

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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	)	
	)	<b>Docket No. 20-035-04</b>
	)	
	)	<b>Phase II Direct Testimony of</b>
	)	<b>Alyson Anderson</b>
	)	<b>On behalf of the Utah</b>
	)	<b>Office of Consumer Services</b>
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September 15, 2020

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Alyson Anderson. I am a utility analyst for the Utah Office of  
3 Consumer Services (“OCS”). My business address is 160 East 300 South,  
4 Salt Lake City, Utah.

5

6 **Q. DID YOU FILE DIRECT TESTIMONY IN A PREVIOUS PHASE OF THIS**  
7 **PROCEEDING?**

8 A Yes, I previously submitted testimony in Phase I – Revenue Requirement  
9 of this docket before the Utah Public Service Commission (“PSC”).

10

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PHASE?**

12 A. I introduce the witnesses who provide the cost of service and rate design  
13 testimony on behalf of the OCS in this docket. I will also present the  
14 OCS’s policy recommendations regarding Rocky Mountain Power’s  
15 (“RMP”) proposed change to the block rate tiers in this docket.

16

17 **Q. PLEASE IDENTIFY THE OCS WITNESSES AND THEIR GENERAL**  
18 **AREA OF TESTIMONY.**

19 A. The OCS has one additional witness, Ron Nelson of Strategen Consulting,  
20 who provides direct testimony in Phase II - Cost of Service and Rate  
21 Design of this proceeding. Mr. Nelson’s testimony includes technical  
22 analysis and the OCS’s recommendations on the following issues:

23 • embedded class cost of service,

- 24 • revenue apportionment to the various class;
- 25 • RMP's rate unbundling;
- 26 • residential monthly customer charge;
- 27 • residential bill impact;
- 28 • Interruptible Service pilot; and
- 29 • Utah Advanced Meter Infrastructure ("AMI") project proposed by RMP.

30

31 **Q. PLEASE FURTHER EXPLAIN OCS'S APPROACH TO REVIEWING**  
32 **THE AMI PROJECT, SINCE IT WAS ADDRESSED IN BOTH MS.**  
33 **RAMAS AND MR. NELSON'S TESTIMONY. DOES THE OCS**  
34 **SUPPORT THE PROPOSED AMI PROJECT?**

35 A. No. As Ms. Ramas explained, the OCS opposes the proposed AMI project  
36 because it is not used and useful in the test year. Mr. Nelson provides  
37 further reasons for the OCS's opposition. First, Mr. Nelson demonstrates  
38 that the AMI project is not cost-effective based on RMP's own analysis. He  
39 also criticizes the proposed design and implementation of the AMI project.  
40 Finally, Mr. Nelson elaborates on the requirements that would be  
41 associated with a beneficial AMI program and provides a roadmap for  
42 future AMI proposals and grid modernization.

43

44 **Q. WHAT CHANGES TO RESIDENTIAL RATES IS ROCKY MOUNTAIN**  
45 **POWER PROPOSING?**

46 A. RMP proposes to assign a different customer service charge to multi-  
47 family and single-family customers. RMP proposes to maintain the current  
48 monthly customer service charge at \$6 for multi-family customers and  
49 increase the monthly charge to \$10 for single-family customers. RMP  
50 proposes to eliminate the minimum charge as well as the third tier energy  
51 charge and makes adjustments to the seasonal energy charge for the  
52 remaining tiers.

53

54 **Q. DOES THE OCS SUPPORT THE PROPOSED SPLIT OF THE**  
55 **CUSTOMER CHARGE BETWEEN SINGLE FAMILY AND MULTI**  
56 **FAMILY?**

57 A. Yes, in Docket 11-035-200 the OCS was critical of RMP for failing to  
58 recognize a distinction in the customer charge between multi-family and  
59 single-family customers.<sup>1</sup> However, the OCS has not found that RMP  
60 provides adequate data to calculate a well-supported customer charge  
61 that reflects all of the cost differences in serving multi-family and single-  
62 family residential customers. As discussed by Mr. Nelson, adequate data  
63 remains a challenge, but the OCS supports differentiating the customer  
64 charge at this time and continuing to refine the differences in subsequent  
65 cases. Importantly, as discussed in Mr. Nelson's testimony, it should be  
66 noted that while the OCS agrees with RMP's proposed basic customer

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<sup>1</sup> Docket No. 11-035-200 Direct Testimony COS/RD Daniel E Gimble, lines 716-721

67 charge of \$6 per month for multi-family customers, it has determined that  
68 the customer charge for single-family residential customers should only be  
69 increased to \$7 per month.

70

71 **Q. PLEASE SUMMARIZE ROCKY MOUNTAIN POWER'S CURRENT**  
72 **RATE STRUCTURE FOR RESIDENTIAL CUSTOMERS.**

73 A. In addition to the customer service charge, residential customers are  
74 subject to seasonal inclining block rates, where the energy charge  
75 increases as usage by the customer increases beyond certain thresholds.  
76 The energy charges are seasonally adjusted with May through September  
77 currently defined as the summer season, which has three inclining block  
78 rates, and October through April as the winter season, which only has two  
79 blocks.

80

81 **Q. DOES THE OCS SUPPORT RMP'S PROPOSED CHANGES TO THE**  
82 **SUMMER AND WINTER SEASONS USED TO ASSESS THE**  
83 **SEASONAL ENERGY CHARGES?**

84 A. Yes, the OCS agrees that moving May to the winter season better aligns  
85 with energy costs during that month and will help customers to focus  
86 efficiency efforts on the highest cost summer months June through  
87 September.<sup>2</sup>

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<sup>2</sup> Docket No. 20-035-04 Direct Testimony of Robert M. Meredith, Lines 653-655

88

89 **Q. DOES THE OCS AGREE WITH RMP'S CRITICISM OF INCLINING**  
90 **BLOCK RATES?**

91 A. No. RMP witness Robert Meredith criticized inclining block rates as being  
92 unfair, not economically justified, creating inappropriate disincentives to  
93 customers, and being confusing.<sup>3</sup> Although a significant amount of Mr.  
94 Meredith's testimony is devoted to criticizing RMP's inclining block rates,  
95 he provided little evidence to back up his assertions. I will address each of  
96 these assertions below.

97

98 **Q. HOW DO YOU RESPOND TO RMP'S ASSERTION THAT INCLINING**  
99 **BLOCK RATES ARE UNFAIR?**

100 A. First, I am surprised by RMP's new-found claim of unfairness since RMP  
101 itself has proposed inclining block rates for its residential design for over a  
102 decade. If circumstances have changed since the last rate case, in which  
103 RMP itself testified that the inclining block rates were just and reasonable  
104 and in the public interest, then RMP should have focused on providing  
105 evidence demonstrating those changes. RMP claims that inclining block  
106 rates result in large customers subsidizing small customers. However, Mr.  
107 Meredith provides no evidence attempting to quantify this supposed  
108 subsidy on a cost of service basis. RMP proposed tiered rates in the past

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<sup>3</sup> Docket No. 20-035-04 Direct Testimony of Robert M. Meredith, Lines 566-619

109 several rate cases, supported the rate outcomes in several of those cases  
110 through settlement stipulations, and the PSC approved those rates as  
111 being just, reasonable and in the public interest. Thus, I think it is  
112 reasonable to go into this case with the assumption that inclining block  
113 rates are fair and justified. RMP has not met its burden of proof to  
114 demonstrate how circumstances may have changed and what subsidies  
115 may newly exist within the residential class. Instead, RMP's proposal  
116 appears to primarily reflect its concern that the rate design does not allow  
117 it to build its load consistent with its apparent business plans (such as its  
118 signaled intentions to pursue electrification.) I will address that issue  
119 further in this testimony.

120 RMP also asserts that the inclining block rates are unfair to the company  
121 as it makes it difficult for electricity to compete with natural gas as a  
122 heating source. However, given the geographical climate of much of  
123 RMP's Utah service territory, it is an unrealistic expectation for electricity  
124 to compete with natural gas in residential heating on a widespread basis  
125 no matter what rate design is in place.

126

127 **Q. WHAT IS YOUR RESPONSE TO RMP'S ASSERTION THAT TIERED**  
128 **RATES ARE NOT ECONOMICALLY JUSTIFIED?**

129 A. Mr. Meredith suggests that the timing of customer usage of electricity and  
130 the overall utilization of electricity compared to peak kilowatt demand are  
131 more relevant factors than overall customer usage in affecting the

132 purchase and price of the Company's next kWh of electricity.<sup>4</sup>

133 RMP has proposed tiered rates in the past several rate cases, as being

134 just and reasonable and in the public interest. Inherent in those proposals

135 is economic justification of those rates. RMP does not make a compelling

136 case that the inefficient use of energy no longer impacts cost of service.

137 Inclining block rates are designed to dissuade customers from using

138 excessive amounts of energy. While they may not specifically shape time

139 of use ("TOU") patterns they can be a tool to promote overall conservation

140 and help decrease overall usage and the Company's purchase of its next

141 kWh of power at higher costs.

142 The OCS believes that TOU rates will appropriately replace the inclining

143 block rates at some point in the future, but our position is that this should

144 not take place until AMI is cost effective and a more comprehensive plan

145 is in place. Until the circumstances exist to pursue TOU rates, it would be

146 in the public interest to ensure that consumers continue to receive some

147 price signals from RMP's rate design to help ensure that energy is used

148 efficiently.

149 Finally, as I stated before, if circumstances have changed since the last

150 rate case, then Mr. Meredith's testimony should have focused on

151 demonstrating those changes rather than simply elaborating on his

152 unsupported assertions of economic justification.

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153

154 **Q. WHAT IS YOUR RESPONSE TO RMP'S ASSERTION THAT TIERED**  
155 **RATES CREATE PERVERSE INCENTIVES?**

156 A. This argument again appears to primarily reflect RMP's plans to build their  
157 load in Utah, particularly RMP's plans regarding electrification. For  
158 example, Mr. Meredith is concerned that despite experiencing "fuel  
159 savings" electric vehicle ("EV") adoption will be weakened by the higher  
160 tier rates.<sup>5</sup> Rate design should reflect a utility's costs, not a utility's  
161 business plan. Mr. Meredith also raises concerns about the perverse  
162 incentives of RMP's inclining block rates in comparison to Dominion  
163 Energy Utah's ("DEU") rate design. First, Mr. Meredith's testimony  
164 misconstrues DEU's general service ("GS") declining block rates as some  
165 form of a volume discount. To the contrary, DEU utilizes its block rates to  
166 try and best match differing costs associated with serving customers of  
167 vastly different sizes within its GS class. While the OCS has not always  
168 agreed with DEU's rate design proposals and the specifics of its  
169 associated evidence, I nonetheless note that DEU has included analysis  
170 such as cost curves as support for its rate design on a cost causation  
171 basis. Finally, RMP has not demonstrated that DEU is truly competing  
172 with RMP for the same load, which undermines all comparisons to DEU's  
173 rate design.

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<sup>5</sup> Docket No. 20-035-04 Direct Testimony Robert M Meredith, Lines 598-603

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175 **Q. DO YOU HAVE ANY ADDITIONAL THOUGHTS ABOUT RMP'S**  
176 **CONCERNS REGARDING EV ADOPTION AND OTHER**  
177 **ELECTRIFICATION ISSUES?**

178 A. This concern is overstated. The OCS is not aware of any current public  
179 policy objectives promoting electrification to the extent that it should drive  
180 the design of RMP's residential rate design. In fact, Utah's energy policy  
181 remains an "all of the above" approach that promotes all energy types,  
182 rather than promoting fuel switching away from other options to electricity.  
183 Regardless of policy directives, the prerequisite conditions are not in place  
184 to promote electrification. Electrification should not be actively pursued  
185 until TOU rates are in place, and TOU rates should not be pursued until  
186 AMI has been justified by a robust cost benefit analysis. The Utah  
187 legislature has passed legislation to support additional build out of EV  
188 infrastructure, but such build out is in its infancy. Thus, rate design as an  
189 obstacle to EV adoption also should not drive residential rate design in this  
190 case. In fact, RMP currently has a pilot program for a TOU rate for EV  
191 owners. The results from this pilot program should be evaluated before  
192 using EV adoption as a primary consideration for rate design. Finally, if  
193 and when electrification and EV adoption become priority policy  
194 objectives, such policies would only inform rate design not necessarily  
195 dictate its outcome. Other rate design goals, such as cost causation and  
196 fairness would still need to be considered.

197

198 **Q. WHAT IS YOUR RESPONSE TO RMP'S ASSERTION THAT TIERED**  
199 **RATES ARE CONFUSING TO CUSTOMERS?**

200 A. First, I acknowledge that most residential customers pay more attention to  
201 their total monthly bill than to the different elements of how that bill was  
202 calculated. That said, I believe that RMP under-estimates the  
203 understanding of customers with respect to energy rates. Those  
204 customers who care about the details of their bill have seen tiered rates  
205 for over a decade. Also, many of the water companies in RMP's service  
206 territories use an inclining block rate structure in their rates. Customers  
207 who take the time to learn about their electric bill will understand the  
208 blocks. Ironically, despite its stated concern about customer  
209 understanding of rates, RMP does not acknowledge the difficulty that  
210 moving to TOU rates will involve. Such a paradigm shift will certainly  
211 cause confusion to customers. I believe that customers who care about  
212 the details of their bill will be able to adapt and learn that new paradigm as  
213 well, at the appropriate time. However, I note that RMP has proposed an  
214 AMI pilot without any thought or consideration for these types of issues, as  
215 explained further in Mr. Nelson's testimony.

216

217 **Q. WHAT IS THE OCS'S POSITION REGARDING THE ELIMINATION OF**  
218 **THE THIRD TIER ENERGY CHARGE FOR RESIDENTIAL**  
219 **CUSTOMERS AS PROPOSED BY RMP?**

220 A. As I previously stated, the OCS believes it is in the public interest to  
221 maintain tiered energy rates for some level of price signals to consumers  
222 until the prerequisite circumstances are in place to facilitate TOU rates for  
223 residential customers. As shown in Mr. Nelson's testimony, RMP's overall  
224 residential rate design proposal results in a rate decrease for the highest  
225 users and a disproportionate rate increase for lower and average use  
226 customers. Actually lowering rates for high residential users creates more  
227 perverse incentives than the concerns RMP raises, and is not even  
228 acknowledged in Mr. Meredith's testimony. Nevertheless, the OCS does  
229 not object to moving to a two-tier rate for both summer and winter seasons  
230 so long as the overall rate structure and specific rate calculations do not  
231 result in the disproportionate increase on low users proposed by RMP.

232

233 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

234 A. Yes.

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