

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In the Matter of the Application</b>	)	<b>Docket No. 04-035-42</b>
<b>Of PacifiCorp for Approval of</b>	)	<b>TESTIMONY IN SUPPORT OF</b>
<b>Its Proposed Electric Service</b>	)	<b>RATE CASE STIPULATION</b>
<b>Schedules and Electric</b>	)	<b>DANIEL E GIMBLE</b>
<b>Service Regulations</b>	)	<b>FOR THE COMMITTEE OF</b>
	)	<b>CONSUMER SERVICES</b>

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**23 February 2005**

1           Introduction

2    Q:    **PLEASE STATE YOUR NAME, POSITION AND PARTY YOU**  
3           **REPRESENT FOR THE RECORD.**

4    A:    My name is Dan Gimble. My position is Chief of Technical Staff for the  
5           Committee of Consumer Services.

6    Q:    **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7    A:    To present the Committee's position on the rate case stipulation filed with  
8           the Commission last week. As constructed, the stipulation resolves the  
9           revenue requirement, rate spread and rate design issues attendant to the  
10          rate case.

11   Q:    **WERE YOU INVOLVED ON BEHALF OF THE COMMITTEE IN**  
12          **SETTLEMENT TALKS AMONG THE PARTIES THAT PRODUCED THIS**  
13          **STIPULATION?**

14   A:    Yes. I was involved a series of discussions that culminated in this  
15          stipulation.

16

17           Major Features of the Settlement

18   Q:    **PLEASE BRIEFLY EXPLAIN THE THREE MAJOR PROVISIONS**  
19          **CONTAINED IN THE PROPOSED STIPULATION.**

20   A:    (1) PacifiCorp's Utah revenue requirement will increase by \$51 million,  
21          effective March 1, 2005.

22          (2) The \$51 million revenue requirement increase is spread among the  
23          customer classes in a manner that follows the results generated by the

1 Company's cost-of-service study. For example, rate schedules with  
2 relatively strong cost-of-service returns received increases of 3.8%, which  
3 is roughly 0.9% less than the jurisdictional average increase of 4.7%.  
4 Rate Schedules whose cost-of-service returns were weaker received rate  
5 increases that were either equal to or above the jurisdictional average  
6 increase.

7 (3) PacifiCorp agrees to file its next rate case on or after March 1, 2006.  
8 This effectively extends the "stayout" feature contained in the test year  
9 stipulation by two months. The two-month "stayout" extension should be  
10 viewed as compensation to customers in return for the Company obtaining  
11 early implementation of the \$51 million rate increase.

12

13 Committee's Assessment of the Case

14 Q: **IN ITS DIRECT TESTIMONY THE COMMITTEE RECOMMENDED A**  
15 **DECREASE TO PACIFICORP'S UTAH REVENUE REQUIREMENT OF**  
16 **ABOUT \$39 MILLION. HOW DO YOU RECONCILE THIS INITIAL**  
17 **RECOMMENDATION WITH THE STIPULATED \$51 MILLION**  
18 **INCREASE FIGURE?**

19 A: In its initial filing, some of the Company's projected costs were  
20 inadequately supported or documented. Moreover, formal discovery  
21 responses on certain key issues failed to shed light on whether certain  
22 costs the Company proposed to include in rates were reasonable. It  
23 wasn't until CCS Staff and experts reviewed the Company's rebuttal

1 testimony, submitted further rounds of discovery and had a series of  
2 lengthy discussions with the Company that we were able to get to the  
3 bottom of key issues such as Bridger Coal Company Income, Pension  
4 Expense, and Capital Additions. In its surrebuttal case, therefore, the  
5 Committee would have supported an increase in the Company's Utah  
6 revenue requirement.

7 Q: **BASED ON THE COMMITTEE'S ASSESSMENT OF THE RANGE OF**  
8 **PROBABLE OUTCOMES HAD THE CASE BEEN LITIGATED, IS THE**  
9 **\$51 MILLION A REASONABLE OUTCOME FOR THE RESIDENTIAL,**  
10 **SMALL COMMERCIAL AND IRRIGATION CLASSES THE COMMITTEE**  
11 **IS CHARGED WITH REPRESENTING?**

12 A: If the Commission accepts the rate spread as presented in the stipulation,  
13 a \$51 million increase in revenue requirement is an acceptable outcome.  
14 However, the Committee views the \$51 million increase and the allocation  
15 of that increase across customer classes as inextricably linked.

16  
17 Impacts on Residential (1), Small Commercial (23) and Irrigation (10)

18 Classes

19 Q: **HOW DO THE RATE SPREAD ASPECTS OF THE STIPULATION**  
20 **IMPACT THE MAJORITY OF THE COMMITTEE'S CONSITUENT**  
21 **GROUPS?**

22 A: The Residential (1) and Small Commercial (23) classes receive rate  
23 increases of 3.8% [\$43.9 million], which are below the jurisdictional

1 average increase of 4.7% [\$51 million]. Based on the Company's cost-of-  
2 service study, these two classes showed returns that were superior to all  
3 other classes and are deserving of rate increases that are below the  
4 jurisdictional average.

5

6 Since the Company has ceased collecting load data for irrigators, the  
7 Company, Division and Committee have an agreement that the irrigation  
8 class (10) should receive the jurisdictional average rate change in all rate  
9 cases. Thus, the rate increase for the irrigation class is 4.7%.

10 **Q: PLEASE BRIEFLY DISCUSS HOW THE RATE DESIGN ASPECTS OF**  
11 **THE STIPULATION AFFECT THE CUSTOMER CLASSES THE**  
12 **COMMITTEE REPRESENTS.**

13 **A:** (1) The Committee was able to successfully negotiate leaving the  
14 residential customer charge at \$0.98/month in return for a commitment to  
15 further study this issue in the COS task force proposed as part of this  
16 stipulation. While we have agreed to examine the issue, the Committee  
17 believes that maintaining a low (\$0.98/month) customer charge is strongly  
18 supported in past Commission Orders.

19 (2) The Residential 1 inverted block rate structure is unchanged from the  
20 last case. The primary objective of this rate structure is to target, and  
21 attempt to reduce, peak usage during the summer months by sending  
22 proper price signals to residential customers. As part of the COS task  
23 force, it would be sensible for interested parties to study and report on

1           whether this rate structure –particularly the \$0.09/kWh tailblock-- is having  
2           the desired effect on residential usage patterns during the summer peak  
3           period.

4           (3) The summer/winter price differentials for Schedule 23 comport with the  
5           rate design that was implemented in the last rate case.

6

7           Reporting Requirements and Task Forces

8    Q:    **DO YOU HAVE COMMENTS ON EITHER THE MODIFIED REPORTING**  
9           **REQUIREMENTS CONTAINED IN THE STIPULATION OR THE**  
10          **PROPOSED TASK FORCES?**

11   A:    I have two comments. First, utilities invariably have in their possession a  
12          substantial amount of information and data that regulators and interveners  
13          require to adequately review the reasonableness of a utility's rate case  
14          filing. In order to streamline the discovery process in rate cases and make  
15          it more effective, I think it is imperative for the Commission to design and  
16          implement minimum filing requirements. Such requirements should  
17          clearly specify what level of detail (exhibits, workpapers, models, studies)  
18          is required to support a utility's proposed changes in revenue, expense  
19          and investment levels.

20

21          Secondly, the Committee plans to actively participate in the task forces  
22          identified in various paragraphs to the stipulation.

23

1            Public Interest

2    Q:    **DOES THIS STIPULATION RESULT IN A FAIR AND REASONABLE**  
3            **COMPROMISE OF ALL ISSUES IN THIS RATE CASE DOCKET AND IS**  
4            **IT IN THE PUBLIC INTEREST?**

5    A:    Yes.

6    Q:    **DOES THIS CONCLUDE YOUR TESTIMONY ON THE PROPOSED**  
7            **STIPULATION?**

8    A:    Yes it does.

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