

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE)
APPLICATION OF PACIFICORP)
FOR APPROVAL OF ITS PROPOSED)
ELECTRIC SERVICE SCHEDULES &)
ELECTRIC SERVICE REGULATIONS)**

**Docket No. 06-035-21
RATE DESIGN STIPULATION
TESTIMONY OF
WILLIAM R. GRIFFITH**

September 15, 2006

1 **Q. Please state your name.**

2 A. My name is William R. Griffith.

3 **Q. Did you previously offer testimony in this proceeding?**

4 A. Yes, I have previously filed direct testimony in this case.

5 **Purpose of Testimony**

6 **Q. What is the purpose of your testimony?**

7 A. On March 7, 2006, PacifiCorp filed an application, together with revenue
8 requirement, cost of service, rate spread and rate design testimony, for a rate
9 increase of \$197.2 million based on a 12 month forecast test period ending
10 September 30, 2007. On April 5, 2006, in compliance with the provisions of
11 Commitment U23 of Appendix A to the Stipulation in Docket No. 05-035-54,
12 PacifiCorp filed supplemental testimony that reduced the Company's proposed
13 rate increase from \$197.2 million to \$194.1 million. As Mr. Taylor has testified,
14 as a result of settlement negotiations, the parties reached agreement on the
15 revenue requirement and rate spread issues in this proceeding as specified in the
16 Stipulation which was filed with the Commission on July 26, 2006.

17 In addition, as a result of additional settlement discussions, the Company,
18 Division of Public Utilities, Utah Association of Energy Consumers, Utah
19 Industrial Energy Customers, Federal Executive Agencies, Utah Manufacturers
20 Association, Kroger, and Central Valley Water (the intervening parties
21 representing customers served on Schedules 6, 8, 9 and 31) have reached
22 agreement on the rate design for those schedules. Two Rate Design Stipulations
23 have been filed with the Commission. The first Rate Design Stipulation

24 addressed rate design issues for Schedules 6, 6A, and 6B (Schedule 6 Stipulation)
25 and was filed with the Commission on August 25, 2006. The second Rate Design
26 Stipulation addressed rate design issues for Schedules 8, 9, and 31 (Schedule
27 8/9/31 Stipulation) and was filed with the Commission on September 15, 2006.

28 The purpose of my testimony is to present the terms of the two Rate
29 Design Stipulations and explain why they are just, reasonable and in the public
30 interest.

31 **Terms of the Rate Design Stipulations**

32 **Q. Please briefly summarize the terms of the Revenue Requirement and Rate**
33 **Spread Stipulation.**

34 A. Under the terms of the Revenue Requirement Stipulation, customer rates will
35 increase by \$115 million, or 9.95%. That rate increase will be implemented in
36 two steps with an \$85 million (7.35%) increase on December 11, 2006, and an
37 additional \$30 million (2.60%) increase on June 1, 2007. In the Rate Spread
38 Stipulation the Parties agreed that the \$115 million increase in customer rates
39 specified in the Revenue Requirement and Rate Spread Stipulation, as allocated to
40 customer classes in accordance with the Rate Spread Exhibit, should be recovered
41 from the customer classes in accordance with the schedule specified in the
42 Revenue Requirement Stipulation.

43 **Q. Please describe the elements of the Schedule 6 Stipulation.**

44 A. Schedule 6. For Schedule 6, the parties agree that the Company's proposal to
45 increase the Customer Charge from \$15.00 to \$25.00 per month is reasonable.
46 The Parties also agree to apply a generally uniform percentage increase to demand

47 charges and the aggregated energy charges. In order to reflect seasonal costs, the
48 Parties agree to apply a summer/winter seasonal differential to the energy charge.
49 Presently for Schedule 6, demand charges are seasonally differentiated but energy
50 charges are not. This proposed revision to Schedule 6 would implement seasonal
51 differentiation for both demand and energy charges. This would implement
52 clearer seasonal price signals to these customers while limiting bill impacts. For
53 this rate change, the Parties agree that the appropriate energy charge differential
54 between the summer and winter rates would be approximately 2.3 mills per kWh.
55 The full detail of the stipulated rate design for Schedules 6, 6A, and 6B are found
56 in Attachment A to the Schedule 6 Stipulation.

57 **Q. Please explain the other terms in the Schedule 6 Stipulation.**

58 A. The Parties agree that a number of cost of service and rate design issues warrant
59 further discussion following the conclusion of this case. These issues are: the
60 winter on-peak period; the on-peak/off-peak price differential; and the
61 classification and allocation of distribution costs. The tasks agreed to by the
62 parties concerning each of these issues are specified in the stipulation.

63 **Q. Please describe the elements of the Schedule 8/9/31 Stipulation.**

64 A. Schedule 8. For Schedule 8, the parties agree that the Company's proposal to
65 increase the Customer Charge from \$15.00 to \$25.00 per month is reasonable.
66 The Parties also agree to apply a generally uniform percentage increase to demand
67 charges and the aggregated energy charges. In order to better reflect seasonal
68 costs, the Parties agree to expand the on-peak and off-peak energy charge
69 differentials for both summer and winter rates. For summer rates, the parties

70 agree to increase the on-peak/off-peak energy charge differential from 10 mills
71 per kWh to 12 mills per kWh. For winter rates, the parties agree to increase the
72 on-peak/off-peak energy charge differential from 3 mills per kWh to 4 mills per
73 kWh.

74 Schedule 9. For Schedule 9, the parties agree that the Company's proposal to
75 increase the Customer Charge from \$100.00 to \$170.00 per month is reasonable.
76 In addition, as was agreed to for Schedule 8, The Parties also agree to apply a
77 generally uniform percentage increase to demand charges and the aggregated
78 energy charges. The Parties agree to apply the same on-peak and off-peak energy
79 charge differentials to Schedule 9 rates for both summer and winter rates as was
80 agreed to for Schedule 8. That is, for summer rates, the parties agree to increase
81 the Schedule 9 on-peak/off-peak energy charge differential from 10 mills per
82 kWh to 12 mills per kWh. For winter rates, the parties agree to increase the
83 Schedule 9 on-peak/off-peak energy charge differential from 3 mills per kWh to 4
84 mills per kWh.

85 Schedule 31. Rates for Schedule 31 are based on Schedule 6, Schedule 8 and
86 Schedule 9 rates. As such, the facilities charges and back-up power charges for
87 Schedule 31 will increase by an equal percent and the supplemental service and
88 energy charges will reflect the changes for Schedule 6, Schedule 8 and Schedule 9
89 as appropriate.

90 The proposed rates in the Schedule 8/9/31 Stipulation will give customers a
91 stronger signal to minimize on-peak loads while minimizing bill impacts on
92 customers who are unable to shift load. The full detail of the stipulated rate design

93 for Schedules 8, 9, and 31 are found in Attachment A to the Schedule 8/9/31
94 Stipulation.

95

96 **Conclusion**

97 **Q. Do you believe the Rate Design Stipulations are fair and in the public**
98 **interest?**

99 A. Yes. They are based on the combined efforts of the Company, the Division of
100 Public Utilities and six additional parties representing a diverse cross section of
101 our commercial, industrial, and governmental customers. The Stipulations settle a
102 number of rate design issues reducing litigation expense for all parties, give
103 clearer price signals to customers, and assure further discussion of important
104 issues to the Company and its customers. For these reasons, I believe that the
105 Stipulations are just, reasonable and in the public interest and should be approved
106 by this Commission.

107 **Q. Does this conclude your testimony?**

108 A. Yes.