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**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.

**Docket No. 20-035-04**

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**PREFILED DIRECT TESTIMONY AND EXHIBITS OF**


**JUSTIN BIEBER**

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The Utah Association of Energy Users (“UAE”) hereby submits this Prefiled Direct Testimony of Justin Bieber in this docket.

DATED this 15<sup>th</sup> day of September 2020.

JAMES DODGE RUSSELL & STEPHENS

By:   
\_\_\_\_\_  
Phillip J. Russell  
*Counsel for the Utah Association of Energy Users*

CERTIFICATE OF SERVICE  
**Docket No. 20-035-04**

I hereby certify that a true and correct copy of the foregoing was served by email this 15th day of September 2020 on the following:

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**JUSTIN BIEBER**

**On Behalf of the**

**Utah Association of Energy Users**

**September 15, 2020**



22 and supported the development of testimony before various different state utility  
23 regulatory commissions.

24 Prior to joining Energy Strategies, I held positions at Pacific Gas and  
25 Electric Company as Manager of Transmission Project Development, ISO  
26 Relations and FERC Policy Principal, and Supervisor of Electric Generator  
27 Interconnections. During my career at Pacific Gas and Electric Company, I  
28 supported multiple facets of utility operations, and led efforts in policy, regulatory,  
29 and strategic initiatives, including supporting the development of testimony before  
30 and submittal of comments to the FERC, California ISO, and the California Public  
31 Utility Commission. Prior to my work at Pacific Gas & Electric, I was a project  
32 manager and engineer for heavy construction bridge and highway projects.

33 **Q. Have you testified previously before this Commission?**

34 A. Yes, I testified in Dominion Energy Utah's request for approval of a  
35 Voluntary Resource Decision to Construct an LNG Facility, Docket No. 19-057-  
36 13.

37 **Q. Have you filed testimony previously before any other state utility regulatory**  
38 **commissions?**

39 A. Yes. I have testified before the Colorado Public Utilities Commission, the  
40 Indiana Utility Regulatory Commission, the Kentucky Public Service Commission,  
41 the Michigan Public Service Commission, the Montana Public Service  
42 Commission, the Nevada Public Utilities Commission, the North Carolina Utilities  
43 Commission, the Public Utilities Commission of Ohio, the Public Utility

44 Commission of Oregon, the Virginia State Corporation Commission, and the Public  
45 Service Commission of Wisconsin.

46 **Q. Have you ever previously filed testimony in rate case proceedings?**

47 A. Yes. I have testified in 19 rate case proceedings before the Indiana Utility  
48 Regulatory Commission, the Kentucky Public Service Commission, the Michigan  
49 Public Service Commission, the Nevada Public Utilities Commission, the North  
50 Carolina Utilities Commission, the Public Utility Commission of Oregon, the  
51 Virginia State Corporation Commission, and the Public Service Commission of  
52 Wisconsin.

53

54 **Overview and Conclusions**

55 **Q. What is the purpose of your testimony in this proceeding?**

56 A. My testimony addresses the following topics:

- 57 • The production and transmission cost allocation methodology utilized  
58 in Rocky Mountain Power's (the "Company" or "RMP") cost of service  
59 study for the state of Utah;
- 60 • Revenue allocation among rate classes;
- 61 • Proposed changes to the on-peak periods for Schedules 8 and 9;
- 62 • RMP's proposed rate design for Schedule 32; and
- 63 • RMP's proposal to eliminate Schedule 6B.

64

65 **Q. Please summarize your recommendations to the Commission.**

66 I offer the following recommendations for the Commission:

- 67 • In its embedded cost of service study for the state of Utah, the Company  
68 has proposed to classify production and transmission plant and non-fuel  
69 expenses as 75% demand-related and 25% energy-related, which is  
70 consistent with past precedent set by the Commission on this issue. In  
71 light of this long-standing practice, I am not recommending any changes  
72 to the proposed cost of service study methodology.
- 73 • I recommend that the Commission adopt a rate spread approach  
74 consistent with the Company's proposed revenue allocation in this case.  
75 The Company's proposed rate spread provides a reasonable balance that  
76 reflects the cost of service results while also employing the principle of  
77 gradualism.
- 78 • The Company has proposed to change its definition of on-peak periods  
79 for Schedule 8 and Schedule 9. However, this proposal does not provide  
80 a consistent 8-hour nighttime off-peak work shift across seasons. I  
81 recommend a small adjustment to the proposed on-peak periods that will  
82 provide an 8-hour off-peak nighttime window during the winter as well  
83 as summer months.
- 84 • The Company's proposed Schedule 32 Facilities and Power demand  
85 charges would result in different effective rates for delivery and power  
86 services compared to the counterpart full requirements rates on



87 Schedules 6, 8, and 9. This inconsistency between rates results in a  
88 mismatch that creates an unduly discriminatory and unreasonable  
89 economic disincentive for Schedule 32 customers. I recommend that  
90 the Commission order the Company to set the Schedule 32 Facilities  
91 charges equal to the Facilities charges for the corresponding full  
92 requirements rate schedules. Similarly, the Schedule 32 daily Power  
93 charges should be designed to recover the same level of costs as the  
94 Power charges that are applicable to corresponding full requirements  
95 customers.

96 • Additionally, the structure of the Schedule 32 daily Power charge does  
97 not provide adequate credit for the capacity value for a solar Renewable  
98 Energy Facility (“REF”). I recommend that the Commission order  
99 RMP to convene a workshop within 12 months of the Commission’s  
100 Report and Order in this case to solicit feedback from stakeholders  
101 regarding an appropriate method to compensate a Schedule 32 customer  
102 for the capacity value of a solar REF.

103 • I also recommend that the Commission allow existing customers on  
104 Schedule 6B to remain on that rate schedule, particularly if the customer  
105 has made investments in energy technology in reliance on the Schedule  
106 6B rate design. Eliminating Schedule 6B is not in the interest of all  
107 customers. Specifically, in response to the price signals provided by  
108 this rate schedule, at least one customer has invested in an onsite energy

109 storage facility. Eliminating Schedule 6B would have a detrimental  
110 impact on the operations of this facility.

111

112 **Class Cost of Service Study**

113 **Q. Is the Company proposing any changes to its cost of service study methodology**  
114 **relative to the study filed with the Commission in the Company's 2014 rate**  
115 **case?**

116 A. According to the Company's cost of service and rate design witness  
117 Robert Meredith, RMP is proposing one change to its cost of service study, which  
118 is to include new sub-functional categories to provide a more detailed breakdown  
119 of costs.<sup>1</sup> Mr. Meredith also explains that the Company is proposing to change  
120 the substation weighting methodology used to allocate distribution substation  
121 costs.<sup>2</sup>

122 **Q. How does the Company propose to allocate production and transmission**  
123 **costs?**

124 A. Mr. Meredith explains that the Company classifies production and  
125 transmission plant and non-fuel expenses as 75% demand-related and 25%  
126 energy-related. The demand-related portion is allocated using the 12-monthly  
127 peaks coincident with the Company's total system firm peak.<sup>3</sup>

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<sup>1</sup> Direct Testimony of Robert M. Meredith, p. 4.

<sup>2</sup> Id, p. 7.

<sup>3</sup> Id.

128 **Q. What is your assessment of the Company's proposed methodology to allocate**  
129 **production and transmission costs?**

130 A. RMP's proposed production and transmission allocation method in this  
131 case is consistent with its cost of service study in its prior 2014 rate case in Utah  
132 and with past precedent set by the Commission on this issue. In light of this long-  
133 standing practice, I am not recommending any changes to the proposed cost of  
134 service study.

135

136 **Revenue Allocation**

137 **Q. Please summarize RMP's proposed rate spread in this case.**

138 A. According to Mr. Meredith, RMP's proposed rate spread is designed to  
139 reflect cost of service results while balancing the impact of the rate increase  
140 across classes. The Company is proposing an overall system base rate increase of  
141 4.8%. In order to develop its proposed rate spread, RMP utilized a rate spread  
142 midpoint of 4.9%, which is the average increase for all rate classes to which the  
143 proposed increase is being applied.

144 Mr. Meredith explains that according to RMP's cost of service study,  
145 Schedule 9 would require an increase about 2% from the rate spread midpoint to  
146 recover its cost of service, and Schedule 10 (Irrigation) would require an increase  
147 very close to the overall average. Based on those results, RMP proposes that  
148 Schedule 9 and Schedule 10 both receive an increase equal to the rate spread  
149 midpoint. For residential customers, given the cost of service results which

150 indicate that an increase about 8% greater than the rate spread midpoint would be  
151 required, RMP proposes an increase that is 2% greater than the rate spread  
152 midpoint. RMP proposes that both Schedules 6 and 8 receive an increase that is  
153 1% less than the rate spread midpoint, based on the cost of service results which  
154 indicate those schedules would require a rate *decrease* that is about 8% and 6%  
155 less than the rate spread midpoint, respectively. Schedule 23 and Schedule 15 –  
156 Traffic and Other Signal Systems would require a *decrease* about 10% less than  
157 the rate spread midpoint based on the cost of service results, so RMP recommends  
158 an increase that is 3% less than the rate spread midpoint. And for the street and  
159 area lighting schedules and Schedule 15 – Metered Outdoor Nighttime Lighting,  
160 the cost of service results indicate that they are paying substantially more than the  
161 cost of service, and would require a rate decrease that is 27% and 37% less than  
162 the rate spread midpoint, respectively. Based on these results, and given that the  
163 revenues from these classes are relatively small compared to the revenue from the  
164 other customer classes, RMP proposes to decrease rates for these customers in  
165 order to bring them to the cost of service.<sup>4</sup>

166 The Company's proposed cost of service results, rate spread, and a  
167 comparison to the rate spread midpoint are summarized in Table JDB-1 below.

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<sup>4</sup> Id, pp. 11-12.

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 170

**Table JDB-1**  
**RMP Proposed Cost of Service Results and Base Rate Spread**  
**at RMP's Proposed Revenue Requirement**

<u>Customer Class</u>	<u>COS Based Change</u>	<u>RMP Proposed Change</u>	<u>Difference to Rate Spread Midpoint</u>
Residential	12.8%	6.9%	2.0%
Commercial and Industrial			
Schedule 23	-4.5%	1.9%	-3.0%
Schedule 6	-2.6%	3.9%	-1.0%
Schedule 8	-0.6%	3.9%	-1.0%
Schedule 9	7.2%	4.9%	0.0%
Irrigation	5.7%	4.9%	0.0%
Lighting Schedules	-21.9%	-21.4%	-26.4%
<b>Overall System Average</b>		<b>4.8%</b>	

171

172 **Q. What is your assessment of the Company's proposed rate spread at the**  
 173 **Company's proposed revenue requirement?**

174 A. I recommend that the Commission adopt the Company's proposed rate  
 175 spread in this case. Given the Company's cost of service results, the proposed  
 176 revenue allocation among customer classes is reasonable. Although the proposed  
 177 rate spread will result in some inter-class subsidies, it makes gradual movement  
 178 towards aligning rates with cost, while at the same time mitigating the impacts to  
 179 the more heavily subsidized customer classes, such as the Residential class.

180 **Q. What is your recommendation if the actual revenue increase granted by the**  
 181 **Commission is lower than that requested by RMP?**

182 A. UAE is proposing several adjustments to RMP's revenue requirement, for  
 183 a total base revenue increase in this case of \$14.9 million. To the extent that the  
 184 revenue requirement approved by the Commission is less than that requested by

185 RMP, I recommend that RMP's rate spread proposal be used as the starting point  
186 for spreading the approved revenue change. For the lighting schedules which  
187 RMP proposes to receive a cost-based *decrease*, I recommend that those rate  
188 classes receive the same proportion of the total final revenue requirement as that  
189 proposed by RMP. For the other customer classes that RMP proposes to receive a  
190 rate *increase*, I recommend that the percentage rate change relative to the rate  
191 spread midpoint be preserved at a lower revenue requirement.

192 **Q. Do you have an example of how this approach would work?**

193 A. Yes, the derivation of my recommended revenue allocation at UAE's  
194 proposed base revenue requirement is provided in UAE Exhibit COS 2.2. While I  
195 am not recommending any changes to the Company's proposed method for  
196 allocating its proposed Federal Tax Act Adjustment, UAE Exhibit COS 2.2 does  
197 incorporate UAE's proposed adjustment to the deferred tax benefits to be returned  
198 to customers through Schedule 197. The results of my recommended revenue  
199 allocation at UAE's proposed base revenue requirement is summarized in Table  
200 JDB-2 below.

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202  
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**Table JDB-2**  
**UAE Base Rate Spread Recommendation**  
**At the UAE Recommended Base Rate Revenue Requirement**

<u>Customer Class</u>	<u>Difference to Rate Spread Midpoint</u>	<u>UAE Proposed Change</u>
Residential	2.0%	2.7%
Commercial and Industrial		
Schedule 23	-3.0%	-2.3%
Schedule 6	-1.0%	-0.3%
Schedule 8	-1.0%	-0.3%
Schedule 9	0.0%	0.7%
Irrigation	0.0%	0.7%
Lighting Schedules	-24.9%	-24.2%
<b>Overall System Average</b>		<b>0.7%</b>

205  
206

**Schedules 8 and 9 On-Peak Periods**

208 **Q. Can you please describe RMP’s proposal to change the definition for on-peak**  
209 **periods for Schedules 8 and 9?**

210 A. Mr. Meredith explains that the current on-peak periods for both Schedules  
211 8 and 9 are 7 a.m. to 11 p.m. Monday through Friday (excluding holidays) during  
212 the winter months of October through April, and 1 p.m. to 9 p.m. Monday through  
213 Friday (excluding holidays) in the summer months of May through September.  
214 For Schedule 8, the Company proposes to change the on-peak periods to 6 a.m. to  
215 10 a.m. and 6 p.m. to 12 a.m. (midnight) Monday through Friday (excluding  
216 holidays) in the winter months of October through May, and 3 p.m. to 12 a.m.  
217 (midnight) Monday through Friday (excluding holidays) in the summer months of  
218 June through September. For Schedule 9, the Company proposes to change the

219 on-peak periods to 6 a.m. to 9 a.m. and 6 p.m. to 11 p.m. Monday through Friday  
220 (excluding holidays) in the winter months of October through May, and 2 p.m. to  
221 11 p.m. Monday through Friday (excluding holidays) in the summer months of  
222 June through September.<sup>5</sup>

223 **Q. What is your assessment of RMP's proposed changes to the Schedules 8 and**  
224 **9 on-peak hours?**

225 A. The Company's proposed changes to the winter on-peak hours do not  
226 allow for a full 8-hour nighttime off-peak work shift. This makes it challenging  
227 for customers to respond to the Company's proposed off-peak pricing signals.  
228 For time of use rates to be effective, they should not only reflect hourly cost  
229 differences, they should encourage customers to be responsive as well.

230 **Q. What changes do you recommend to RMP's proposed Schedules 8 and 9**  
231 **winter on-peak hours?**

232 A. I recommend that the winter on-peak hours for both Schedules 8 and 9 be  
233 adjusted so that the winter on-peak period ends at 10 p.m. I also recommend that  
234 RMP's proposed Schedule 8 winter on-peak morning hours and summer on-peak  
235 hours be adjusted to match the proposed on-peak hours for Schedule 9. This  
236 relatively small change to RMP's proposed on-peak periods will allow for a full  
237 8-hour off-peak nighttime shift during the winter season. Moreover, it provides  
238 consistency in time of use pricing between these two rate schedules. Table JDB-3

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<sup>5</sup> Id, pp. 35-36.



239 below summarizes my proposed change relative to RMP’s proposed on-peak  
240 hours.

241 **Table JDB-3**  
242 **RMP and UAE Proposed On-Peak Hours**  
243 **For Schedule 8 and Schedule 9**

	<u>Winter On-Peak Hours</u>	<u>Summer On-Peak Hours</u>
RMP Proposed Schedule 8	6 am – 10 am & 6 pm – 12 am	2 pm – 12 am
UAE Proposed Schedule 8	6 am – 9 am & 6 pm – 10 pm	3 pm – 11 pm
RMP Proposed Schedule 9	6 am – 9 am & 6 pm – 11 pm	3 pm – 11 pm
UAE Proposed Schedule 9	6 am – 9 am & 6 pm – 10 pm	3 pm – 11 pm

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245

246 **Schedule 32 Service From Renewable Energy Facilities**

247 **Q. Can you please describe RMP’s Schedule 32?**

248 A. Senate Bill 12,<sup>6</sup> which was passed in 2012, enabled qualifying retail  
249 customers to receive electricity directly from a Renewable Energy Facility  
250 (“REF”). To provide guidance to potential Contract Customers and to avoid the  
251 need to negotiate the rates and terms of service individually for each customer, the  
252 Company proposed Schedule 32, Service from Renewable Energy Facilities in

<sup>6</sup> Utah Code Title 54, Chapter 17, Part 8

253 Docket No. 14-035-T02. The Commission adopted the current version of  
254 Schedule 32 in its Report and Order in that proceeding.<sup>7</sup>

255 Schedule 32 consists of a Customer charge to recover RMP's customer-  
256 related costs and an Administrative Fee to recover additional costs for RMP to  
257 manually perform monthly billing. The delivery Facilities per kW charge  
258 recovers costs associated with RMP's transmission and distribution facilities,  
259 which are utilized to deliver electricity from both the REF and the Company's  
260 resource portfolio. The daily Power per kW-day demand charge recovers costs  
261 associated with RMP's provision of generation capacity during on-peak periods  
262 when the REF is generating less than its full contract capacity. There are also  
263 renewable power and energy charges consistent with the terms of the Renewable  
264 Energy Contract, and supplemental power and energy rates that are billed under  
265 the provisions of the applicable full requirements service Schedules 6, 8, or 9.

266 **Q. How is RMP proposing to change the Schedule 32 Customer and**  
267 **Administrative charges in this case?**

268 A. Currently, the Schedule 32 Customer charges are equal to the Customer  
269 charges for the full requirements Schedules 6, 8, and 9. RMP is proposing  
270 Customer charges in this case that generally maintain this same alignment,  
271 although the proposed Schedule 32 Customer charge for customers <1 MW is  
272 slightly greater than the proposed Customer charge for Schedule 6.

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<sup>7</sup> Docket No. 14-035-T02, *In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities*, Report and Order, March 20, 2015, pp. 1-2.

273                   The Administrative Fee per generator is proposed to increase from \$110 to  
274                   \$115, while the fee per Delivery Point is proposed to increase from \$150 to \$157.

275   **Q.   How is RMP proposing to change the Schedule 32 Facilities and Power**  
276   **charges in this case?**

277   A.           Mr. Meredith explains that the proposed Facilities and daily Power rates  
278           are based on RMP’s “Schedule 32 Cost of Service Analysis,” which is included in  
279           Exhibit RMP\_\_\_(RMM-3). However, RMP’s “Schedule 32 Cost of Service  
280           Analysis” does not reflect an analysis of the cost to serve Schedule 32 customers,  
281           and Mr. Meredith acknowledges that RMP did not perform a cost of service study  
282           for Schedule 32.<sup>8</sup> Rather the “Schedule 32 Cost of Service Analysis”  
283           demonstrates RMP’s proposed methodology for calculating the Facilities and  
284           daily Power charges.

285           The Company calculates the proposed Facilities charges for Schedule 32  
286           based on the fixed demand-related transmission, distribution substations,  
287           distribution poles and conductor, and distribution transformer costs allocated to  
288           the corresponding full requirements customers on Schedules 6, 8, and 9 in the  
289           Company’s proposed cost of service study. The Company then set the daily  
290           Power charges for Schedule 32 at a level that, in combination with the Facilities  
291           charges, is designed to recover the same level of cost as the Facilities and Power  
292           charges that are applicable to the corresponding full requirements customers.<sup>9</sup>

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<sup>8</sup> Direct Testimony of Robert M. Meredith, p. 9.

<sup>9</sup> Id, pp. 48-49.

293 **Q. What is your assessment of RMP’s proposed “Schedule 32 Cost of Service**  
294 **Analysis?”**

295 A. The billing determinants used by the Company to compute the Facilities  
296 charge applicable to the secondary and primary sub-classes of customers less than  
297 1 MW are understated. The Facilities charge billing units that RMP proposes to  
298 use in its Schedule 32 analysis for this sub-class are equal to 15,576,842 kW,  
299 which RMP confirms through discovery is equal to the forecast billing units for  
300 Schedule 6 - Composite. However, RMP also confirms that this value is not  
301 inclusive of all customers on Schedule 6 in the class cost of service study, because  
302 it excludes 6-135, 6-136, 6A, 6A-135, 6A-136, and 6B.<sup>10</sup>

303 Further, the Schedule 6 Class non-coincident peak (“NCP”) utilized in  
304 RMP’s cost of service study, which RMP considers to be the sum of the  
305 individual maximum demand for each customer within the class,<sup>11</sup> is 17,593,408  
306 kW, or about 13.2% greater than the billing units utilized in the Schedule 32 cost  
307 analysis. According to the Company’s response to discovery, the Class NCP and  
308 the class billing determinants for the Facilities charge should be very close to each  
309 other, although it notes that these values are derived from different sources.<sup>12</sup>

310 Similarly, the Schedule 8 Class NCP utilized in RMP’s cost of service  
311 study is 4,664,701 kW, which is about 8.9% higher than the 4,249,794 kW billing  
312 units that RMP utilizes in its Schedule 32 cost analysis to compute the Facilities

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<sup>10</sup> Rocky Mountain Power Responses to UAE Data Request 8.2, Reproduced in UAE Exhibit COS 2.1.

<sup>11</sup> Rocky Mountain Power Responses to UAE Data Request 8.1, Reproduced in UAE Exhibit COS 2.1.

<sup>12</sup> Rocky Mountain Power Responses to UAE Data Request 8.2, Reproduced in UAE Exhibit COS 2.1.

313 charge for the secondary and primary sub-classes of customers >1 MW.<sup>13</sup> This  
314 8.9% difference between the Schedule 8 Class NCP and the corresponding billing  
315 units in the Company's Schedule 32 analysis is a very large difference between  
316 two values that should theoretically be equivalent, except for any small  
317 differences that may result from the fact that the values are derived from different  
318 sources.

319 **Q. All else being equal, what would be the impact of utilizing understated billing**  
320 **units to compute the proposed Schedule 32 Facilities charges?**

321 A. All else being equal, utilizing understated billing units will result in rates  
322 that over-recover the intended level of costs.

323 **Q. Can you please summarize the Company's proposed changes to the Schedule**  
324 **32 Facilities and Power charges relative to the corresponding full**  
325 **requirements rates?**

326 A. Table JDB-4 below summarizes the proposed Facilities and Power charges  
327 for Schedule 32 and the corresponding full requirements rates.

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<sup>13</sup> Id.

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 331

**Table JDB-4**  
**RMP Proposed Facilities Charges for**  
**Schedule 32 and Corresponding Full Requirements Rates**

	Secondary < 1 MW	Primary < 1 MW	Secondary > 1 MW	Primary > 1 MW	Transmission
Schedule 32 Facilities Charge Per kW Current	\$7.62	\$6.67	\$7.90	\$6.75	\$3.85
Schedule 32 Facilities Charge Per kW Proposed	\$9.72	\$8.76	\$9.23	\$8.10	\$5.32
Proposed Increase	27.6%	31.3%	16.8%	20.0%	38.1%
Schedule 6/8/9 Facilities Charge per kW Current	\$4.04	\$3.08	\$4.76	\$3.63	\$2.22
Schedule 6/8/9 Facilities Charge per kW Proposed	\$4.11	\$3.15	\$4.95	\$3.82	\$2.33
Proposed Increase	1.7%	2.3%	4.0%	5.2%	5.0%

332

333 **Q. What is your assessment of the proposed Schedule 32 rate design?**

334 A. Under the Company’s proposed rates, Schedule 32 customers would pay  
 335 substantially higher rates for delivery service than their full requirements  
 336 counterparts who take service under Schedules 6, 8 and 9. This mismatch creates  
 337 an unduly discriminatory and unreasonable economic disadvantage for Schedule  
 338 32 customers.

339 As can be seen in the table above, there is already a significant mismatch  
 340 between the current Schedule 32 Facilities charges and the corresponding full  
 341 requirements rates. RMP’s proposal to increase the various Schedule 32 Facilities  
 342 charges by a much greater percentage than the proposed increase for the  
 343 corresponding full requirements rates would further exacerbate this misalignment.

344 **Q. From a customer’s perspective, why should it matter if there is a mismatch**  
345 **between the Schedule 32 Facilities charges and the corresponding full**  
346 **requirements rates?**

347 A. As I explain above, RMP designed the Schedule 32 rates so that the  
348 combination of the Schedule 32 Facilities and Power charges would recover the  
349 same level of cost as the Facilities and Power charges that are applicable to full  
350 requirements customers. Under this methodology, if the Schedule 32 Facilities  
351 charge is *overstated* relative to the corresponding full requirements rate schedule,  
352 then the Schedule 32 Power charges will necessarily be *understated*.

353 The delivery Facilities charge covers costs associated with the delivery of  
354 electricity from both the REF and RMP’s resource portfolio. If this charge is  
355 overstated relative to the full requirements delivery Facilities charge, the Schedule  
356 32 customer is at an economic disadvantage relative to the delivery charges it  
357 would pay on the applicable full requirements schedule. I believe such a disparity  
358 is unduly discriminatory toward the Schedule 32 customer.

359 **Q. What is your recommendation with respect to the Schedule 32 rates?**

360 A. In order for the resulting Schedule 32 rates to be non-discriminatory, the  
361 Schedule 32 Facilities and Power charges must be consistent with the Facilities  
362 and Power charges for corresponding full requirements rate schedules. Therefore,  
363 I recommend that the Schedule 32 Facilities charges be set equal to the  
364 Company’s proposed Facilities charges for the corresponding full requirements  
365 rate schedules. The daily Power charges should be adjusted accordingly to

366 recover the same level of cost as the Power charges that are applicable to full  
 367 requirements customers.

368 This can be accomplished using the same methodology proposed by the  
 369 Company in this case to design the *combination* of the Schedule 32 Facilities and  
 370 daily Power charges to recover the same level of cost as the *combination* of  
 371 Facilities and Power charges applicable to full requirements customers. When the  
 372 Schedule 32 Facilities charges are set equal to the Company’s proposed Facilities  
 373 charges for the corresponding full requirements rate schedules, this method is  
 374 designed to produce a daily Power charge that is the equivalent of the monthly  
 375 Power charge for the corresponding full requirements customers. The derivation  
 376 for this rate design is presented in UAE Exhibit COS 2.3. The proposed rates are  
 377 summarized in Table JDB-5 below.

378 **Table JDB-5**  
 379 **UAE Proposed Schedule 32 Facilities and Daily Power Rates**  
 380 **at RMP’s Proposed Revenue Requirement and Revenue Allocation**

	Secondary < 1 MW	Primary < 1 MW	Secondary > 1 MW	Primary > 1 MW	Transmission
Delivery Charge per kW	\$4.11	\$3.15	\$4.95	\$3.82	\$2.33
Power Charge per kW/Day (Jun - Sept)	\$0.81	\$0.79	\$0.95	\$0.94	\$0.81
381 Power Charge per kW/Day (Oct - May)	\$0.71	\$0.70	\$0.84	\$0.82	\$0.72

382 **Q. Do you have any other concerns regarding the proposed Schedule 32 rate**  
 383 **design?**

384 A. While the structure of the daily Power charge is a useful construct for  
 385 providing backup power to partial requirements customers, given the Schedule 32  
 386 on-peak periods, this structure does not provide adequate credit for the capacity



387 value of a solar REF. This is because a Schedule 32 daily Power charge is  
388 calculated based on the 15-minute period of the Schedule 32 customer's greatest  
389 use of Power during on-peak hours each day. It is generally accepted that solar  
390 resources provide some level of capacity value that is a proportion of its  
391 nameplate capacity, and which depends on the characteristics of the facility.  
392 However, since the Schedule 32 on-peak periods encompass evening hours when  
393 there is no solar production, a Schedule 32 customer with a relatively flat load  
394 shape would receive little or no credit for avoiding RMP's generation demand  
395 during hours when the solar REF is generating. Unsurprisingly, since the  
396 adoption of Schedule 32 in 2015, not a single Utah customer has been able to take  
397 service under this rate schedule from a solar REF, to the best of my knowledge.

398 One potential solution to address this issue would be to derive an hourly  
399 Power charge that is designed to recover the same level of cost as the daily Power  
400 charge. UAE proposed such a charge in Docket No. 14-035-T02,<sup>14</sup> but it was not  
401 accepted by the Commission. Another potential alternative would be to calculate  
402 the Power charge based on a weighted average of the Schedule 32 customer's use  
403 of Power during on-peak hours each day. The appropriate hourly weighting  
404 would reflect factors such as the capacity value of the REF and hourly EIM  
405 prices. I recommend that the Commission order RMP to convene a workshop  
406 within 12 months of the Commission's Report and Order in this case to solicit

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<sup>14</sup> Docket No. 14-035-T02, *In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities*, Direct Testimony of Kevin C. Higgins, September 9, 2014.

407 feedback from stakeholders regarding an appropriate method to compensate a  
408 Schedule 32 customer for the capacity value of a solar REF.

409 **Q. Are the Company's proposed Facilities and Power charges for Schedules 6, 8,**  
410 **and 9 aligned with the results of its proposed cost of service study?**

411 A. No, the Company acknowledges in discovery that its proposed Facilities  
412 and Power charges for Schedules 6, 8, and 9 differ relative to the unit costs based  
413 on its proposed cost of service study. In its response to discovery, the Company  
414 explains that it proposed the pricing it did to maintain consistency with present  
415 prices and to avoid large shifts between categories.<sup>15</sup>

416 **Q. If the Company's proposed Facilities and Power charges for Schedules 6, 8,**  
417 **and 9 are not aligned with the results of its cost of service study, then why are**  
418 **you recommending to set the Schedule 32 Facilities and Power charges based**  
419 **on the corresponding full requirements rate schedules?**

420 A. While aligning the Schedule 6, 8, and 9 Facilities and Power charge rates  
421 with the underlying cost causation is an important rate design objective, rate  
422 design is a complex subject and there are other important objectives to balance.  
423 For example, Mr. Meredith states that the Company's other objectives in this case  
424 include equity, economic efficiency, revenue adequacy, and minimizing customer  
425 impacts.<sup>16</sup>

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<sup>15</sup> Rocky Mountain Power Responses to UAE Data Request 8.3, 8.4, and 8.5, Reproduced in UAE Exhibit COS 2.1.

<sup>16</sup> Direct Testimony of Robert M. Meredith, p. 2.

426                   Based on the circumstances of this case, I am not proposing any  
427                   substantial changes to the Company’s proposed rate designs for Schedules 6, 8, or  
428                   9 (although I am proposing a minor adjustment to the proposed on-peak periods  
429                   for Schedules 8 and 9 as discussed above). However, as I explain above, it is  
430                   essential that the Schedule 32 Facilities and Power charges be aligned with the  
431                   charges for the corresponding full requirements rate schedule in order for the  
432                   Schedule 32 rates to be non-discriminatory. To the extent that the Commission  
433                   determines that the rate design elements for the full requirements rate Schedules  
434                   6, 8 or 9 should be adjusted to better align with the cost of service, then I  
435                   recommend that the Schedule 32 charges be adjusted accordingly.

436   **Q.    How does your proposed Schedule 32 rate design compare to RMP’s**  
437   **proposed rates for Schedule 31?**

438   A.           While there are meaningful and important differences between Schedule  
439           32 and Schedule 31, the Commission has previously recognized that consistency  
440           between the power charges for these rate schedules is important to “avoid the  
441           potential for disparate treatment among customers who place a similar level of  
442           partial requirements on the utility and may only be distinguishable by the side of  
443           the meter from which their renewable resource serves them.”<sup>17</sup> My proposed  
444           Schedule 32 rate design would result in Facilities and Power charges for Schedule  
445           32 that are substantially closer to the corresponding charges for Schedule 31,  
446           relative to RMP’s proposed Schedule 32 rates in this case.

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<sup>17</sup> Docket No. 14-035-T02, In the Matter of Rocky Mountain Power’s Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities, Report and Order, March 20, 2015, p. 33.

447 **Q. Your proposed Schedule 32 rate design was calculated based on RMP's**  
448 **proposed rates and proposed revenue requirement. How should your**  
449 **proposed rate design be implemented if the Commission adopts a revenue**  
450 **requirement that is different than RMP's request?**

451 A. To the extent that the Commission approves a revenue requirement that is  
452 different than RMP is seeking, or it approves a different rate design for the full  
453 requirements rate Schedules 6, 8, or 9, I recommend that the Schedule 32 Facilities  
454 charges be set equal to the Facilities charges for the corresponding full requirements  
455 rate schedules. Similarly, the Schedule 32 daily Power charges should be designed  
456 to recover the same level of cost as the final approved Power charges applicable to  
457 full requirements customers.

458

459 **Schedule 6B – General Service Demand Time of Day Option**

460 **Q. Please describe the Company's proposal in the case to eliminate Schedule 6B.**

461 A. Mr. Meredith explains that the Company proposes to discontinue Schedule  
462 6B and move the current customers served under 6B to Schedule 6 and Schedule  
463 6A. There are 16 customers currently taking service on Schedule 6B, and the  
464 schedule is currently closed to new service. Structurally, 6B is very similar to  
465 Schedule 6, except that the Schedule 6B Power charges only apply to usage  
466 during on-peak periods. Mr. Meredith asserts that eliminating legacy rate options  
467 like Schedule 6B is in the interest of all customers and that the proposed redesign  
468 for Schedule 6A will reduce cost for lower load factor customers. The Company

469 estimates that customers leaving Schedule 6B would on average receive a 5.3%  
470 decrease in costs, largely from customers migrating to the proposed Schedule  
471 6A.<sup>18</sup>

472 **Q. Are you aware of any customers currently taking service on Schedule 6B that**  
473 **would be harmed by the elimination of this rate schedule?**

474 A. Yes, I am. Specifically, I am aware of a not-for-profit healthcare facility  
475 located in Richfield, Utah with one of its metered accounts currently taking  
476 service on Schedule 6B. The meter was added to serve a building expansion that  
477 was completed in 2013, that included a new medical office building with a  
478 thermal energy storage (“TES”) system providing comfort cooling to the  
479 building. During the design and construction of the new medical office building,  
480 the TES system was added as a cost savings investment to the facility in reliance  
481 on the Schedule 6B rate design. The TES system operates two chillers during off-  
482 peak times to generate a low temperature glycol water/ice mixture stored in an  
483 insulated tank, then uses the mixture during on-peak times as the source of  
484 cooling to minimize its on-peak demand. The medical office building is mostly  
485 unoccupied at night which allows the TES to provide load shifting and reduce  
486 utility costs by running the chillers during off-peak periods.

487 Based on preliminary rate modeling of the current TES operations, this  
488 facility would pay significantly higher rates for service on RMP’s proposed  
489 Schedule 6A relative to the proposed Schedule 6 rates. At the same time, if the

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<sup>18</sup> Id, pp. 44-45.

490 facility were to take service on Schedule 6, it would incur higher Power costs to  
491 operate its TES system than it would if it did not operate the system. This is  
492 because the TES system requires the facility to use a higher level of power during  
493 the off-peak period than it otherwise would if it were not operating the TES  
494 system. Since the Schedule 6 Power charges apply to usage during both on-peak  
495 and off-peak periods, this increase in measured Power demand would make the  
496 operation of the TES system uneconomic.

497 **Q. What is your assessment of the Company's proposal to eliminate Schedule**  
498 **6B?**

499 A. I recommend that the Commission require the Company to maintain the  
500 existing Schedule 6B available for customers that are currently receiving service.  
501 As I explain above, eliminating this schedule would create a stranded investment  
502 for at least one customer on Schedule 6B that acted in reliance on the Schedule  
503 6B rate design. Not only would it be unfair to potentially create stranded  
504 investments for customers currently taking service on Schedule 6B, but this kind  
505 of a change would set a poor precedent that creates rate uncertainty for customers  
506 on all of the Company's rate schedules. This kind of rate uncertainty can  
507 discourage the kind of investments that customers might otherwise make to  
508 respond to the Company's price signals and improve the efficient use of the  
509 Company's assets.

510 Further, there are only 16 customers currently taking service on Schedule  
511 6B (which is already closed to new service), and on average, the Company

512 estimates that Schedule 6B customers would reduce their rates switching from  
513 Schedule 6B to the proposed Schedule 6A. Given the small number of customers  
514 that would remain on Schedule 6B, the impacts to other customer classes from  
515 allowing existing customers the option to continue taking service on this rate  
516 schedule would be very minimal.

517 **Q. Does this conclude your direct testimony?**

518 **A.** Yes, it does.