

1 Q. Please state your name.

2 A. My name is William R. Griffith.

3 Q. What is your business address and by whom are you employed?

4 A. My business address is 825 NE Multnomah Avenue, Portland, Oregon. I am
5 employed by PacifiCorp (Company), the parent company of Utah Power & Light
6 Company.

7 **Qualifications**

8 Q. What is your position with PacifiCorp, and what are your responsibilities?

9 A. My current position is Manager, Pricing, in the Regulation Department. I am
10 responsible for the development of regulated retail prices in PacifiCorp's six state
11 service territory.

12 Q. What is your educational and professional background?

13 A. I earned a B.A. degree with High Honors and distinction in Political Science and
14 Economics from San Diego State University in 1973 and an M.A. in Political Science
15 in 1974 from that same institution; I was subsequently employed on the faculty for
16 one year. I attended the University of Oregon and completed all course work towards
17 a Ph.D. in Political Science from 1975 through 1978. I joined the Company in the
18 Rates & Regulation Department in December 1983. In June 1989, I assumed my
19 present responsibilities.

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

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

23 **Purpose of Testimony**

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to address the Company's proposed rate spread in this
3 case and to propose price changes for the affected rate schedules.

4 Q. Please describe PacifiCorp's pricing objectives in this case.

5 A. The Company's pricing objectives in this case are to implement the 9.9 percent
6 overall price increase in such a way as to minimize rate volatility and customer
7 impacts while moving customer price levels toward cost of service.

8 Q. How does the Company propose to implement its rate spread?

9 A. In the interest of minimizing impacts on customers while implementing the necessary
10 price change, the Company proposes to allocate the rate spread based on cost of
11 service and to cap the price increase to any customer class at no more than 1.5 times
12 the overall price increase.

13 Q. What is the purpose of the 1.5 times cap?

14 A. The purpose of the cap is to moderate the price increase while continuing to move
15 customer classes toward recovering full cost of service. Cost of service results
16 prepared by David L. Taylor for 1998 indicate that a price increase of 18.8 percent is
17 necessary for residential customers in order to bring them to cost of service parity. A
18 review of cost of service studies averaging the results of the most recent three years of
19 loads (1996, 1997, 1998) reveals that a more moderate price increase of
20 approximately 15.2 percent is required. We believe that the 1.5 times cap approach
21 moderates the price increase while moving customers toward the three-year average
22 cost of service target. I will discuss the impacts of this increase more specifically
23 later in my testimony.

1 Q. Please describe Exhibit UP&L __.1 (WRG-1).

2 A. Exhibit UP&L 9__.1 (WRG-1) details the Company's proposed changes to class
3 revenue requirements to be implemented in this case. On an overall basis, these
4 revisions produce a 9.9 percent increase to the Company's jurisdictional revenue
5 requirement in Utah.

6 Q. Please describe Exhibit UP&L __.2 (WRG-2)

7 A. Exhibit UP&L __.2 (WRG-2) contains the Company's proposed revised tariffs in this
8 case.

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

10 A. Based on the three year average cost of service results, along with the 1.5 times cap
11 discussed above, the Company proposes the following allocation of the price increase.

	<u>Customer Class</u>	<u>Proposed Price Change</u>
12	Residential	14.8%
13	General Service	
14	Schedule 23	13.5%
15	Schedule 6	5.5%
16	Schedule 9	6.0%
17	Irrigation	
18	Schedule 10	11.2%
19	Lighting and Other	
20	Schedule 7	5.3%
21	Schedule 11	14.8%
22	Schedule 12	5.3%
23	Schedule 19	10.2%
24	Schedule 21	10.2%
25		
26		

27 **Residential Prices**

28 Q. What are the impacts of the Company's proposed rate spread on residential
29 customers?

1 A. The proposed price increase to residential customers is 14.8%. Taken alone, the size
2 of this price increase to residential customers is not insignificant. Nonetheless, if one
3 compares this price change with prices in effect at the beginning of 1999~~just six~~
4 ~~months ago~~, the net result of this increase will be a price increase to residential
5 customers of less than one percent.

6 Q. What has been the pattern of price changes to residential customers over the past ten
7 years?

8 A. During the last ten years, Utah residential customers have seen significant price
9 decreases. Taking into account these price changes reveals that implementation of the
10 proposed increase for residential customers will result in prices that are approximately
11 13% lower on a nominal basis than they were in January 1989. Including the impact
12 of inflation, with this proposed change residential prices will be approximately 37%
13 lower than they were in January 1989.

14 Q. Please describe the Company's proposed residential price design changes.

15 A. For Residential Schedule 1, in order to better reflect cost of service and to eliminate
16 subsidies flowing from larger residential users to smaller users, the Company
17 proposes to increase the Monthly Customer Charge to \$2.50 per month.~~We believe~~
18 ~~that this change combined with an increase to the energy charge results in a~~
19 ~~reasonable and fair pricing structure for the residential customer class.~~

20 The current Customer Charge for Residential Service is \$0.98 per month. It
21 fails to cover the related costs of serving the residential customer class, which include
22 the cost of meters, service drops, meter reading, billing and collections. The cost of
23 service study filed in this case by David L. Taylor shows the full embedded costs for

1 the residential customer component to be about ~~\$3.506.00~~ per month. Following the
2 Utah Public Service Commission's preferred methodology for determining a customer
3 charge, the Company's analysis indicates that \$2.60 would be the appropriate amount.
4 While the Company could argue that ~~\$3.506.00~~ is a reasonable level based on cost of
5 service, we believe that, in the interest of minimizing customer impacts, an increase to
6 \$2.50 is reasonable.

7 For electric providers in Utah that assess a customer service charge, Utah
8 Power excluded, a customer can expect to pay an average customer charge of \$4.73.
9 For jurisdictions served by PacifiCorp, in states other than Utah, in which a customer
10 service charge is paid, the Company's average charge is \$6.04. We believe that a
11 \$2.50 customer charge is reasonable and fair. This proposal brings residential prices
12 more in line with cost of service, it results in a customer charge that is below average
13 customer charges levied by other electric providers in Utah, and it is lower than the
14 Company's customer charges in states other than Utah.

15 Q. Does the Company have any changes proposed for Schedule 25?

16 A. Yes. In order to simplify prices, the Company proposes to increase the customer
17 charge to a full dollar amount, from \$8.76 to \$9.00 per month and to increase the
18 demand and energy charges roughly equally in order to recover the overall price
19 change.

20 **General Service & Irrigation Prices**

21 Q. What are the impacts of the Company's proposed rate spread on general service and
22 irrigation customers?

1 A. As shown in Exhibit UP&L __.1 (WRG-1), the proposed changes to general service
2 customer prices are a 5.5 percent increase for Schedule 6, a 6.0 percent increase for
3 Schedule 9, and a 13.5 percent increase for Schedule 23. For irrigation customers
4 (Schedule 10) an 11.2 percent increase is proposed.

5 Including the proposed change, general service and large general service
6 prices will still be over five percent lower than they were at the beginning of this
7 year just six months ago. For Schedule 10, prices will be about two percent less than
8 prices in effect earlier this year from six months prior. For Schedule 23, the price
9 change will result in less than a seven percent increase over rates in effect prior to the
10 last price change. At the same time, the subsidization of Schedule 23 will be
11 eliminated.

12 Q. What has been the pattern of price changes for general service and irrigation
13 customers since 1989?

14 A. Utah general service and irrigation customers have also received significant price
15 decreases since 1989. Taking into account these price changes reveals that
16 implementation of this price change for these customers will result in prices from
17 about 10 percent to nearly 25 percent lower than they were in January 1989. Including
18 the impact of inflation, with this proposed change, general service prices will be 30 to
19 40 percent lower, on a real basis, than they were in January, 1989. Irrigation prices
20 will be nearly 50 percent lower on a real basis over that same time frame.

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

1 A. Because a number of price design changes were implemented in Utah less than seven
2 six months ago, we are proposing, in general, a uniform increase to demand and
3 energy charges for the affected rate Schedules 23, 6, 9. For Schedule 10, we propose
4 to increase the demand charge slightly less than the energy charge in order to bring
5 the demand charge more closely in line with cost of service.

6 In addition, in order to simplify prices, we propose to increase customer
7 charges to whole even dollar amounts for these rate schedules. These changes are
8 indicated in the affected tariffs in Exhibit UP&L __.2 (WRG-2).

9 Q. What are your recommendations as they relate to Schedules No. 19 and 21, Space
10 Heating and Electric Furnaces?

11 A. First, we recommend applying the price change to the energy charge of the affected
12 schedules. Second, we recommend continuing the process started in Docket 97-035-
13 01. In that docket, the Company proposed to move to eliminate these schedules and
14 to serve these customers under the appropriate general service schedules in the future.
15 In that docket, the Company received approval to install demand meters on these
16 customers in order to commence collecting demand information to determine the
17 appropriate general service schedule for serving each of these customers.

18 In compliance with the Order in Docket 97-035-01, the Company installed
19 demand meters on these customers. This process was completed in July 1999. The
20 Company will look toward moving these customers to the appropriate general service
21 rate schedules as soon as information becomes fully available.

22 Q. What price changes does the Company propose for lighting customers?

1 A. The Company proposes to apply the 1.5 times cap to the price increase for Schedule
2 11 Company-owned streetlights. David L. Taylor's cost of service results indicates
3 that a large price increase is necessary for these customers. In previous cases, lighting
4 has been treated as an overall class; generally individual rate schedules were not
5 treated differently. In this case, given the large differences in cost of service results,
6 the Company proposes to match cost of service results more closely for each lighting
7 rate schedule. For Schedules 7 and 12, David L. Taylor's cost of service results
8 indicates that price decreases are warranted. Taking into account the upward
9 direction of the Company's costs while minimizing effects on other customers, the
10 Company proposes a 5.3 percent price increase for Schedules 7 and 12.

11 Q. Please explain Exhibit UP&L __.3 (WRG-3).

12 A. As referenced earlier, Exhibit UP&L __.3 (WRG-3) details the customer impacts of
13 the Company's proposed pricing changes. For each rate schedule, it shows monthly
14 bills for customers of various size and load factors under both the existing Tariff 42
15 and the Company's proposed Tariff 43. It also shows the dollar and percent age
16 change -increase or decrease in monthly bills for various load and usage levels.

17 Q. Please explain Exhibit UP&L __.4 (WRG-4).

18 A. Exhibit UP&L __.4 (WRG-4) details the billing determinants used in preparing the
19 pricing proposals in this case. It shows billing quantities and prices at present (T42)
20 rates and proposed (T43) rates.

21 Q. Does this conclude your testimony?

22 A. Yes, it does.