BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF UTAH

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF A GENERAL RATE INCREASE IN ITS RETAIL ELECTRIC UTILITY SERVICE RATES IN UTAH	))))	Docket No. 11-035-200

DIRECT TESTIMONY ON RATE DESIGN

OF

DR. CHARLES E. JOHNSON

ON BEHALF OF

AARP
&
SALT LAKE COMMUNITY ACTION PROGRAM

JUNE 22, 2012

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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. What are your qualifications to testify 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. My work has also included extensive engineering assessment of utility facilities at U.S. DOE 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 Public Service Commissions in the intermountain area, including Idaho, Montana, Utah, Wyoming and New Mexico. I have also previously testified in cases involving Rocky Mountain Power during the past dozen years.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of AARP and Salt Lake Community Action Program (SLCAP). AARP is a nonprofit nonpartisan organization for people age 50 and over, dedicated to enhancing quality of life as we age. AARP has a significant presence in Utah with over 200,000 members. SLCAP is a nonprofit, community based organization that provides services for and advocates on behalf of low-income households in Salt Lake and Tooele counties. SLCAP certified 18,644 households as eligible for energy assistance during the past heating season. Additionally, over 25,000 households were served with non-energy related services in 2011.

The 2010 U.S. census reported that 22.7% of Utah's population received Social Security payments and of those 65 years of age or older, 93.4% receive Social Security payments. Six percent of the over-65 population is below the poverty line and 13.7% is below 150% of the poverty line. All of these people over 65 and others are among the people about whom AARP and SLCAP have concerns for their well-being and ability to pay their utility bills. In addition, many other Utahns are living without adequate incomes that makes it difficult for them as well. For example, 11% of families with children below 18 have incomes below the poverty line.

Q. What is the purpose of your testimony?

A. I have been asked to review the impacts of the RMP proposals on residential customers in Utah. In particular, I will examine the rate design proposed for the

residential class, especially as it affects low-income residential customers and those on fixed incomes.

I will first address the issue of designing rates for residential customers. I will discuss the claims of "cost-causality" for setting rate charges and how pricing objectives are utilized in designing rates. Next, I address the impact of various rate proposals on customers that have low and/or fixed incomes. I will show that low-income customers tend to have lower levels of energy consumption. Additionally, households with seniors are smaller and as a result, will use lower amounts of energy. I show that these low-usage customers are disproportionately disadvantaged by higher customer charges.

Following that, I turn to RMP's development of its proposal for setting the residential customer charge. I show that their arguments are without merit and recommend that the Commission maintain the current $4.00 per month customer charge. I also address RMP's proposal to eliminate the minimum bill and recommend that the current minimum bill of $7.00 be maintained.

Lastly, I prepare and present residential rates with the considerations described in my testimony. These rates are developed at the revenue level requested by RMP to make a comparison between RMP's proposal and mine more readily available. This should not be construed to indicate agreement with RMP's request for an increase nor with RMP's argument for such an increase. In the event that the Commission awards RMP less than the full 100% of its request, I have also

prepared a residential rate at half of the revenue level requested to provide another view of the likely impacts of the rate changes.

RESIDENTIAL RATE DESIGN

Q. What objectives do you emphasize for residential rate design?

A. This Commission has frequently been exposed to the eight criteria of a sound rate structure listed by James C. Bonbright in his book, Principles of Public Utility Rates, and I won't repeat them all here. These criteria have generally become part of the "common knowledge" surrounding the setting of rates in a regulated environment with such considerations as revenue stability, rate stability, unambiguousness, avoidance of undue discrimination, simplicity, etc. These objectives are not precise rules, but are generally based on the judgment of the Commission. For example, avoidance of undue discrimination requires that a judgment be made about what is "undue." Utah law has allowed implementation of separate rates for low-income customers, determining that this is not undue discrimination. As a result, Schedule 3 is only available to a limited segment of low-income residential customers, because such rates have been determined to serve the public interest.

I focus on several other criteria for designing residential rates. Economic theory identifies prices as a way of signaling the cost of an item to customers who are potential purchasers of that item so that they may make informed purchasing decisions. The higher price of a luxury car compared to the price of an economy car informs the potential customer about the cost of producing the two types of

car. The price signal is an important part of establishing rates so that utility customers can make sound consumption decisions.

RMP witness Griffith refers to the customer charge as "… a clear price signal reflecting costs that do not vary with usage." [Direct Testimony of William R. Griffith, page 10, line 230] However, there is no purchasing decision the customer can make in response to the prices set by the customer charge. If a person chooses to become a customer, the customer charge must be paid and the only way a customer can avoid the customer charge is by ceasing to be a customer of the utility. But a household will choose to become a customer or not for reasons other than the size of the customer charge. The customer charge is irrelevant for that purpose and is effectively no price signal at all. In comparison, the price per kWh does send a signal to customers about the cost of providing energy and the customer can take action to change their usage if they deem the price too great, or increase usage if the price for that additional usage is found to be more beneficial than the cost.

One of the criteria on which I focus is discouraging wasteful use of energy. Part of the calculus involves assessing the meaning of wasteful. In this case, I pay attention to the marginal cost of electricity and recognize that there are social costs that are not included. The inverted residential rate structure of Rocky Mountain Power is a rate design mechanism that prices energy closer to its marginal cost and has some impact of discouraging wasteful use of energy. Customers face higher prices for increased usage than they pay for the initial level

of usage and are discouraged from consuming additional electricity. I also put maintaining a low customer charge in this category. Keeping the customer charge low discourages wasteful use of energy because once the Commission has set the target revenue level for the rate class, a lower customer charge requires that energy charges be higher. The only residential rate components that can be used to recover revenue are the customer charge and energy charges. If revenue is recovered through a higher customer charge, then the energy charge or charges must be lower. All else equal, economic theory tells us that customers will consume more electricity if the energy charges are lower.

A second criteria for my focus is provision of an affordable block of energy for residential customers. This is especially important for low-income customers and seniors on fixed incomes. Low-income customers use less electricity on average than non-low-income customers. Seniors tend to live in smaller households than average and as a consequence, tend to use lower amounts of electricity. Over one-third of Utah residents over 65 years of age live alone. This is twice the percentage of people under 65 living in a single-person household. Keeping the customer charge low and keeping the initial block of energy at a low price helps these customers afford the smaller amounts of electricity they need.

LOW-INCOME CUSTOMERS

Q. What evidence is there that low-income households use less energy than other households?

A. First, the LIHEAP Home Energy Notebook, published in September 2011, reports that low-income households in the U.S. use an average of about 80% as much energy as non-low-income households. Households receiving LIHEAP (Low-Income Home Energy Assistance Program, a federal program to assist low-income households manage their energy burden) nationally used only about 75% as much as non-low-income households.

Second, RMP provides standard residential service under Schedule 1 and offers Schedule 3 to low-income households that qualify for funding under LIHEAP. Usage levels for the average Schedule 3 Utah customer are lower than usage for the average Schedule 1 Utah customer.

A third reason that low-income customers would be expected to have lower loads is that with less income to spend, low-income families must spend less on the goods and services they buy. While they spend a larger percentage of their income on all sources of energy (natural gas, electricity, gasoline, etc.), it is likely that many low-income households spend less on electricity than do other households. With regard to seniors, because seniors often live in one or two-person households, it should be expected that their average usage would be lower than for a larger household.

Q. How many low-income customers does RMP provide service to in Utah under Schedule 3?

A. In its current rate case in Utah, RMP projects 684,575 annual customers will take service under Schedule 1 and 35,005 customers will be served under Schedule 3,

that is, about 5% of the RMP residential customers in Utah are on the low-income rate.

Q. What is the difference between the consumption levels of Schedule 1 and Schedule 3 customers in Utah?

A. According to RMP's rate case filing, Schedule 1 customers consume more kWh than its Schedule 3 (low-income) customers. Seasonal rates in both schedules provide data for the following calculations.

UTAH AVERAGE MONTHLY RESIDENTIAL CONSUMPTION
Table 1

	Summer	Winter
Schedule 1	838 kWh	723 kWh
Schedule 3 (Low-Income)	736 kWh	642 kWh

Source of data for calculations: Exhibit RMP___(WRG-3)

These values are based on the forecast numbers of bills and seasonal kWh used by Mr. Griffith in developing his rates. The Schedule 3 summer consumption is about 88% of the Schedule 1 consumption and its winter consumption is 89% of Schedule 1 consumption.

Q. What is the impact of RMP's increase in the customer charge on low-income customers?

A. The proposed increase in the residential customer charge from $4.00 to $10.00 is an increase of 150%. For low-use customers, such as the average low-income customer, the customer charge increase results in a larger increase in the total bill for the average low-income customer. Notably, Mr. Griffith does not provide a bill comparison showing the impact of the RMP rate proposals on a residential

customer's total bill. For example, a residential customer using 100 kWh per month would have a bill increased from $12.72 in summer to $18.95, a 49% increase. The winter bill would increase from $13.02 to $19.26, a 48% increase. By comparison, a residential customer using 5,000 kWh would only see a 3.7% increase in the total summer bill.

A complete bill comparison for the total charges is shown in AARP/SLCAP Exhibit___(CEJ-1). It can be seen in AARP/SLCAP Exhibit___(CEJ-1) that the largest users of electricity would receive the smallest increases in their bills, while the smallest users would receive the largest increases. Because the average low-income customer uses less electricity than the average non-low-income customer, the average low-income customer would receive a larger increase than the average non-low-income customer.

Q. What other conclusions can you make about the relationship of low-usage customers and costs?

A. We can draw several conclusions. First, as I have just discussed, because RMP's proposed residential monthly customer charge increase is a greater percentage increase than the overall increase to the residential class, the customer charge increase will have the greatest adverse impact on low-use customers.

A second conclusion I draw is that low-use customers have lower costs of providing connection to the electric system than do average non-low-income customers. Sizing of much of the conductor and other equipment is dependent on the load on the feeder, substation, or other component of the distribution system. Customers that have lower loads can be served either by using smaller-sized

components or by serving more customers from the same substation or feeder. This means the cost of providing service to these smaller customers is less. A third conclusion is that addition of low-usage customers contributes less to the costs of load growth than does addition of average customers. That is, the addition of a low-usage customer requires fewer facilities and adds less load to the system than the addition of an average customer, meaning low-usage customers are not driving the cost increases associated with load growth as much as other customers.

Q. Is the cost of service an important factor in setting utility rates?

A. Yes, it is. Regulated utilities present their estimates of the costs of providing service and the Commission ascertains whether the requested amount is the allowable cost of providing service for the forecast test year. Those costs are allocated to the various rate classes to estimate the cost of providing service to each of the rate classes. Rates for each rate class are developed to provide the utility an opportunity to recover the revenue that has been determined to be the cost for the class.

However, attempting to set prices for a rate schedule based on the allocated embedded costs is a misuse of those numbers. That was the approach used years ago that led analysts to assert that additional consumption cost less than average consumption. This approach resulted in declining block rates that encouraged added consumption. Whether or not the approach was valid in the past, it is certainly not a valid method of setting electric rates today. The relevant cost for

setting the price per kWh is the cost of producing additional kilowatt hours of electricity. Other factors enter into setting the final price, but the average allocated cost of producing a kWh is not the appropriate basis for setting energy prices. Similarly, setting the customer charge equal to the fixed costs that have been allocated in the embedded cost-of-service study is not the proper basis for setting that charge.

RESIDENTIAL CUSTOMER CHARGE

Q. What does Rocky Mountain Power propose as the residential customer charge?

A. The RMP Witness, Mr. William Griffith proposes that the current residential customer charge be increased by $6.00 from $4.00 to $10.00.

Q. What is the basis for his recommendation?

A. Mr. Griffith characterizes a list of allocated costs as being "fixed" and not dependent on the amount of electricity the customer uses. He testifies that "These costs do not vary with usage, and are therefore appropriate costs to include in determining the level of the residential monthly customer charge." [Direct Testimony page 5, line 117]

Q. Are all allocated costs identified as "fixed" by Mr. Griffith invariant with usage?

A. No. Some of the "fixed" costs are dependent on the peak demand of loads on parts of the distribution system and there is a relationship between the peak demand and the electricity consumption of the customers. On average, residential customers with higher levels of consumption also have higher peak demands. Consequently, customers using higher amounts of electricity impose a greater amount of the fixed costs that have been allocated based on peak demands than do customers with lower levels of consumption. Even if one restricted the list to fixed costs that are invariant with usage, this would be an incorrect basis for setting the customer charge.

Q. Why would setting the customer charge equal to the fixed costs invariant with usage be incorrect?

A. The claim that fixed costs should be recovered through the monthly basic charge is completely wrong for several reasons. Almost all of a utility's costs are fixed in the short run and invariant with usage, even many fuel costs. Utilities typically hedge their costs of fuel and enter into long-term contracts to reduce the risk of unexpectedly high short-term fuel costs, turning these otherwise variable costs into fixed costs. Applying the same logic to generation costs would mean that most of the generation costs would be recovered through fixed demand charges and almost no costs would be recovered through the energy charges.

Second, recovering more of the residential total revenue through the customer charge requires that the energy charges be lower than they would otherwise be. Lower-than-appropriate energy charges encourage wasteful consumption and discourage efficient use of energy. The Commission should not agree to set rates for its residential customers that will result in wasteful consumption or that discourage efficient use of energy.

Third, allocated embedded fixed costs are but one way of viewing the costs of providing service to a customer. It is also possible to rely on a marginal cost study reconciled to the revenue target to calculate a customer cost. Another approach would be to calculate the replacement costs of building a distribution system and use those estimates to determine a customer cost. In fact, Mr. Paice has allocated meter costs in his study based on "…the installed costs of new metering equipment for different types of customers." [Direct Testimony of C. Craig Paice, page 6 lines 127-128]. It is not the <u>actual</u> costs of meters that are currently serving the residential customer class that was used as this "fixed" cost, but an <u>allocated portion of all meter costs</u>.

Lastly, setting the customer charge to recover fixed demand-related costs is inconsistent with charging customers based on the "causation" of the cost. In considering distribution costs in RMP's cost allocation study, "…only meters and services are considered customer-related, <u>all other costs are considered demand-</u>

related." [Direct Testimony of C. Craig Paice, page 6, line 122-123 Emphasis added]

In fact, the distribution costs that Mr. Paice has allocated as customer-related account for $3.63 of the fixed costs in Mr. Griffith's "Customer Charge Calculation" in RMP Exhibit___(WRG-2). Even including customer billing & accounting and meter reading expense only brings the customer-related costs to $4.77. Because all other distribution costs are considered demand-related by RMP and allocated to the classes based on class demand, they are not appropriately recovered in the customer charge. They are a consequence of usage and should be recovered through a usage charge. The remaining costs included by Mr. Griffith in the "2012 Methodology" in Exhibit RMP___(WRG-2) are "All Other Retail Function." Some aspects of the retail function may not be dependent on energy usage, but it is not obvious that these costs should be considered as being customer-related and recovered in the customer charge either. Mr. Griffith has given no basis on which the Commission can make that conclusion. These costs are largely a function of being a utility

Q. Aren't most activities of a utility and the associated costs a consequence of usage?

A. Yes, most activities of a utility and the associated costs are a consequence of usage by the customer or by the utility's actions to measure and bill for that usage. The whole purpose of an electric utility is to sell electricity to its customers. A resident who didn't use electricity would not become a customer of an electric utility. If all customers used the same amount of electricity, metering and all associated costs of billing for the differing levels of usage would be unnecessary. So these costs are a result of differing levels of usage, and as such should be recovered through usage charges.

Q. Without a demand charge, how can demand-related costs be recovered from residential customers?

A. The recovery of demand-related costs from customers without a demand charge becomes a pricing issue, not a cost issue. That is, these costs are not customer-

related costs to automatically be recovered through a customer charge. Pricing considerations must play a role in determining the method of their recovery. RMP has offered no pricing justification for increasing the customer charge for residential customers.

For residential customers, only the customer charge and energy charge are available from which to recover revenue. In establishing the energy and customer charges, there should be a bias toward recovery of demand-related charges through the other usage-related charge, i.e. the per kWh charges, because there is a relationship between energy usage and demand usage, but no relationship whatsoever between demand usage and any other aspect of being a customer.

Q. Is there any reason that the customer charge should include any demand-related costs?

A. In general, no. Pricing considerations and adherence to other rate making principles may require it at times, but not as a general rule.

Q. What do you recommend for the residential customer charge?

A. While I support maintaining the customer charge at a low level, the relatively large increase in revenue requested by RMP will require large increases in the residential charges. Absent an increase in the customer charge, the energy charges would need to be increased by an even larger amount if there is no increase in the customer charge. I support an increase in the customer charge no greater than the percentage increase in the residential revenues. With a percentage increase of 10.5% requested for the residential class, a $0.43 increase in the residential customer charge could be implemented, resulting in a $4.43 residential customer charge. If the Commission awards a substantially lower increase to RMP, I recommend that the residential customer charge be maintained at $4.00.

MINIMUM BILL

Q. Do you agree with RMP witness Griffith's recommendation for eliminating the minimum bill?

A. No. The reasons Mr. Griffith gives for proposing to eliminate the minimum bill are:

1. The appropriate minimum monthly bill is the fixed monthly customer charge [Griffith Direct Testimony, page 10, line 219]

2. The minimum bill provides a poor price signal concerning fixed costs. [Griffith Direct Testimony, page 10, line 222]

3. Most customers never pay a minimum bill. [Griffith Direct Testimony, page 10, line 225]

4. RMP has eliminated the minimum bill in its other jurisdictions. [Griffith Direct Testimony, page 11, line 235]

None of the items on this list is justification for elimination of the minimum bill in Utah residential rates. I shall take each in turn.

Asserting that the appropriate minimum bill is the customer charge is simply a statement without support. Mr. Griffith has provided no justification for this assertion. As far as the minimum bill providing a poor price signal, I have already addressed the issue of price signals related to fixed costs in my discussion of the customer charge. The same reasons I gave in that discussion about why price signals for fixed charges are pointless because no action can reasonably be taken in response also apply here. For his third point, I see no reason that the number of customers paying the minimum bill has any bearing on whether or not the minimum bill should be eliminated and RMP has given none. Lastly, while RMP might prefer that its rates be similar in all jurisdictions, if the Utah Public Service Commission finds reason to maintain the minimum bill in the residential rate schedules for RMP, the decision should not be made based on decisions in other jurisdictions.

Q, What reason is there to maintain a minimum bill?

A. The main reason for maintaining a minimum bill in RMP's residential rate schedules in Utah is that the minimum bill provides some assurance that all customers provide RMP with sufficient revenue to continue to provide service. As I have previously mentioned, RMP is in the business of selling electricity. If

all the customers consumed little or no electricity, RMP would be in financial difficulty. But RMP is not in this position. Most customers use sufficient electricity to provide the company with adequate revenue to continue to function. It is only a small number of customers that do not. Mr. Griffith points out that less than 2% of residential customers pay the minimum bill. With the minimum bill provision, these extremely-low-use customers pay a larger share of the utility's costs than they would without the provision and slightly larger, but still low-use customers aren't penalized, as they would be from increasing the customer charge to $10.00, as RMP proposes.

One solution to the problem of revenue recovery would be for RMP to simply divide its projected costs by the number of customers and assess that large fixed charge to all customers. RMP's proposal to increase the monthly customer charge is a move in that direction. The RMP-proposed solution contravenes many of the rate design objectives I described earlier – it fosters wasteful energy consumption and diminishes the objective of providing an affordable block of electricity to residential customers. Moreover, RMP employs a provision similar to the minimum bill provision in many of its other rate schedules.

Q. Please elaborate on other rate schedules that contain a provision similar to the residential minimum bill.

A. First, the seasonal provision in the residential schedule is essentially a minimum annual bill. The seasonal service charge is $84.00, which is 12 times the current monthly minimum charge of $7.00. RMP proposes to maintain this relationship with a minimal seasonal charge of $120.00, 12 times the proposed monthly charge of $10.00.

A second example is in RMP's Electric Service Regulation No. 12, Line Extensions, where RMP establishes a number of requirements for customers to obtain service. These are typically tied to the amount of revenue RMP expects to receive from selling electricity to the customer. For example, the line extension policy for customers less than 1,000 kW taking service at less than 46,000 volts, provides that:

"The Company will grant Nonresidential Applicants requiring 1,000 kW or less an Extension Allowance of up to sixteen times the estimated monthly revenue the Applicant will pay the Company. The Applicant must advance the costs exceeding the Extension Allowance prior to the start of construction."

If the customer is expected to use enough electricity and provide sufficient revenue to RMP, RMP will make an investment in facilities to provide service to the customer. If the facilities that are required would cost more than the line extension policy allows, the customer must pay the additional amount. This is precisely the same mechanism as in the residential minimum bill – if the customer does not uses sufficient electricity (and provide sufficient revenue), the amount of the minimum bill must be paid.

Q. What is your recommendation with regard to the minimum bill in the residential rate schedules?

A. I recommend that the current residential minimum bill amount of $7.00 per month be maintained. However, if the customer charge is increased, I recommend that the Commission consider increasing the minimum bill.

PROPOSED RESIDENTIAL RATE

Q. Have you prepared your proposed residential rate?

A. Yes, I have prepared several residential rates for the Schedule 1 residential customers. In the event the Commission does not award RMP the full amount of its request, but something less, I have also prepared a residential rate at half the RMP-proposed increase in revenue level to provide a better comparison with the impact at a lower level of revenue increase. This is not a recommendation that half the requested amount is the appropriate revenue level, nor is it the revenue level I expect the Commission to approve. A rate schedule calculated at the full amount requested would not present an accurate picture of the expected impact on customers at a substantially lower revenue level than requested by RMP. Additionally, even if the Commission were to award RMP exactly half the requested amount, other changes would necessitate a reformulation of these rates. For comparison with the RMP-proposed residential rate, I have also prepared a

schedule that would produce the full amount requested from the Schedule 1 customers.

Q. Have you other recommendations regarding the residential rate schedules?

A. Yes. I recommend that an inverted block structure be implemented in the residential energy charges. The current rates are lower in the summer than winter for the first 473 kWh. Only for higher levels of usage are customers charged more in summer than in winter. Given that the system peak demand is in summer, this seems inappropriate on several levels. I recommend that the initial winter block be set at the same amount, 400 kWh, as the summer block.

Q. Please describe the determination of the residential rate you have developed for Schedule 1.

I started with the billing determinants shown in RMP Exhibit___(WRG-3), page 7, which contains the Schedule 1 billing determinants. I calculated the revenue that would be produced from the customer charge and estimated the increase in energy charges that would be necessary to produce the revenue RMP requested for this rate schedule. This enabled me to determine the amount of kWh in minimum bills and number of customers who would receive minimum bills based on the bill frequency data provided by RMP in response to Data Request AARP-SLCAP 1.1. Then the billable kWh were determined and the prices set to recover the appropriate revenue. These calculations result in charges shown in AARP/SLCAP Exhibit___(CEJ-2) on page 1. I have prepared a similar calculation for residential rates based on increasing residential rates by half as much. These results are shown on page 2 of AARP/SLCAP Exhibit___(CEJ-2).

Q. Have you prepared a proof-of-revenues sheet similar to RMP Exhibit___(WRG-3)?

Yes. AARP/SLCAP Exhibit___(CEJ-3) contains calculations similar to those in RMP Exhibit___(WRG-3) that show the revenue produced by the rates that have been developed. Page 1 of AARP/SLCAP Exhibit___(CEJ-3) shows the calculations for the revenue requested by RMP and page 2 of that exhibit show the calculations for 50% of the revenue increase.

Q. Have you prepared a bill comparison exhibit that shows how the increases affect different levels of residential usage?

A. Yes. AARP/SLCAP Exhibit___(CEJ-4) presents a bill comparison of the AARP/SLCAP-proposed rates with current rates. Page 1 of this exhibit show the increase over current rates from implementation of my proposed rates over the current rates. Note the relatively small increases in winter for customers whose electricity consumption is mostly in the first 400 kWh block. Having set the price of the initial 400 kWh winter block at the same lower level as the summer block reduces the billing impact on these customers. Under the current and the proposed RMP rates, which have no lower initial winter block, these customers were paying much higher charges.

Page 2 of this exhibit shows a comparison of the AARP/SLCAP-proposed rates produced at half the revenue increase requested by RMP for the Schedule 1 customers with the current rates.

Page 3 of this exhibit shows a comparison of the AARP/SLCAP-proposed rates with the rates proposed by RMP. It will be noted that the comparison of RMP's proposed rates with current rates (shown in Exhibit AAPR/SLCAP___(CEJ-1)) displayed how skewed the RMP rates were. That exhibit showed the largest increases for the smallest customers and the smallest increases for the largest customers. The comparison between the RMP-proposed rate and the AARP/SLCAP-proposed rate shows that the AARP/SLCAP rates eliminate those skewed impacts.

Q. Does this conclude your prepared direct testimony?

A. Yes.