

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)
)
)
)
)

Docket No. 10-035-124
DPU Exhibit No. 17.0D-COS
Direct Testimony and Exhibits

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Cost of Service

Direct Testimony of

Abdinasir Abdulle, PhD

June 2, 2011

1 **I. INTRODUCTION**

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

3 A. My name is Abdinasir Abdulle. I am employed by the Utah Division of Public Utilities
4 (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: Please summarize your qualifications.**

10 A: I hold a doctorate degree in economics from Utah State University. Prior to joining the
11 Division, I worked for the Utah Department of Health. I also taught undergraduate
12 courses in economics, regression analysis, and statistics. I joined the Division in 2002
13 and have since attended several professional courses or conferences including, the
14 NARUC Annual Regulatory Studies Program, dealing with a variety of regulatory issues.
15 Since joining the Division, I have testified or presented information on a variety of topics
16 including, cost of service, rate design, revenue decoupling, and energy efficiency and
17 conservation.

18 **Q. What is the purpose of your direct testimony?**

19 A. My testimony discusses issues related to the cost of distribution service drops and the
20 residential minimum charges. I will also discuss the billing charge proposed by Mr.
21 Griffith of Rocky Mountain Power (Company). Finally, I will present the Division's
22 proposed rate design.

23 **II. COST OF DISTRIBUTION SERVICE DROPS**

24 **Q. Would you provide the background for the issue concerning the cost of distribution**
25 **service drops?**

26 A. Yes. In Docket No. 09-035-23, the Office of Consumer Services (OCS or Office) raised
27 an issue with the allocation of the cost of distribution service drops. The Office
28 maintained that the allocation factor used to allocate cost of distribution service drops
29 does not reflect sharing of service drops, since it assumes each residential customer
30 requires its own service line and ignores the sharing of services by customers in multi-
31 family residential buildings. In its Report and Order on Revenue Requirement, Cost of
32 Service and Spread of Rates, dated February 18, 2010, the Commission directed the
33 Division to conduct a comprehensive analysis of this issue, including the history and
34 magnitude of the issue, and to recommend solutions that may provide a reasonable
35 outcome. This testimony will serve as the Division's response to the above Commission
36 direction and to the Company's proposed cost of service drop allocation in its Docket No.
37 10-035-124 class cost of service study.

38 **Q. How are the costs associated with the distribution service drops allocated currently?**

39 A. The Company currently allocates, as it has been doing in many rate cases, the costs
40 associated with service drops based on the contribution of each class to the jurisdictional
41 service drops cost factor (F70). The service drops cost for each class was calculated by
42 multiplying the class average number of customers by the class average newly installed
43 service drop cost.

44 **Q. Is there a problem with this method?**

45 A. Yes. As was indicated in the Direct Testimony of Mr. Chernick, the Office's witness in
46 Docket No. 09-035-23, the method equates the number of service drops to the number of
47 customers. For residential and some commercial customers, that is not necessarily the
48 case. Residential customers living in multi-family buildings and small commercial
49 customers occupying one commercial building share service drops. This indicates that
50 the number of residential and small commercial service drops is less than their respective
51 number of customers. Thus, equating the number of service drops with the number of
52 customers would overestimate the class share of the jurisdictional distribution service
53 drop cost.

54 **Q. Is there a problem with the class average newly installed service drops?**

55 A. No. The cost of a newly installed service drop is determined by a number of factors
56 including but not limited to conductor type, size, and length. Shared service drops use
57 larger conductors that are more expensive than those for single customers. The size of
58 the conductor, and therefore the cost of the service drop, is proportional to the number of
59 customers sharing the service drop. Regarding the type of conductor, for an apartment
60 complex, a copper wire is used for apartment complexes whereas an aluminum wire is
61 used for single homes. The cost of these wires differs from one another. Therefore, the
62 Division believes that the average newly installed service drop cost captures the cost
63 impact of these factors and should not be an issue.

64 **Q. Has any remedy to this problem been proposed by any party?**

65 A. Yes. The Office proposed a potential remedy in Docket No. 09-035-23 in Rocky
66 Mountain Power's last general rate case.

67 **Q. Could you summarize the Office's proposed remedy in the 2009 rate case?**

68 A. Yes. The Office sought to estimate the number of customers sharing service drops. It
69 used the housing data from the 2000 census information for the specific Utah counties
70 that RMP serves along with Company-provided data on the number of customers in its
71 service territory by county to estimate this number. This analysis concluded that the total
72 number of service drops to residential customers is about 20 percent less than the number
73 the Company used to develop an allocation factor.

74 **Q. Does the Division agree with the Office's proposed remedy?**

75 A. Not entirely. The Division believes that the Office's approach is a step in the right
76 direction. However, this approach suffers in that it assumes each multi-family building is
77 using only one service drop. This assumption is not necessarily true. Some anecdotal
78 evidence (personal observations) indicates that there are some apartment complexes that
79 have more than one service drop. In other words, the Office's methodology likely
80 overstates any necessary adjustment. In addition, the Office did not show the impact of
81 its proposed adjustment on the different classes.

82 **Q. Please describe the Office's proposed adjustment to the number of residential
83 service drops.**

84 A. Yes. The Office's proposal equates the number of residential service drops to 80% of the
85 average number of residential customers. This number is then multiplied by the average

86 newly installed service drops cost which did not change. This reduced the residential
87 service cost in this case, based on the Company's original filing, from \$326,091,469 to
88 \$260,873,175. The difference, \$9,038,653 (about 1.3% of residential revenue) is spread
89 among customers in Schedules 6, 8, 12TS, 12OL, and 23, with Schedules 6 and 23
90 picking up the majority of the costs, \$3,303,560 (approximately 0.6% of Schedule 6's
91 revenue) and \$5,452,437 (about 4.5% of Schedule 23's revenue), respectively (DPU
92 Exhibit 17.1D-COS).

93 **Q. Why did the service cost for the small commercial customers (Schedule 23) go up?**

94 A. Because of the number service drops for this class was not adjusted down. However,
95 even if you assume that the number of service drops for this class is equal to 80% of its
96 average number of customers, as did the Office for Schedule 1, its service cost will still
97 increase by \$4,623,358 (DPU Exhibit 17.1D-COS). This shows that the determination of
98 the correct number of service drops, especially for the residential class, is important in
99 developing the correct allocation factor (F70).

100 **Q: Did you perform any other analysis of the Office's recommendation?**

101 A: Yes. In DPU Exhibit 17.1D-COS, I show the results of a sensitivity analysis for the
102 percentage adjustments to the number of service drops. The Office proposed in Docket
103 No. 09-035-23 to use 80%; in this exhibit I lowered the percent to 90, assuming the
104 Office's method overstates the needed adjustment. As can be seen, the decrease in

105 Schedule 1's revenue requirement changes from \$9,038,653 to only \$4,135,683. Again,
106 this demonstrates the importance of correctly identifying the number of service drops.

107 **Q. Has the Division come up with the proper estimate of the number of residential**
108 **service drops?**

109 A. No. The Division believes that specific Company data on the number of shared service
110 drops and the number of customers sharing each type of service drop are necessary to
111 address and resolve this problem and, thus, to fully address the Commission's directive.
112 Consequently, on September 29, 2010, the Division and the Office met with the
113 Company to discuss the availability of this data and, if it were not available, what would
114 be the best way to estimate it. The Company indicated, as it did in its response to the
115 OCS data request 7.3 in the 09-035-23 general rate case, that its records do not contain
116 this type of specific service drop data. The Division also researched what other electric
117 utilities are doing but could not find any utility that estimates such information.

118 **Q. What is the Division's recommendation regarding this issue?**

119 A. The Division's analysis indicates that this is a significant issue: upwards of \$9 million
120 may be misallocated to the residential class. Therefore, although the Division has some
121 concerns with the Office's methodology, the Division recommends that for this rate case,
122 the Commission adopt the Office's proposal from the prior rate case and as outlined
123 herein. Given the Division's concerns with this approach, the Division also recommends
124 that the Commission direct the Company, on a going forward basis, to collect data on the

125 number of shared service drops and the number of customers sharing each type of service
126 drop and provide such information in the next general rate case.

127 **III. MINIMUM BILL**

128 **Q. PacifiCorp's current tariff contains a \$3.67 minimum bill, which is imposed on**
129 **customers whose usage in a given month is less than 39 kWhs.¹ The Company is**
130 **now recommending that the minimum bill be eliminated all together. What is the**
131 **Division's recommendation on this?**

132

133 A. The bill for a residential customer is the maximum of the minimum bill and a bill
134 calculated by summing the customer charge and the product of the energy rate and the
135 usage. There exists a usage threshold below which the customer is charged the minimum
136 bill. If the customer's usage level is equal to the threshold, then both the customer and
137 the Company are indifferent about which bill is used. The usage threshold level can be
138 calculated as follows:

139
$$\text{Minimum Bill} = \text{Customer Charge} + (\text{First Block Energy Rate} \times \text{kWh Consumed})$$

140
$$\text{kWh Consumed} = \frac{\text{Minimum Bill} - \text{Customer Charge}}{\text{First Block Rate}}$$

141 This indicates that for a minimum bill to be valid, it must be set at a level equal to or
142 higher than the customer charge. This results in a usage threshold level equal to or
143 greater than zero. If the minimum bill is set at a level less than the customer charge, then
144 the kWh threshold will be negative. That is, customers who are putting more power into
145 the grid than they are taking out from the grid will be the ones who will have to pay the
146 minimum bill.

147 **Q. What Company costs is the minimum charge designed to cover?**

¹ $(\$3.67 - \$0.98) / \$0.06936/\text{kWh} = 38.78 \text{ kWh}$, where \$0.06936 is the current initial-block energy charge per kWh.

148 A. The kind of costs a minimum charge would cover depends on its level. If it is set at a
149 level equal to the customer charge, then it will cover the same costs that the Commission
150 ruled customer charge should cover. However, if it is set at a level higher than the
151 customer charge, it will cover the customer charge plus some of the volumetric charge
152 (the extent of which depends on how much higher it is set above the customer charge).

153 **Q. What did the Commission rule the customer charge should cover?**

154 A. In its Rate Design and Spread Issues Report and Order in Case Docket No. 84-035-01,
155 dated on July 1, 1985, the Commission stated the following:

156 5. *The Commission has previously made the finding (Mountain Fuel Supply Company*
157 *Case No. 82-057-15) that a customer charge results in the payment by each customer*
158 *of those costs that he imposed upon the system, which are independent of actual*
159 *energy consumption during a given month. A customer of UP&L, who uses no*
160 *electricity in a given month, must nonetheless have his meter read, be issued a billing*
161 *statement and have his meter maintained in good operating conditions. Those*
162 *activities represent costs to UP&L. We find that a customer charge, as opposed to a*
163 *minimum billing, allows such costs to be recovered reasonably and properly.*

164 One needs to recognize that the list in the above Commission statement is not
165 comprehensive and the Commission did not intend to make it comprehensive. Rather,
166 the Commission's intent was to include all individual-customer-related costs into the
167 customer charge. For example, the above Commission statement does not include the
168 meter, service drop, and their respective depreciations which all rightfully are costs that
169 the customer imposes on the system regardless of his/her energy consumption.

170 **Q. What is the residential minimum bill the Company is proposing in this rate case?**

171 A. For residential customers, the Company is proposing to eliminate the minimum bill.

172 **Q. What is your recommendation regarding the minimum bill?**

173 A. Since the minimum charge that corresponds to no energy consumption would collect the
174 costs that the customer charge is designed to collect, the Division does see the need for a
175 minimum bill. Therefore, the Division recommends the elimination of the minimum bill.

176 **IV. SCHEDULES 1 AND 3 HOUSEKEEPING BILLING CHANGE**

177 **Q. Could you summarize the Company's proposed Schedule 1 and Schedule 3**
178 **housekeeping billing change?**

179 A. Yes. The Company is proposing to replace the language in paragraph 2 of the
180 Application section of Schedules 1 and 3 with a language that better reflects the current
181 billing practice. The current language that the Company is proposing to replace is

182 When conditions are such that service is supplied through one meter
183 to more than one dwelling or apartment unit, the charge for such
184 service will be computed by multiplying the minimum charges by
185 the maximum number of dwelling or apartment units that may be
186 served.

187 The language that the Company is proposing is

188 When conditions are such that service is supplied through one
189 meter to more than one dwelling or apartment unit, the charge
190 for such service will be computed by multiplying **the number**
191 **of kWh in each applicable usage block, the Customer**
192 **Charge and** the minimum charge by the maximum number of
193 dwelling or apartment units that may be served. (Emphasis
194 added)

195 The Company indicated that the proposed language "...will reflect
196 current billing practices for multiple dwelling units."

197 **Q. What is the current billing practice for multiple dwelling units?**

198 A. The Division understands that currently the bill is calculated by the sum of the product of
199 the customer charge and the number of units and the energy charge. The energy charge is
200 determined by multiplying the number of kWh in each block by the number of units and
201 the block rate.

202 **Q. How does the current tariff language deviate from this billing practice?**

203 A. The current language only increases the minimum charge to reflect the total number of
204 units served. It fails to adjust the cut-off points of the usage blocks for the number of
205 units served. For example, if there are four apartment units sharing the same meter,
206 during the summer months, the current language would suggest that the first 400 kWh
207 would be charge the first block rate, the next 600 kWh consumed would be charged the
208 second block rate. The rest of the kWh used would be charged using the third block rate.
209 Because a disproportionately number of kWh will be charged the higher rates, especially
210 the third block rate, this would result in an unfairly large or overstated bill. Had the
211 language adjusted for the usage block cut-off points, the first 1,600 kWh (400 kWh x 4)
212 would be charged the first block rate, the next 2,400 kWh (600 kWh x 4) would be
213 charged the second block rate, and the rest of the kWh consumed would be charged the
214 third block rate, which would better reflect the intent of the inverted block rates. That is,
215 this change in the language, which reflects the Company's current billing practice, would
216 preserve price signals and incent conservation on the part of users.

217 In addition, the current language does not indicate a change or adjustment to the customer
218 charge for the number of units behind the meter. However, the Company's current

219 billing practice multiplies the customer charge by the maximum number of units behind
220 the meter.

221 **Q. Is the proposed language consistent with the above described current billing**
222 **practice?**

223 A. Yes. The Company's proposed language adjusts for the maximum number of units the
224 customer charge, minimum charge, and the kWh in each block.

225 **Q. What is your position regarding the proposed language change?**

226 A. While it is reasonable to adjust the minimum bill and kWh blocks for the number of units
227 behind the meter, adjusting the customer charge in this manner is not. In essence, the
228 Company's proposal to adjust the customer charge in this fashion suggests that the cost of
229 serving a multi-family unit with one meter is directly proportional to the number of units
230 behind the meter. For example, if there are four units behind the meter, then it costs four
231 times as much to serve that one meter as it does a single-family dwelling. The Company
232 has presented no evidence in this case or elsewhere to support its proposed adjustment to
233 the customer charge. Therefore, the Division recommends rejection of this portion of the
234 Company's proposed language dealing with the adjustment to the customer charge for
235 multi-family dwellings that are served through one meter.

236 **Q: Does the Division's proposed rate spread and rate design incorporate this**
237 **recommendation?**

238 A: No, the Division did not take into account the impact of this recommendation. Nor does
239 the Division have an alternative to the Company's proposed adjustment to the customer
240 charge for multi-family units. If the Commission rejects the proposed adjustment to the
241 customer charge for multi-family dwellings, the Division recommends that the
242 Commission order the Company to account for the difference in its compliance filing
243 following this case. Given that the current billing practice collects (or credits) these
244 revenues from the residential class, this will increase slightly the increase to the
245 residential class.

246 **V. RATE DESIGN**

247 **Residential**

248 **Q. What are the Division's Rate Design objectives?**

249 A. Based on the state code, the Division's rate design objectives are for the rates to be stable,
250 simple, understandable and acceptable to the public, economically efficient, to promote
251 fair apportionment of costs among individual customers within each customer class with
252 no undue discrimination, and to protect against wasteful use of utility services (UCA §
253 54-4a-6)

254 **Q. What are the Division's guiding principles to achieve these objectives?**

255 A. To balance these objectives, Lowell Alt, a former Division employee, developed guiding
256 principles consistent with the Division's statutory obligation. These guiding principles,

257 with some modifications necessitated by the changes in operating conditions, are as
258 follows²:

- 259 1) *Simple* – Simple rates are likely to be accepted by customers. Tariff descriptions
260 should be clear, unambiguous and understandable by the public.
- 261 2) *Correct price signal* – if rates are correctly based on costs, customers can make the
262 right decision about energy use including energy conservation decisions. A
263 complicated rate that is not understood cannot be a good price signal. Some customer
264 classes are better able to understand complicated rates than others.
- 265 3) *Multi-part rates* – three part rates with customer, energy, and demand components
266 will more fairly apportion the costs among individual customers than one or two part
267 rates. However, a demand component for the residential class is normally not
268 recommended since the added cost of demand meters usually outweighs the benefit of
269 better cost apportionment.
- 270 4) *Gradualism* – to promote rate stability and to minimize impacts on individual
271 customers, rate changes should be done gradually.
- 272 5) *Marginal and embedded costs* – regulated rates must recover the embedded revenue
273 requirement of a rate schedule. Marginal and average unit embedded costs should be
274 reviewed and taken into account when setting prices.
- 275 6) *Customer charges* – costs that generally increase with the number of customers, but
276 are not caused by each customer should be excluded from the customer charge and

² Docket No. 97-035-01, Direct Testimony of Lowell E. Alt, Jr. pages 24-25.

277 instead be included within the commodity portion of rates. This customer charge
278 position was stated by the PSC in its Order in Mountain Fuel Case No. 82-057-15.

279 **Q. What are the Division’s recommendations in relation to Schedule 1 Rate Design?**

280 A. The Division proposes that the customer charge be raised from its current level of \$3.75
281 to \$6.81, the minimum charge be eliminated, and that the summer first, second, and third
282 block rates and the winter single block rate be increased by 10.7% from their respective
283 current levels. This proposed rate design will still encourage energy efficiency while
284 reducing the Company’s vulnerability to the risk of under-collecting its distribution fixed
285 costs. DPU Exhibit 17.2D-COS summarizes the Division’s proposed residential rate
286 design.

287 **Q. Is your proposed customer charge based on Commission ordered methodology?**

288 A. Partially. The Division calculated a customer charge of \$3.91 based on the Commission
289 ordered methodology. However, this does not account for all the retail costs. If the
290 Commission accepts all of the retail costs to be included into the formula, then the
291 appropriate customer charge would be \$6.81. The direct testimony of the Division’s
292 consultant, Ms. Lee Smith in this case contains a more detailed discussion of the
293 residential customer charge and its calculation (Tables 4 and 5).

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

295 A. The bill impact of the Division’s proposed rate design is reported in DPU Exhibit 17.3D-
296 COS. This exhibit shows that the bill impact for the Division’s proposed summer rates is

297 minimal for low energy users and substantial for high energy users. Customers with a
298 usage level up to 1,000 kWh will see bill increases ranging from \$0.51, for those who use
299 100 kWh, to \$5.86 for those who use 1,000 kWh. Customers with usage levels between
300 1,000 kWh to 2,000 kWh will see a substantial increase in their summer monthly bills
301 ranging from \$6.65 for those with a usage level of 1,200 kWh to \$13.72 per month for
302 those using 2,000 kWh. Usage levels higher than 2,000 kWh will see a much higher bill
303 increase.

304 The Exhibit also shows that the proposed rate design has a similar bill impacts during the
305 winter, from \$0.53 to \$5.32 for usage levels up to 1,000 kWh and \$5.86 to \$10.65 for
306 usage levels between 1,100 and 2,000. Customers with usage levels higher than 2,000
307 kWh will experience an even higher bill impact. Hence, the proposed rate design, while
308 having minimal bill impact for low usage, will promote energy efficiency during summer
309 when we are more concerned about the increasing peak. It will also reduce the
310 Company's risk in relation to collecting enough revenue to cover its distribution fixed
311 costs.

312 **Q. What was the Division's general approach to the remaining rate classes?**

313 A. The Division is in general agreement with the Company's proposals for the remaining
314 rate classes. However, because the Company's rate design is based on its proposed
315 revenue increase of approximately \$232 million and the Division's proposal is based on
316 its proposed revenue increase of approximately \$131 million, the Division is proposing to
317 decrease by approximately one half the customer charge increases that the Company

318 proposed for the major non-residential classes. We also are not contesting the basic
319 structures of these other classes in this case.

320 **Q. What rate design would you propose for Schedule 6 customers?**

321 A. The Division's proposal is summarized in DPU Exhibit 17.3D-COS. In short, the
322 Division proposes that the customer charge be increased from \$48 to \$49 and that the
323 demand and energy charges be increased by about 15.24% both during the summer and
324 winter months.

325 Because of the heterogeneity of the customers in this class, it is difficult to design rates
326 that would encourage energy efficiency and conservation. Increasing the demand or
327 energy charge more proportionately than the other would disproportionately hurt the low
328 or high load factor customers. However, a uniform percent increase in both the demand
329 and energy charges would promote energy efficiency and conservation.

330 **Q. What is the bill impact of your proposal?**

331 A. DPU Exhibit 17.4D-COS shows that the percent bill increase is the same for those
332 customers with low load factor and those with high load factor since the energy and
333 demand charges were increased equally.

334 **Q. What rate design would you propose for Schedule 8?**

335 A. The Division's proposal is summarized in DPU Exhibit 17.4D-COS. For this Schedule,
336 the Division proposes that the customer charge be increased from its current level of \$55
337 to \$59. The Division also proposes that to collect the remainder of the revenue increase,
338 the energy and demand charges be increased by approximately 13.53% each. Because

339 the current basic rate designs are seen as just and reasonable by the Commission, the
340 Division proposes no changes to these rate design structures.

341 **Q. What are the bill impacts of your proposal for Schedule 8?**

342 A. DPU Exhibits 17.5D-COS shows the bill impacts of the Division's proposed rate design
343 for Schedule 8. This exhibit shows that the bill impact is relatively the same for all
344 customers regardless of the demand and usage levels. The specific bill impact is
345 approximately between 7.9% to 8.2.

346 **Q. What rate design would you propose for Schedule 9?**

347 A. The Division's proposal is summarized in DPU Exhibit 17.5D-COS. The Division
348 proposes no change in the basic rate structure for this class except scaling the rates to
349 collect the Division's proposed revenue increase for this class. The Commission
350 considers the current rate structure as just and reasonable. Therefore, the Division
351 proposes the customer charge be increased from its current level of \$200 to \$220 and that
352 the demand and energy charges be increased by 19.61% each.

353 **Q. What are the bill impacts of your proposal for Schedule 9?**

354 A. DPU Exhibit 17.6D-COS shows the bill impacts of the Division's proposed rate design
355 for Schedule 9. This exhibit shows that the bill impact is relative the same for all
356 customers regardless of the demand and usage levels. The specific bill impact is
357 approximately 13.2%.

358 **Q. What rate design would you propose for Schedule 10?**

359 A. The Division's proposal is summarized in DPU Exhibit 17.6D-COS. For this Schedule,
360 the Division proposes no change in the rate design except adjusting the current rates to
361 collect the Division's proposed revenue increase. This will amount to increasing both the
362 demand and energy charges by about 16.55%. The Division also proposes that annual
363 customer service charge-primary and secondary and monthly customer service charge be
364 increased from their respective current levels of \$98, \$30 and \$12, to \$106, \$33 and \$13,
365 respectively.

366 **Q. What are the bill impacts of your proposal for Schedule 10?**

367 A. DPU Exhibit 17.7D-COS shows the bill impacts of the Division's proposed rate design
368 for Schedule 10. This exhibit shows that the bill impact is the same for all customers
369 regardless of the demand and usage levels. The specific bill impact is an increase of
370 approximately 11.4%.

371 **Q. What rate design would you propose for Schedule 23?**

372 A. The Division's proposal is summarized in DPU Exhibits 17.7. For this Schedule, the
373 Division proposes that the customer charge be increased from its current level of \$8 to
374 \$9. The Division also proposes that to collect the remainder of the revenue increase, the
375 energy and demand charges be scaled up 7.35%. Because the current basic rate designs
376 are seen as just and reasonable by the Commission, the Division proposes no changes to
377 these rate design structures.

378 **Q. What are the bill impacts of your proposal for Schedule 23?**

379 DPU Exhibit 17.8D-COS shows the bill impact of the Division's proposed rate design for
380 Schedule 23. This exhibit shows that within the low load sizes, the percentage bill
381 impact decreases with the energy consumption level. It is worth noting that this does not
382 mean that the dollar increases in the bill gets smaller as energy consumption increases.
383 Rather, dollar increases in the bill get larger as energy consumption increases.. For
384 higher load sizes, the bill impact remains relatively the same with an increase in
385 consumption levels.

386 **Q. The Company proposed to close Schedule 25 and to move those customers to**
387 **Schedule 23 or Schedule 25. Do you agree with this proposal?**

388 A. Yes. This proposal is in accordance with the Non-residential Rate Design Stipulation in
389 Docket No. 09-035-23 which required customers from Schedule 25 be moved to a more
390 appropriate general service schedule.

391 **Q: The Division made adjustments in the revenue requirement phase of this docket for**
392 **the inter-jurisdictional allocations methodology and for the Apex plant that was the**
393 **subject of Docket No. 10-035-124. Does the Division's spread and rate design reflect**
394 **these two adjustments?**

395 A: No, they do not. In direct testimony the Division recommended that the Rolled-In
396 methodology be used to set rates in this docket. This resulted in an downward adjustment
397 of approximately \$15 million in the Company's revenue requirement. The Division also
398 recommended that the Company's revenue requirement be decreased by approximately
399 \$8 million reflecting the annual levelized value of the Division's estimate of the harm to
400 Utah rate payers arising from the Company's decision to forgo acquiring the Apex plant.

401 These adjustments were presented in the testimony of Division witnesses Dr. Powell and
402 Mr. Peterson, respectively.

403 **Q: Why did the Division not include these adjustments in its cost of service and rate**
404 **design proposals?**

405 A: It was an oversight that was not noticed until filing time. Including these adjustments
406 will not change the nature (or relative direction) of the Division's proposals on spread
407 and design. However, their inclusion will change the magnitudes of those proposals.
408 The Division will file corrected exhibits as soon as practicable.

409 **Q. Does that conclude your direct testimony?**

410 A. Yes.