	14.0%		$70.29	$80.55	14.6%			
800	$76.11	$86.72	13.9%		$70.95	$81.25	14.5%			
841	$80.21	$91.08	13.6%					Summer Average Customer Usage		
900	$86.06	$97.28	13.0%		$79.32	$90.13	13.6%			
1,000	$96.01	$107.83	12.3%		$87.69	$99.01	12.9%			
1,100	$108.39	$120.96	11.6%		$96.06	$107.88	12.3%			
1,200	$120.77	$134.09	11.0%		$104.43	$116.76	11.8%			
1,300	$133.15	$147.22	10.6%		$112.80	$125.64	11.4%			
1,400	$145.53	$160.35	10.2%		$121.17	$134.52	11.0%			
1,500	$157.91	$173.48	9.9%		$129.54	$143.40	10.7%			
2,000	$219.81	$239.12	8.8%		$171.40	$187.78	9.6%			
3,000	$343.60	$370.41	7.8%		$255.11	$276.56	8.4%			
4,000	$467.39	$501.69	7.3%		$338.82	$365.34	7.8%			
5,000	$591.18	$632.98	7.1%		$422.53	$454.12	7.5%			

Source: Sum of Customer and Energy Charges from Exhibit___(WRG-6)

AARP Data Request to the Division of Public Utilities 1.2

In the Utah PSC Order in Docket No. 09-035-23, the PSC directed the Company and the Division of Public Utilities to provide "an examination of changes to the minimum bill." Please provide all analyses, studies, reports, communications with the Utah PSC, communications between the Company and the DPU, internal communications, and any other documents related to your compliance with this directive of the Commission

Response of the Division of Public Utilities to AARP Data Request 1.2

The Division recognizes this Commission directive. Though the Division is currently working on performing the necessary analysis to comply with this Commission directive, the Division does not have any information to share at this point in time. The Division will provide the requested information as soon as it becomes available.

AARP Data Request 1.1

Please provide an examination of changes to the minimum bill including:

a. the costs used to calculate the minimum bill for single-phase service;

b. the basis for, and revenue impacts of, increasing the minimum bill;

c. use of the minimum bill instead of a customer charge to recover customer and/or distribution fixed costs;

d. the relationship of the three-phase and seasonal service to single-phase service;

e. and whether elimination of the minimum bill for single-phase service also requires the elimination of the minimum bill for three-phase and seasonal service.

Response to AARP Data Request 1.1

a. The Company believes that the appropriate minimum bill is the Customer Charge. As discussed on page 6 of Mr. Griffith's testimony, at present, the Customer Charge and the minimum bill differ by only three cents per month. They are essentially the same. The Company provided cost-based support for the residential Customer Charge in Exhibit RMP__(WRG-2).

b. Please refer to the response 1.1a above. The basis for increasing the Customer Charge is provided in Mr. Griffith's direct testimony. The revenue impact for increasing the Customer Charge and eliminating the minimum bill are shown in the Company's witness Mr. Griffith's Exhibit RMP__(WRG-5).

c. Please see response 1.1a above. In addition, as indicated on page 6 of Mr. Griffith's testimony, given the three cent difference between the minimum bill and the customer charge, retention of the minimum bill only adds complexity to the present residential rate structure and is unnecessary.

d. As indicated in Mr. Griffith's testimony, the Company proposed to increase the Customer Charge to $10.00 per month for single-phase service, to $20.00 per month for three-phase service and a $120 annual charge for seasonal service based on a multiple of the single phase Customer Charge. In addition, please see pages 6 and 7 of Mr. Griffith's direct testimony for a discussion of the three-phase service customer charge.

e. The elimination of the minimum bill for single-phase service was based on the proposed Customer Charge; it does not necessarily require the elimination of the minimum bill for three-phase and seasonal service.

AARP Data Request 1.2

In the Utah PSC Order in Docket No. 09-035-23, the PSC directed the Company and the Division of Public Utilities to provide "an examination of changes to the minimum bill." Please provide all analyses, studies, reports, communications with the Utah PSC, communications between the Company and the DPU, internal communications, and any other documents related to having complied with this directive of the Commission.

Response to AARP Data Request 1.2

The Company is not aware of any examination performed by the DPU. Please see Mr. Griffith's direct testimony in this docket and the Response to AARP Data Request 1.1 for the Company's examination of changes to the minimum bill.

SCHEDULE 1 AND SCHEDULE 3 HOUSEKEEPING BILLING CHANGE

RMP's Proposed Paragraph:

When conditions are such that service is supplied through one meter to more than one dwelling or apartment unit, the charge for such service will be computed by multiplying the number of kWh in each applicable usage block, the Customer Charge and the minimum charges by the maximum number of dwelling or apartment units that may be served.

AARP's Proposed Paragraph:

When conditions are such that service is supplied through one meter to more than one dwelling or apartment unit, the charge for such service will be computed by multiplying the number of kWh in each applicable usage blocks~~, the Customer Charge and the minimum charges~~ by the maximum number of dwelling or apartment units that may be served.

AARP/SLCAP PROPOSED RESIDENTIAL RATE CHARGES
(Schedules 1 and 3)

Customer Charge	
1-Phase	$ 3.75 per month
3-Phase	$ 7.50 per month
Minimum Bill	
1-Phase	$13.00 per month
3-Phase	$26.00 per month
Energy Charges	
Summer	
First 400 kWh	$0.09426
Next 600 kWh	$0.11139
All Additional kWh	$0.13855
Winter	
All kWh	$0.09369

BILL IMPACT OF PROPOSED AARP/SLCAP RESIDENTIAL RATE

Winter Usage	RMP Current Rates	AARP Proposed Rates	AARP % Increase	RMP Proposed Rates	RMP % Increase
100	$12.35	$13.64	10.4%	$19.11	54.7%
200	$20.72	$23.30	12.4%	$27.99	35.1%
300	$29.09	$32.95	13.3%	$36.86	26.7%
400	$37.46	$42.61	13.7%	$45.74	22.1%
500	$45.83	$52.27	14.0%	$54.62	19.2%
600	$54.21	$61.93	14.2%	$63.50	17.1%
700	$62.58	$71.59	14.4%	$72.37	15.7%
800	$70.95	$81.25	14.5%	$81.25	14.5%
900	$79.32	$90.90	14.6%	$90.13	13.6%
1000	$87.69	$100.56	14.7%	$99.01	12.9%
1500	$129.54	$148.85	14.9%	$143.40	10.7%
2000	$171.40	$197.15	15.0%	$187.78	9.6%
3000	$255.11	$293.73	15.1%	$276.56	8.4%
4000	$338.82	$390.31	15.2%	$365.34	7.8%
5000	$422.53	$486.89	15.2%	$454.12	7.5%

BILL IMPACT OF PROPOSED AARP/SLCAP RESIDENTIAL RATE

Summer Usage	RMP Current Rates	AARP Proposed Rates	AARP % Increase	RMP Proposed Rates	RMP % Increase
100	$12.06	$13.30	10.3%	$18.80	55.9%
200	$20.14	$22.62	12.3%	$27.37	35.9%
300	$28.22	$31.95	13.2%	$35.94	27.3%
400	$36.30	$41.27	13.7%	$44.50	22.6%
500	$46.25	$52.75	14.1%	$55.06	19.0%
600	$56.20	$67.98	21.0%	$65.61	16.7%
700	$66.16	$79.47	20.1%	$76.17	15.1%
800	$76.11	$90.95	19.5%	$86.72	13.9%
900	$86.06	$102.43	19.0%	$97.28	13.0%
1000	$96.01	$113.92	18.6%	$107.83	12.3%
1500	$157.91	$185.33	17.4%	$173.48	9.9%
2000	$219.81	$256.75	16.8%	$239.12	8.8%
3000	$343.60	$399.57	16.3%	$370.41	7.8%
4000	$467.39	$542.40	16.0%	$501.69	7.3%
5000	$591.18	$685.23	15.9%	$632.98	7.1%