Q. Please state your name, business address and present position with PacifiCorp dba Rocky Mountain Power ("the Company").

A. My name is William R. Griffith. My business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon, 97232. My present position is Director, Pricing, Cost of Service, and Regulatory Operations in the Regulation Department.

Qualifications

Q. Briefly describe your educational and professional background.

A. I have a B.A. degree with High Honors and distinction in Political Science and Economics from San Diego State University and an M.A. in Political Science from that same institution; I was subsequently employed on the faculty. I attended the University of Oregon and completed all course work towards a Ph.D. in Political Science. I joined the Company in the Rates & Regulation Department in December 1983. In June 1989, I became Manager, Pricing in the Regulation Department. In February 2001, I assumed my present responsibilities.

Q. What are your responsibilities?

A. I am responsible for regulated retail rates, cost of service analysis, and regulatory filings and documentation in the Company's six state service territory.

Q. Have you appeared as a witness in previous regulatory proceedings?

A. Yes. I have testified for the Company in regulatory proceedings in Utah, Wyoming, Idaho, Oregon, Washington, and California.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the Company's proposed rate spread in

this case and to propose rate changes for the affected rate schedules.

Q. Please describe Rocky Mountain Power's pricing objectives in this case.

A. The Company's pricing objectives in this case are to implement the proposed rate increase while reflecting cost of service, appropriately reflecting the fixed costs of serving customers, and minimizing customer impacts.

Q. How does the Company propose to allocate the increase across customer classes?

A. The Company proposes to rely on the results of Mr. C. Craig Paice's cost of service study at the target return on rate base (Exhibit RMP____(CCP-1, Page 2 of 2) to guide the allocation of the rate increase to tariff customers.

Q. Please describe Exhibit RMP___(WRG-1).

A. Exhibit RMP___(WRG-1) details the Company's proposed changes to class revenues to be implemented in this case. On an overall basis, based on the forecast 12 month test period ending May 2013, this proposal would result in an overall increase of 10.0 percent to tariff customers in Utah.

Q. Please describe the Company's proposal for the allocation of the revenue requirement.

A. The Company proposes the following allocation of the rate increase for the major customer classes.

Customer Class	Proposed Rate Change
Residential	10.5%
General Service	
Schedule 23	8.5%
Schedule 6	8.5%
Schedule 8	9.5%
Schedule 9	12.5%
Irrigation	13.5%

Q. Please explain the proposed rate spread.

A. The proposed rate spread is designed to reflect cost of service results while balancing the impact of the rate change across customer classes. The proposed increases are grouped as follows.

Schedule 6 and Schedule 23 – 8.5%

Schedule 8 – 9.5%

Residential – 10.5%

Schedule 9 – 12.5%

Irrigation – 13.5%

In order to achieve the revenue requirement target, the proposed rate spread midpoint was set at 10.5 percent.

The Company proposes the rate spread midpoint amount for residential customers based on their cost of service results which are less than two percentage points from the rate spread midpoint.

For Schedule 6 and Schedule 23, the cost of service results indicate that they should receive an increase about four to five percentage points, respectively, less than the rate spread midpoint. Based on these results, the Company proposes an increase two percentage points less than the rate spread midpoint, roughly one-half of their cost of service percentage difference from the rate spread midpoint.

For Schedule 8, the cost of service results indicate that they should receive an increase about two percentage points less than the rate spread midpoint. Based on these results, the Company proposes an increase one percentage point less than the rate spread midpoint, or roughly one-half the cost of service percentage difference

from the rate spread midpoint.

For Schedule 9, the cost of service results indicate that they should receive an increase nearly four percentage points more than the rate spread midpoint. Based on these results, the Company proposes an increase two percentage points higher than the rate spread midpoint, or roughly one-half the cost of service percentage difference from the rate spread midpoint.

For irrigation, the cost of service results indicate that Schedule 10 customers should receive an increase about six percentage points more than the average. Based on these results, the Company proposes an increase three percentage points higher than the rate spread midpoint, or also one-half the cost of service percentage difference from the rate spread midpoint.

Overall, the Company believes that the proposed rate spread sends the proper signals to customers about increasing costs while mitigating customer impacts.

Special Contract Customers

Q. How has the Company treated special contract customer price changes in this case?

A. One special contract customer (Contract 3) whose rates are set at Schedule 31/Schedule 9 equivalent rates has been reflected in the proposed rate change for this case. The dollar and percentage rate changes indicated in this case for this customer reflect their usage at the proposed applicable tariff rates.

For the other two special contract customers, their 2012 prices have been calculated and assumed in the present revenues in this case.

Residential Rate Design

Q. Please describe the Company's proposed residential rate design proposal.

A. In this case the Company proposes to increase the current Customer Charge by $6.00 per month to $10.00 per month and to implement the balance of the increase to the residential energy charges. The Company proposes to collect the balance of the residential price change through the energy charges, but it proposes no substantive changes to the residential energy charge structure. The Company also proposes to eliminate the minimum bill for residential customers.

Q. Please discuss the Company's proposed residential customer charge.

A. The present Utah residential customer charge is the lowest residential customer charge in the Company's six state system. It fails to recover the related fixed costs of serving residential customers, including the cost of meters, service drops, poles and conductors, transformers, and retail service. The discussion below presents three customer charge methodologies utilizing different costing approaches for assessing a residential customer charge. This discussion was first presented at the Commission's Technical Conference on the residential customer charge on January 30, 2012. Exhibit RMP___(WRG-2) summarizes these three approaches.

Method 1. Fixed Costs Methodology

Q. Please describe the first method.

A. Method 1, the Fixed Costs methodology, recognizes three fixed cost components of functionalized revenues from the embedded cost of service study appropriate for use in the calculation of the residential customer charge--the distribution function, the retail function, and the miscellaneous services function. These costs do not vary with

usage, and are therefore appropriate costs to include in determining the level of the residential monthly customer charge.

The distribution function includes the radial system that connects the customer to the transmission system. This includes distribution substations, poles and wires, line transformers, service drops and meters.

The retail function includes the retail activities associated with customer service, including meter reading, customer accounting, and customer service activities.

The miscellaneous function includes expenses that are associated with regulatory activities, including franchise requirements and regulatory commission expenses.

The Fixed Costs methodology supports a monthly customer charge of $28.63.

Method 2. 1985 Methodology

Q. Please describe the second method.

A. The second method is the Commission's 1985 Methodology. The 1985 Methodology for determining a residential customer charge was put forth in Docket No. 84-035-01 where the Commission found that a customer charge, as opposed to a minimum bill, allows customer costs to be recovered reasonably and properly. A $1.00 residential customer charge was approved in 1985 to recover some of the customer based costs to the Company such as meters, service drops, meter reading, collections and billing. While changes to the customer charge, both increases and decreases, occurred over the years, the methodology for including customer-related costs in the Utah residential customer charge has been largely unchanged for over 25 years.

The 1985 Methodology produces a monthly customer charge of $3.85 which fails to collect many of the costs for which residential customers are each solely responsible. From the inception of the 1985 Methodology, the Commission has been consistent with its finding from a Mountain Fuel Supply Case (82-057-15) that a customer charge should result in payment by each customer of those costs it imposes upon the system, which are independent of actual energy consumption.

The customer charge has been contested in a number of general rate cases. The Utah 2005 Cost of Service Work Group, with support from the Division of Public Utilities ("DPU"), argued that the while the Commission's 1985 Methodology correctly demarcated the cost of service components to include in the residential customer charge—defined as that portion of costs that each customer is solely responsible for, including the service drop, the meter, meter reading, and billing—these costs had failed to be recovered in practice, and therefore the DPU supported an increase in the residential customer charge.

Method 3. 2012 Methodology

Q. Please describe the third method.

A. The third method is the 2012 Methodology. This analysis begins with the 1985 Methodology, but re-examines those costs each customer imposes upon the system, adds customer-related fixed cost components, modifies the way retail cost of service is included, and examines the customer-related cost component of distribution line transformers.

The first part of this analysis includes maintenance related costs for service drops and meters. While the 1985 Methodology includes some costs directly

associated with meters, service drops, meter reading, billing, and collections, it fails to recover maintenance costs associated with meters or service drops. These maintenance costs are independent of actual energy consumption and are imposed on the system solely by the customer whose meter and service is being maintained. The Company believes that many of these maintenance costs should be included in the calculation of a Utah residential customer charge.

The second part of this analysis includes residential allocated retail costs. Regardless of the amount of energy a residential customer uses, retail costs are fixed and should be reflected in the monthly customer charge. Retail function costs include the cost of reading meters, answering customer service phone calls, sending customer statements, processing customer payments, and providing online access to customers' accounts. In the 1985 Methodology, billing and meter reading costs were included by Federal Energy Regulatory Commission ("FERC") sub-account, but not all associated costs were included in the cost-based customer charge.

At the time the 1985 Methodology for determining the customer charge was created, the cost of service study had not yet been functionalized. Retail costs were only available by FERC account and sub-account, and not collected and summarized anywhere in the cost of service study. The current Utah embedded cost of service study breaks out the five utility functions, including retail. This 2012 Methodology recognizes that the Utah embedded cost of service study has changed significantly since the 1985 Methodology was developed and that the embedded cost of service study is functionalized and includes retail costs. By including the full retail function in the cost-based customer charge calculation, the functionalized cost of service study

is better reflected, and the results are more transparent with costs more clearly assigned.

The third portion of this analysis includes the customer related component of distribution line transformers. Like a meter or service drop, distribution line transformer costs are fixed and do not vary with the amount of energy a residential customer uses. While historically, the Company has classified the costs of distribution line transformers as demand related, closer examination shows that while distribution engineers use estimated demand to *size* transformers, much of the installed cost of the transformer is fixed and does not vary with size. This is particularly true for the distribution line transformers that are installed to serve residential customers. For example, a 25 KVA pad-mount transformer and a 50 KVA pad-mount transformer are commonly installed in residential subdivisions, and they have average installed costs of $5,152 and $5,432, respectively. Although, the 50 KVA transformer provides double the demand capacity of the 25 KVA transformer, it only costs about 5 percent more. Clearly, a large proportion of the cost of these transformers in this example do not vary with load and are fixed costs necessary to serve customers.

The 2012 Methodology indicates an appropriate monthly customer charge of $11.60.

Q. Please summarize your recommendation.

A. Based on the Company's analysis of these different customer charge methods, the Company believes that the Fixed Costs Methodology is the most appropriate analysis for determining the level of the monthly residential customer charge; however, we also recognize that this issue is contentious, and that it is also a departure from the

1985 Methodology.

As a compromise approach, the Company believes that the 2012 Methodology is a reasonable bridge to achieving a cost compensatory customer charge. While the 2012 Methodology produces a monthly customer charge of $11.60 which exceeds the Company's recommendation, we believe that the Company's proposed $10.00 monthly customer charge is reasonable and a balanced step. It is supported by cost and makes good progress toward realizing an appropriate customer charge.

Q. Why does the Company propose to eliminate the minimum bill for residential customers in this case?

A. The Company believes that the appropriate minimum monthly bill is the fixed monthly customer charge; therefore, a separate minimum bill is not necessary. In the calculation of a minimum bill, volumetric usage is included, or commingled, in its calculation which creates complexity and provides a poor price signal to customers concerning fixed costs. The minimum bill is only applied to customers whose monthly usage is at or below approximately 35 kWh for single phase service, and most customers never pay a minimum bill.

For the most recent historic period available (12 month period ended June 30, 2011), less than two percent of all residential customer bills were minimum bills. This means that for the other 98 percent, the minimum bill rate was never assessed nor known. On the other hand, the customer charge is a fixed price component paid by all customers and is a clear price signal reflecting costs that do not vary with usage. The minimum bill is largely unknown to the vast majority of customers. It is not a clear, persistent, nor useful tool in reflecting the cost of electric service to customers.

Q. Does the Company charge a minimum bill for residential customers that differs from the customer charge in any of the other five states that it serves?

A. No. In each of the other five states that the Company serves, the monthly customer charge is the minimum bill.

Residential Time of Use Experiment

Q. Does the Company propose any changes to the current optional, experimental residential time of day tariff rider (Schedule 2)?

A. Yes. The Company proposes to increase both the on-peak charge and the off-peak credit for the optional, experimental time of day tariff rider for residential customers. This is consistent with the energy charge revisions proposed for standard residential service Schedule 1.

General Service & Irrigation Rates

Q. Please describe the Company's proposed rate design changes for commercial, industrial and irrigation customers.

A. Consistent with the Company's proposal in recent general rate cases, the Company does not propose any structural changes to its general service rates. In recent cases, the Company proposed a number of rate design changes that were in line with the recommendations presented in the Company's Rate Design Taskforce (Taskforce) report filed with the Commission in July 2004. Those changes included time of day pricing for Schedule 9 and a new tariff Schedule, Schedule 8, that implemented time of day pricing for all customers over 1 MW. The Company proposes to continue these pricing structures.

Schedule 8 and Schedule 9

Q. What does the Company propose for Schedule 8 and Schedule 9?

A. The Company proposes to increase uniformly the facility, demand and energy charges to reflect the proposed revenue requirement change. We also propose to increase the monthly Customer Service Charge for Schedule 8 and Schedule 9.

Q. What does the Company propose for the optional time of use Schedule 9A currently in effect?

A. Schedule 9A is closed to new service. These customers have the ability to shift to Schedule 9 if they desire. The Company proposes to increase Schedule 9A charges consistent with the proposed changes to Schedule 9.

Schedule 6

Q. What changes does the Company propose for customers below 1 MW on Schedule 6?

A. The Company proposes to apply the proposed revenue requirement change by applying a uniform percentage to demand charges and energy charges. We also propose to increase the Customer Service Charge.

General Service Schedule 23

Q. How does the Company propose to implement the rate change for Schedule 23?

A. The Company proposes to implement the rate change for Schedule 23 uniformly to demand and energy charges, and to increase the Customer Charge.

Irrigation Schedule 10

Q. How does the Company propose to implement the rate change for Schedule 10?

A. The Company proposes to implement the rate change for Schedule 10 uniformly to

demand and energy charges and to increase the Customer Service charges.

Lighting

Q. How does the Company propose to implement the rate change for lighting customers?

A. Based on the cost of service results, the Company does not propose an increase for most lighting customers; however, it does propose an increase for traffic signals. For those customers, the Company designed the rate change by applying a percentage increase to the current rate to achieve the proposed overall revenue change.

Billing Determinants

Q. Please explain Exhibit RMP___(WRG-3).

A. Exhibit RMP___(WRG-3) contains a summary of present and proposed prices along with the billing determinants used in preparing the pricing proposals in this case. In accordance with R746-700-21.D.1, Exhibit RMP___(WRG-3) provides in a readily identifiable form the Company's proposed price changes for all rate schedules.

Monthly Billing Comparisons

Q. Please explain Exhibit RMP___(WRG-4).

A. Exhibit RMP___(WRG-4) details the customer impacts of the Company's proposed pricing changes. For each rate schedule, it shows the change in monthly bills for various load and usage levels.

Q. Does this conclude your direct testimony?

A. Yes, it does.